

BANK ISLAM

40 1983-2023
YEARS

INTEGRATED REPORT **2022**



40 Years of Advancing Prosperity for All

About Our Report

Corporate Book

CONTENTS

- Provides a comprehensive overview of the Group's performance for 2022 and the outlook for 2023

REGULATIONS COMPLIED

- Malaysian Financial Reporting Standard
- Companies Act 2016
- Bursa Malaysia's Sustainability Reporting Guide
- FTSE4Good Bursa Malaysia
- Global Reporting Initiative G4
- Malaysian Code on Corporate Governance (MCCG 2021)

SCOPE AND BOUNDARY OF REPORTING

This Integrated Annual Report (IAR) is produced and published annually and covers our financial and non-financial performance for the reporting period of 1 January 2022 to 31 December 2022 unless otherwise stated.

The report provides a complete and balanced review of the primary activities of the Group, namely our overall performance and the delivery of initiatives towards achieving our goals, providing material information relating to our strategy and business model, operating environment, material risks, stakeholder interests, performance, governance and prospects.

The boundary of the report extends beyond financial reporting. It includes non-financial performance, opportunities, risks and outcomes attributable to/or associated with our key stakeholders, which significantly influence our ability to create value.

REPORTING FRAMEWORKS

BIMB's integrated reporting process, as well as the contents of this report, are guided by the principles and requirements of the following:

- Value Reporting Foundation (VRF)
- Malaysian Code on Corporate Governance (MCCG 2021) by Securities Commission Malaysia
- Companies Act 2016
- Bank Negara Malaysia Corporate Governance Policy

Our **financial statements** for the Financial Year Ended 31 December 2022 have been prepared in accordance with the following:

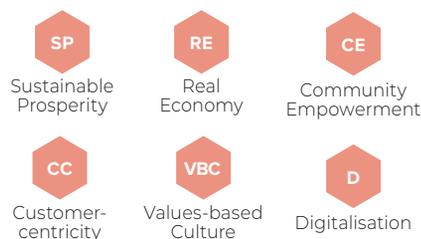
- Malaysian Financial Reporting Standards (MFRS)
- International Financial Reporting Standards (IFRS)
- Companies Act 2016
- Bank Negara Malaysia Policy Documents and Guidelines
- Islamic Financial Services Act 2013

How to navigate our report

CAPITALS



STRATEGIC FOCUS AREAS



KEY RISKS



MATERIAL MATTERS



MATERIALITY AND MATERIAL MATTERS

This report aims to disclose information about matters that substantively affect our ability to create value over the short, medium and long-term and to deliver on our core purpose. A thorough assessment of material issues to BIMB was conducted in 2022. Material issues were identified based on evaluating how we create value, the impact of the external operating context on the value creation, our stakeholders' material interest, and the principal risks facing the Group.

The content of this report focuses on the issues, opportunities and challenges that are material to both our stakeholders and our business, which consequently impacts our performance.

By applying the principle of materiality to our reporting disclosures, we present vital topics that influence the Group's strategy for creating long-term value for our key stakeholders.

COMBINED ASSURANCE

Our robust internal control and good governance practices support the report development process. Our Board of Directors (Board) provides assurance for this report, supported by external verification by PwC Malaysia, our auditors for financial information and providers of limited assurance on selected non-financial information.

FORWARD-LOOKING STATEMENTS

This IAR contains certain forward-looking statements about BIMB's future performances and prospects. These statements and forecasts are based on current assumptions, judgements and involve uncertainties as circumstances may change. Various factors may cause actual results to differ materially from those expressed or implied by these forward-looking statements, such as several emerging risks and other factors that could adversely impact our business and financial performance. As such, these forward-looking statements should not be construed as guarantees to BIMB's future performance.

APPROVAL BY THE BOARD

BIMB's Board acknowledges its responsibility in ensuring the integrity of this IAR, which in the Board's opinion, addresses material issues to the Group's ability to create value and fairly presents BIMB's performance for the year 2022.

This Annual Report for the financial year ended 31 December 2022 was approved by the Board on 19 April 2023, and signed on its behalf by:



Tan Sri Dr Ismail Haji Bakar
Chairman



This report can be accessed online via BIMB website:

<https://www.bankislam.com>

Rationale

Bank Islam Malaysia Berhad (BIMB) has been at the forefront of advancing prosperity for all our customers for 40 years. As we move forward, we remain committed to our core objective of creating sustainable value for our stakeholders.

To achieve this, we have redefined our growth strategy and embraced innovative methods to future-proof our business. Our LEAP25 business strategy roadmap underpins our transformation journey, as we focus on driving sustainability, pursuing new opportunities, accelerating digital initiatives, and enhancing efficiency.

At the heart of our transformation programme is a customer-centric approach, coupled with our broad range of offerings and comprehensive digitalisation efforts. We believe this approach will help us to create new growth opportunities, while also enabling us to contribute to sustainability, green financing, Shariah-ESG and ESG-compliant investing.

As we celebrate 40 years of advancing prosperity for all, we are proud of our achievements and excited about the opportunities ahead. We remain committed to delivering innovative solutions and unparalleled customer experiences, while staying true to our values of integrity, excellence, and social responsibility.



The cover design features an illustration of a skyline with Bank Islam at the forefront of advancing prosperity for the nation.

Inside Our Report

About Our Report

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40th

Annual General Meeting of Bank Islam Malaysia Berhad

- ✓ Online Broadcast Venue, Level 10, Menara Bank Islam, 22 Jalan Perak, 50450 Kuala Lumpur
- ✓ Friday, 26 May 2023
- ✓ 10.00 a.m

<https://www.bankislam.com>

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Form of Proxy

Overview of BIMB

VISION

The bank that advances prosperity for all



MISSION

To provide solutions that deliver value



OUR BRAND PROMISE

Assuring Trust. Delivering Value.



TAAT VALUES

Think Customer
Act with Integrity
Advance Beyond
Take Charge

WHO WE ARE

Bank Islam, Malaysia's first Islamic Bank, was established on 1 July 1983 (20 Ramadan 1403H) and listed on the Main Market of Bursa Malaysia on 8 October 2021 as Malaysia's first publicly listed Islamic bank. A full-fledged and pure-play Islamic bank with 135 branches and over 900 self-service terminals nationwide, Bank Islam provides banking and financial solutions that strictly adhere to the Shariah rules and principles and are committed to the ideals of sustainable prosperity and ESG values. Our core subsidiaries, BIMB Investment Management Berhad and BIMB Securities Sdn Bhd, are pioneers in various Islamic financial services.

We strive to create opportunities and improve lives by offering end-to-end financial solutions for our diverse customers, stakeholders, and communities. As the leading Islamic bank in Malaysia, we nurture responsible growth and progress, using our expertise and experience to help our customers achieve success and build a sustainable future for all.

 <https://www.bankislam.com>

HIGHLIGHTS

- ✓ MARKET CAPITALISATION **RM5.9** billion
- ✓ DIVIDEND PAID **13.80** sen
- ✓ REVENUE **RM3.6** billion
- ✓ TOTAL CUSTOMERS **>5.7** million
- ✓ PROFIT BEFORE ZAKAT & TAX **RM746.9** million
- ✓ TOTAL EMPLOYEES **4,744**
- ✓ PRESENCE **135** branches in Malaysia

2022 Key Highlights

FINANCIAL HIGHLIGHTS

PROFIT BEFORE ZAKAT AND TAX
RM746.9
 million
 (2021: RM704.2 million)

TOTAL ASSETS
RM89.9
 billion
 (2021: RM80.2 billion)

GROSS IMPAIRED FINANCING RATIO
1.27%
 (2021: 0.96%)

RETURN ON EQUITY
11.3%
 (2021: 11.1%)

CASATIA RATIO
36.8%
 (2021: 39.6%)

ASSET GROWTH
12.1%
 (2021: 7.4%)

FINANCING GROWTH
11.6%
 (2021: 6.4%)

BUSINESS HIGHLIGHTS



Won **The E-Commerce – Financial Services Award** at the Malaysia Technology Excellence Awards 2022



Expanded **Halal economy financing portfolio** by collaborating with HDC, MATRADE, SME Corp & SME Malaysia



Launched **Be U by Bank Islam**, a fully cloud-native digital banking proposition



30,000 registered users on BEST app involving approximately **RM30 million** in investment

SUSTAINABILITY HIGHLIGHTS

ENVIRONMENTAL



Opened the **1st environment-friendly branch** in the country

ECONOMIC

GREEN FINANCING PORTFOLIO OF
RM2.9
 billion
 (2021: RM2.2 billion)

AMOUNT DISTRIBUTED TO ITEKAD MICROFINANCE PROGRAMME
RM4.65
 million

SOCIAL

EMPLOYEE ENGAGEMENT READINESS INDEX
88%

FUND COLLECTED FOR SADAQA HOUSE
RM7.3
 million



Fully implemented the **BNM Climate Change and Principles-based Taxonomy (CCPT)**

SADAQA HOUSE & AMAL BY BANK ISLAM BENEFICIARIES REACHED

31,608

Awards & Recognition

BANK ISLAM MALAYSIA BERHAD

1. **The BrandLaureate Best Brands Awards 2021-2022**
 - Nation's Pride (SME Development)
2. **Islamic Retail Banking Awards Cambridge IFA**
 - Islamic Retail Banking Leadership Award 2022
3. **PayNet – Compliance Engagement Session 2022**
 - Best Independent Assessment 2021
 - 2nd Place for Retail & Standalone Bank Category
 - Best Independent Assessment 2019
 - 1st Place for Retail Standalone Category
4. **Malaysian E-Payments Excellence Awards 2022 by PayNet:**
 - Best Participant Award
 - Best DirectDebit Bank
 - Best e-Payments Acceptance Growth Award
 - Best JomPay Acquirer
 - Best e-Payments Acceptance Growth Award
 - Best DirectDebit Acquirer (Bank)
5. **Putra Brand Awards 2022**
 - The People's Choice (Bronze), (Banking, Investment & Insurance)
6. **International Business Review ASEAN Awards 2022**
 - Corporate Excellence in the Finance and Investments Sector (Green Financing)
7. **Sustainability and CSR Malaysia Awards 2022**
 - Long-Standing Excellence in Sustainability
 - Bank of The Year (Islamic Banking) for Excellence in Flood and COVID-19 Relief Efforts
8. **The Asset Triple A Islamic Finance Awards 2022:**
 - Best SRI Sukuk (Malaysia)
 - Pengurusan Air Selangor 430 million Ringgit SRI Murabahah Sukuk: Principal Adviser, Lead Arranger, Lead Manager and Shariah Adviser
 - Best New Sukuk (Malaysia)
 - Bank Simpanan Nasional 750 Million Ringgit Triple-Tranche Wakala Sukuk: Lead Manager
9. **Asset Benchmark Research Asian Local Currency Bond Benchmark Review 2022**

Joseph Ng (Bank Islam), Best Individual in Trading, Malaysian Ringgit bond
10. **Commvault Connections 2022**
 - Customer Innovation Awards
 - Finalist
11. **The Red Hat Awards 2022**
 - The Red Hat Innovation Awards for Malaysia

12. Syarikat Jaminan Pembiayaan Perniagaan (SJPP)

- House & Fixed Assets Financing
 - Top participating Bank of Skim Rumah Pertamaku (SRP) (House & Fixed Assets Financing)

BIMB INVESTMENT

1. The Edge ESG Awards 2022

- BIMB-Arabesque Global Shariah-ESG AI Tech MYR – Best Fund Based on Asset Class
 - Equity – Gold
- BIMB-Arabesque Global Shariah-ESG AI Tech MYR
 - Best Overall Winner – Gold

BIMB SECURITIES

1. Bursa Malaysia

- Retail Investor Campaign 2021
 - Top Dealer Category
- Highest Number of New Accounts Opened (Shariah)
 - Farah Fathiah Muzaffar Shah

2. Islamic Market

- 2022 Best Overall Bursa Malaysia-i Participating Organisation
 - 1st Runner Up
 - 2nd Runner Up
- 2022 Best Institutional Bursa Malaysia-i Participating Organisation
 - 1st Runner Up
 - 2nd Runner Up
- 2022 Best Retail Bursa Malaysia-i Participating Organisation
 - 1st Runner Up
 - 2nd Runner Up
- 2022 Best Remisier
 - Muhammad Maherilham Alias (1st Runner Up)
 - Dzulhilman Sulaiman (2nd Runner Up)



Our Competitive Advantages



Banking on Shared Success:
Advancing Prosperity for the Good of All



Sizeable Green Financing Portfolio, **targeted to double Shariah-ESG assets by 2025**



Dedicated Centre of Social Finance
– **Group Financial Inclusion**



Robust Shariah Governance Framework



Values-based Culture, with emphasis on **Shariah Goals and VBI Principles**



Strong balance sheet and performance track record, with **AA3/Stable/P1 rating by RAM Ratings**



The Region's **First Full-Fledged Islamic Banking Institution**



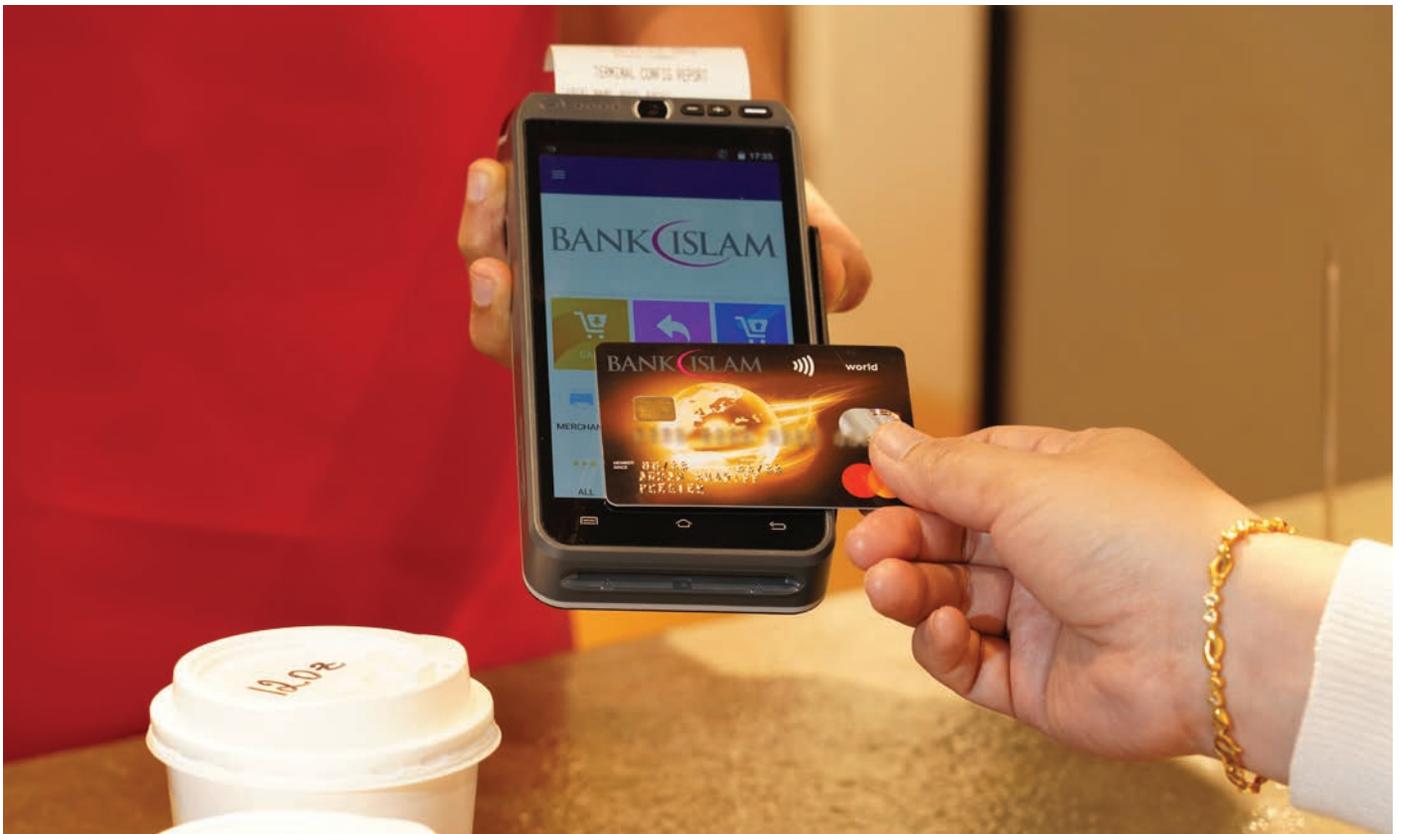
Malaysia's Strongest Islamic Retail Bank for 2020 (accorded by Cambridge IFA)



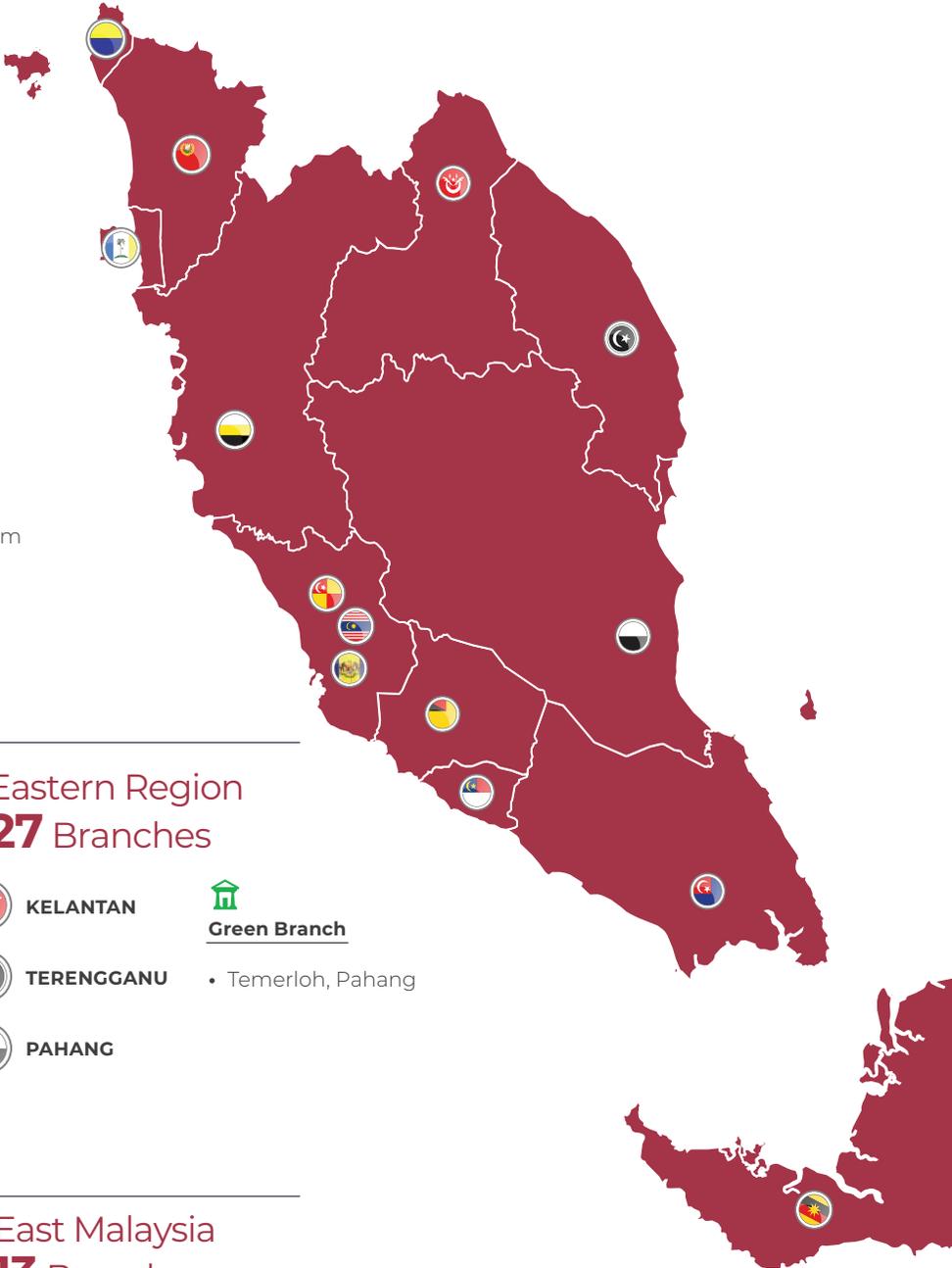
World's 3rd Largest Global Shariah-ESG Equity Fund



Malaysia's Largest Network of Dedicated Islamic Banking Channels



Our Presence



Branches

→ Central Region 45 Branches

-  KUALA LUMPUR
-  SELANGOR
-  PUTRAJAYA

 **Contact Centres**

- Menara Bank Islam
- Wangsa Maju

→ Southern Region 24 Branches

-  JOHOR
-  MELAKA
-  NEGERI SEMBILAN

→ Eastern Region 27 Branches

-  KELANTAN
-  TERENGGANU
-  PAHANG

 **Green Branch**

- Temerloh, Pahang

→ Northern Region 26 Branches

-  KEDAH
-  PERLIS
-  PULAU PINANG
-  PERAK

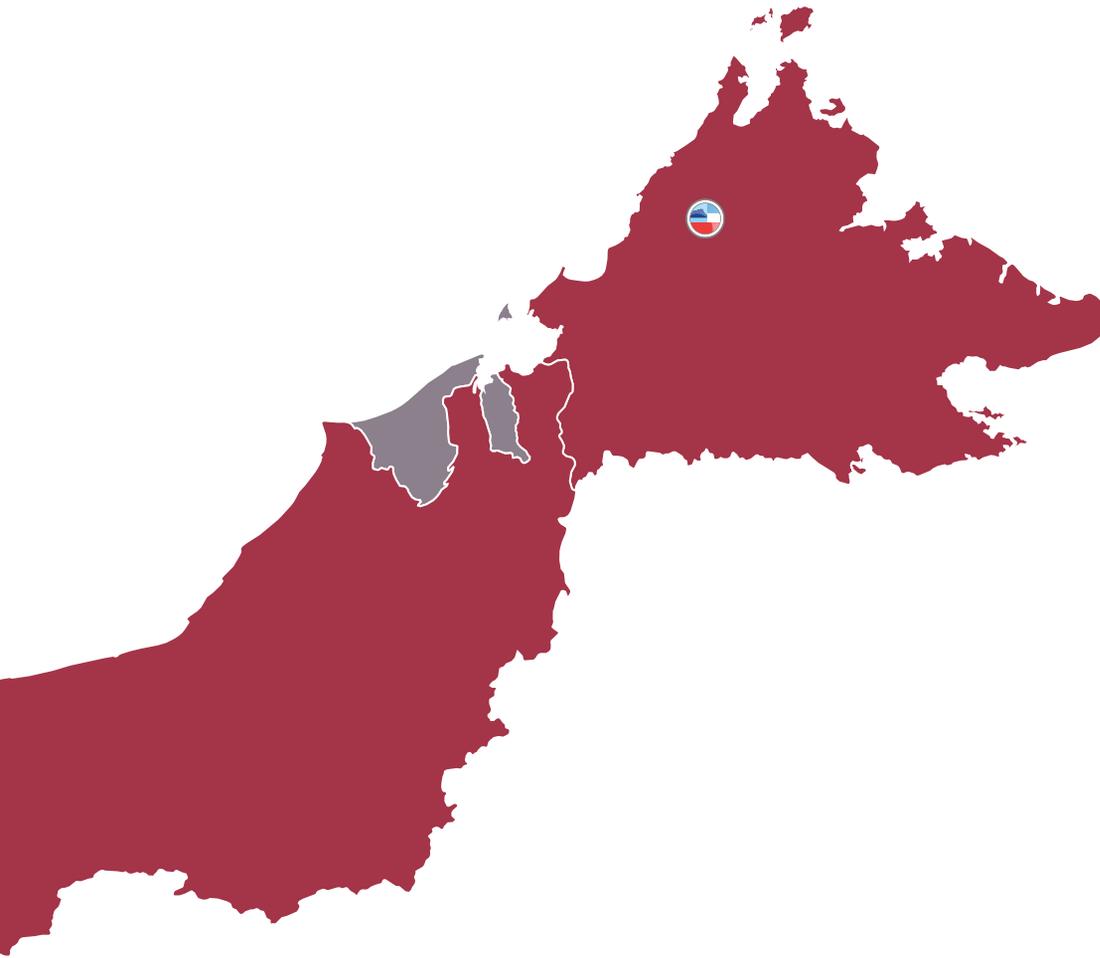
 **Green Contact Centre**

- Sungai Petani, Kedah

→ East Malaysia 13 Branches

-  SABAH
-  SARAWAK

The **first Islamic Bank** established in **Malaysia** and **Southeast Asia**



WORKFORCE

4,744



TOTAL CUSTOMERS

>5.7 million

Cash Recycler
Machines (CRM)

496



Automated Teller
Machines (ATM)

451

Total of Self-service
Terminals (SST)
Nationwide

947



Scan the QR code for the details of our
BRANCH NETWORK or log on to
<https://www.bankislam.com>

What We Do

Core Businesses

RETAIL BANKING

A comprehensive suite of services that include deposit and personal investment products, bank card solutions, financing products, including personal, home and vehicle, and transactional banking services.

Strengths and Differentiation:

- 1 Competitive financing rates in the market.
- 2 Convenience for customers through our "Doorstep Banking" service.
- 3 Substantial public impression of Al-Awfar products that generate good returns through attractive prizes.
- 4 Award-winning debit card solutions with appealing co-branding initiative.

SME BANKING

A wide range of business financing facilities, catering to commercial vendors and SMEs, which include vendor financing, business premises financing and contract financing service.

Strengths and Differentiation:

- 1 Customised financing facilities that cater to different client needs.
- 2 Innovative offers for different customer appetites.
- 3 Strong rapport with strategic partners for comprehensive financial solutions.
- 4 Provision of special programmes to nurture SME entrepreneurs.

COMMERCIAL AND CORPORATE BANKING

1 Trade Financing

- Letter of Credit-i (LC-i)
- Trade Working Capital Financing-i (TWCF-i)
- Accepted Bills-i (AB-i)
- Shipping Guarantee-i (SG-i)
- Bank Guarantee-i (BG-i)
- Foreign Currency Exchange (Forex-i)

2 Working Capital

- Revolving Credit-i
- Business Cash Line-i
- Business Financing-i

3 Term Financing

- Business Financing-i
- AITAB-i

Strengths and Differentiation:

- 1 Provide customised financing solutions and banking services tailored to the client's needs, which support the growth of their businesses whilst maintaining nationwide coverage.
- 2 Innovative offerings for different customer appetites.
- 3 Strong rapport with strategic partners for comprehensive financial solutions.
- 4 Provision of special programs to nurture entrepreneurs.
- 5 Experienced in structured and project financing, especially in the green and renewable energy sector.

TREASURY & MARKETS

- 1 Money Market
- 2 Foreign Exchange (FX)
- 3 Fixed Income Markets
- 4 Structured products

Strengths and Differentiation:

- 1 Highly ranked team of qualified professionals with the required competency to deliver the desired financial results.

CAPITAL MARKETS & CORPORATE ADVISORY

- 1 Origination and execution of Islamic Securities and syndicated financing solutions
- 2 Corporate advisory

Strengths and Differentiation:

- 1 Experienced in facilitating projects as the Lead Arranger and Book Runner

BIMB INVESTMENT

Offers Shariah-ESG funds in Malaysia across multiple asset classes including:

- Global Equities
- Asia Pacific Equities
- Malaysia Equities
- Global ESG Sukuk
- Wakaf unit trust fund

Strengths and Differentiation:

- 1 BIMB Investment offers a comprehensive range of sustainable and responsible investment solutions.
- 2 Upholding Shariah-ESG Values.
- 3 Embracing Big Data and Artificial Intelligence to offer a transparent and superior product with a focus on risk management.

BIMB SECURITIES

- 1 Shariah Advisory Services
- 2 Underwriting and Placement
- 3 Custodian & Nominees Services
- 4 Share Margin Financing
- 5 Trading in Securities
- 6 Investment Advisory-Research & Economic Outlook.

Strengths and Differentiation:

- 1 Offering of personalised products and services at competitive and attractive rates.
- 2 Shariah Advisory services within the Capital Markets.
- 3 The only Islamic securities firm in Malaysia.

Our Product & Services

OUR PRODUCTS

- ✓ Personal Financing
- ✓ House Financing
- ✓ ASB Financing
- ✓ Vehicle Financing
- ✓ SME Financing
- ✓ Credit Card
- ✓ Ar Rahnū
- ✓ Takaful Protection
- ✓ Will Writing
- ✓ Deposit
- ✓ Investment Products

OUR DIGITAL ECOSYSTEM

- ✓ Connected Systems (Strategy & Technology)
 - IT Blueprint
 - CODE S+
 - Data Analytics
 - Fintech Partnerships
 - Cloud-Native Digital Banking
 - Robotic Process Automation (RPA)
 - Electronic Know Your Customer (eKYC)
- ✓ Connected Processes (People & Channel)
 - Digital Academy
 - Bank Islam Shared Values
 - Digital Bank through Be U
 - Mobile App
 - Internet Banking

OUR DIGITAL FACILITIES

- ✓ Internet Banking
- ✓ GO by Bank Islam
- ✓ GO Biz by Bank Islam
- ✓ Be U by Bank Islam
- ✓ Sadaqa House
- ✓ SMEXpert
- ✓ eBanker Pro
- ✓ eMasjid
- ✓ Halal Integrated Platform
- ✓ iPortal
- ✓ BEST App
- ✓ BIS Online
- ✓ TruRewards
- ✓ Merchant Portal
- ✓ EZXCCESS
- ✓ Virtual Account Opening (VAO)
- ✓ InfaqPay
- ✓ eJamin (Collaboration with Dapat)
- ✓ Wealth Tech (Collaboration with Arabesque)
- ✓ eWallet services (Collaboration with SnapNPay, kiplePay, GHL, MP@y, ME12PAY)



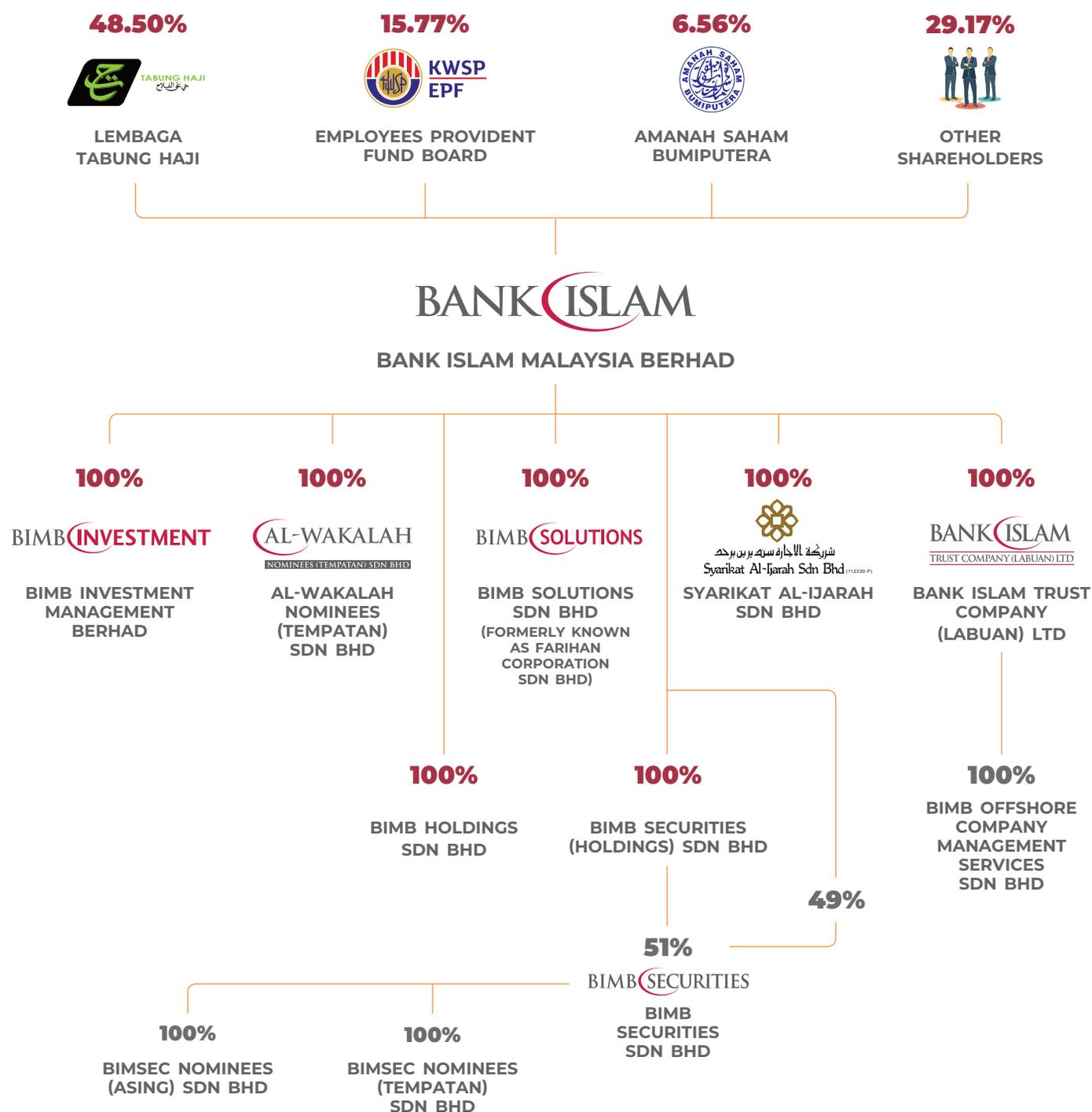
myWakaf MAIPs



SMExpert

How We Are Structured

As of 31 March 2023



Significant Events 2022

17 February



MoU Signing Between Bank Islam Malaysia Berhad and Malaysia Institute of Accountant

Bank Islam inks a memorandum of understanding (MoU) and strategic collaboration with three professional associations in the country, including the Malaysian Institute of Accountants, to provide a complete suite of Shariah-compliant financial solutions to its members.

6 March



Launching of Pasar Besar Siti Khadijah's Digital Transformation Programme

Pasar Besar Siti Khadijah's Digital Transformation Programme has succeeded in achieving 80% of its target, which is to encourage merchants to provide cashless payment services.

8 April



Al-Awfar Prize-Giving Ceremony

Four Al-Awfar account holders each won the grand prize worth RM1 million during the 2021 Al-Awfar Draw, while 10 Special Draw winners each received a luxury car consisting of a Mercedes-Benz and a Mazda CX-5 model.

27 May



Launching of Sadaqa House Orphan Fund

As part of our commitment, Bank Islam channelled RM761,000 to three of Sadaqa House's implementation partners, namely OrphanCare Foundation, Pertubuhan Kebajikan Anak Yatim Malaysia (PEYATIM) and Youth Empowerment Foundation (YEF) in support of the children's education. The fund aims to collect RM1 billion by 2040.

15 June



Launching of Bank Islam VISA FIFA-Themed Credit Card-i

Bank Islam, in partnership with Visa, launched the Visa FIFA-themed Credit Card-i to celebrate one of the world's biggest sporting events in 2022. Developed with football fans in mind, the Bank issued 10,000 Limited-Edition Visa FIFA-themed Credit Card-i to attract new card members.

Significant Events 2022

20 June



“Nak Cuti Le Tu...” Campaign Prize-Giving Ceremony

Bank Islam handed over two Proton X50 cars to two of the campaign winners. The campaign, organised from 8 January to 7 April, aims to promote a cashless culture among Bank Islam customers using the services provided by GO by Bank Islam mobile banking app and the Bank’s Internet Banking platform.

14 July



Launch of the Organisational Anti-Corruption Plan 2022-2025

BIMB launched its inaugural Organisational Anti-Corruption Plan (OACP) 2022-2025 to reflect its ongoing commitment to ensuring high conduct, governance and integrity values in all its businesses.

3 October



MoU Signing Between Bank Islam and Malaysian Public Sector Accountants Association (PSA)

Bank Islam and PSA established a strategic partnership to provide complete banking solutions to PSA members across the country covering personal, housing and vehicle financing; credit cards; property management services; deposits and Ar-Rahnu.

23 November



Bank Islam Visa FIFA-Themed Credit Card-i Campaign Prize-Giving Ceremony

Bank Islam announced 192 winners from its Limited-Edition Visa FIFA-Themed Credit Card-i Campaign.

The two grand prize winners travelled to Qatar to watch two World Cup quarter-finals matches and enjoyed additional prizes, including return tickets, accommodation and cash prizes worth RM10,000.

15 August



4-6 October



MoU signing between Bank Islam and The Selangor State Development Corporation (PKNS)

PKNS and Bank Islam signed an MoU to offer Islamic house financing based on the *Tawarruq* principle.



Global Islamic Finance Forum 2022

The Global Islamic Finance Forum 2022 (GIFF2022) aimed to generate an active discourse on the work required to strengthen Islamic finance's global leadership position. Critical discussions revolved around FinTech and digitalisation, zooming in on the journey from open banking to embedded finance and how to build digital financial services in easy steps. Panellists also offered a Shariah take on metaverse assets, cryptocurrency, Islamic social finance, Value-based Intermediation (VBI) and the intersection between sustainability and technology.

7 December



23 December



Kempen Pembiayaan ASB-i Prize-Giving Ceremony

Bank Islam gave away 47 prizes worth RM170,000 to its ASB Financing-i 2022 Campaign winners. The campaign aimed to promote Bank Islam's ASB Financing-i products and helping customers build basic savings while maximising their ASB investment returns.



MoU Signing Between Bank Islam and PPZ-MAIWP

Bank Islam partners with Pusat Pungutan Zakat, Majlis Agama Islam Wilayah Persekutuan (PPZ-MAIWP) to empower entrepreneurs through the iTEKAD Microfinancing Programme.

Under the MoU, micro-entrepreneurs who are PPZ-MAIWP's business tithe payers can apply for iTEKAD microfinancing, subject to eligibility.



In 2022, we launched an Organisational Anti-Corruption Plan, which serves as our guiding principle for reinforcing good governance practices across the organisation.



TAN SRI DR ISMAIL HAJI BAKAR
Chairman

From the Desk of the Chairman

Dear Stakeholders,

Since becoming Malaysia's first listed fully-fledged Islamic bank in 2021, we have made significant progress and maintained our growth momentum. We recorded solid financial returns while prioritising positive social impacts through financing decisions. Our performance demonstrates how businesses, particularly banks, can serve as a force for good. As the leading Islamic bank in the country, we have always balanced our profits with purpose. We strive to provide inclusive and accessible financial services to all segments of society, regardless of belief, to contribute to shared and sustainable prosperity. Our exceptional growth performance has surpassed major players within the industry, inspiring us to continue our mission. With this in mind, it is with pleasure that I share my assessment of the financial year 2022.

REVIEW OF THE YEAR

In 2022, the global economy started strong, with GDP growth rebounding to 3.4% after a V-shaped rebound of 6.3% in 2021. However, the Russia-Ukraine conflict caused humanitarian issues and profoundly affected the global economy, including spiking prices for gold, crude oil, and natural gas, shuddering stock markets, and emphasising the need for clean energy.

Inflation also surged in 2022, with levels not seen since 1996, causing poorer populations worldwide to be squeezed by rising costs for essential goods. Central banks worldwide raised their policy rates to combat inflation, but the pace of rate raises has yet to match inflation levels.

Despite these challenges, Malaysia's GDP growth came in at 8.7% highest in ASEAN for 2022, thanks to the government's decision to reopen international borders in April 2022. Private consumption has surged, and the labour market is well on a recovery trajectory with more jobs and business opportunities.



While the banking sector experienced low margin compression amid a record low overnight policy rate (OPR) of 1.75% in 2021, Bank Negara Malaysia's (BNM) decision to increase the rate by 100bps in 2022 to 2.75% is a positive development. Higher interest rates are generally a boost for banks' margins. However, the increased cost of funds could offset the positive impact due to heightened deposit competition.

Amidst the headwinds, Islamic banking has demonstrated stellar performance, outperforming conventional banking with a ten-year compound annual growth rate of 10.9%. Islamic banking's financing growth surged by 12.4%, powered by the global economy reopening, economic recovery, and higher digitalisation of financial services.

STRENGTHENING OUR INTEGRITY & GOVERNANCE

Good governance is a fundamental part of our organisational culture and is integral to our business sustainability. Our Board of Directors and leadership team are fully committed to ensuring that we have a robust governance framework that protects all our stakeholders' best interests.

In 2022, we launched an Organisational Anti-Corruption Plan, which serves as our guiding principle for reinforcing good governance practices across the organisation. This plan aims to promote transparency, accountability, and responsibility in all our business dealings. It outlines our commitment to compliance with regulatory requirements, ethical conduct, and risk management. The Integrity Plan sets clear expectations for our employees and reinforces the importance of adhering to our core values of integrity, respect, and professionalism.

Through the Integrity Plan, we have imposed measures that ensure a robust risk and compliance culture through persistent and focused efforts towards achieving a sustainable mindset change. We have launched awareness initiatives that aim to instil a risk and compliance culture mindset and provide quick refresher programmes to our first line of defence.

We have also implemented a continuous tracking and monitoring mechanism and empowered our people to drive the embedment of the risk and compliance culture. Our network of Business Risk and Compliance Officers is key to this effort, as they retrain our first line of defence and lead them by example, becoming the first point of contact to support our employees in embedding risk and compliance culture.



Islamic banking has demonstrated stellar performance, outperforming conventional banking with a ten-year compound annual growth rate of 10.9%. Islamic banking's financing growth surged by 12.4%, powered by the global economy reopening, economic recovery, and higher digitalisation of financial services.

In 2023, we will delve deeper into our employees' behavioural patterns to better understand the underlying cause and implement an effective behaviour change intervention programme. This will ensure a sustainable mindset change effort and solidify our commitment to a culture of integrity and compliance.

INTEGRATING SUSTAINABILITY INTO BIMB

Integrating environmental, social, and governance (ESG) principles in the Islamic banking sector is not new. Islamic banking has always been centred on ethical finance and sustainability principles, focusing on social responsibility and community development. As the world shifts towards a more sustainable future, BIMB has taken a leading role in promoting ESG principles within the industry.

BIMB's commitment to ESG is reflected in its strong performance and outpacing its competitors in sustainable finance. Over the past year, we have made remarkable progress in integrating sustainability into our operations, with the strong execution of BIMB's Sustainability Plan. We have launched five sustainability commitments, endorsed governance oversight on sustainability, and established a dedicated Sustainability Project Working Team (SPWT).

From the Desk of the Chairman

At BIMB, we have proactively promoted our ESG capabilities, spearheading a Value-based Intermediation Financing and Investment Impact Assessment Framework (VBIAF) Sectoral guide on waste management, which places us ahead of other industry peers.

Our efforts have not gone unnoticed. In 2022, we were honoured with four prestigious awards at The Asset Triple A Award ceremony, including The Best SRI Sukuk as Principal Adviser, Lead Arranger, Lead Manager, and Shariah Adviser. Our subsidiary, BIMB Investment Management Berhad (BIMB Investment), was named ESG Asset Manager of the Year for the third time.

At the Sustainability & CSR Malaysia Awards 2022, organised by CSR Malaysia, BIMB was recognised for Long-Standing Excellence in Sustainability and Bank of the Year (Islamic Banking) for Excellence in Flood and COVID-19 Relief Efforts. These accolades are a testament to our unwavering commitment to sustainability and social responsibility.

CREATING TRUST AMONGST OUR STAKEHOLDERS

BIMB's practice of stakeholder economy is centred on creating value for all stakeholders. As a responsible and credible bank, we are committed to serving the needs of our customers, employees, communities, and shareholders.

We recognise that employees are key to our success and growth. To future-proof the workforce, the Bank has implemented several measures to ensure that employees have the necessary skills and knowledge to co-evolve with the bank. This year, we launched BIMB's Digital Academy, a one-stop centre for our employees to access learning programmes grounded in practical application to real-world business challenges. Our learning pathways guide their upskilling journey, and we also provide them with references to subject matter experts in digital capabilities and updates on the latest digital skill courses.

Additionally, we remain steadfast in empowering communities, as reflected in LEAP25's strategic theme of "Enriching Communities". Our social initiatives to provide financial access and support to underserved communities through the Sadaqa House charity fund is a testament to our commitment to financial inclusion. We have set a target to channel RM1 billion in funds into Sadaqa House Orphan Fund by 2040, enabling us to support orphans from cradle to graduation. Since 2018, Sadaqa House had raised RM17.4 million in funds, benefitting 16,009 beneficiaries.

While we focus on creating value for all stakeholders, we also maintain our commitment to delivering sustainable and strong returns to our shareholders. We are pleased to report that our shareholders have shown their trust and support by reinvesting their dividends into the bank through our Dividend Reinvestment Plan (DRP), with an almost 90% participation rate. This demonstrates their confidence in our business and our ability to deliver long-term value.

OUTLOOK & ACKNOWLEDGEMENTS

Despite the challenges from 2022 spilling over into the upcoming financial year, BIMB is confident in the country's diverse economic structure and sound fundamentals to cushion growth headwinds in 2023. While a slowdown is inevitable, timely policy interventions can mitigate its impact. However, a moderation in global economic growth coupled with a higher interest rate environment may slow growth momentum and weigh on Islamic Banks' asset quality in 2023.

Nonetheless, BIMB has ensured adequate impairment provisioning levels to manage asset-quality deterioration. Given the improving labour market and still-expanding economy, the growth rate is expected to outpace Conventional Banking performance, with GDP projected to grow by 4.5% during the year.

The Board will continue to guide the Group to remain on track with our transformation strategy. BIMB will remain flexible and agile in a dynamic market. The focus will be on building digital capabilities to become a customer-centric digital bank that offers seamless and innovative products and services. We will also use our financial strength to influence positive environmental and social outcomes towards a sustainable future.

In closing, I would like to express my gratitude to all our stakeholders for their unwavering support. I would like to extend a special thank you to Encik Ridza, our longest-serving board member, for his invaluable contributions to the Bank over the years. We are also grateful to Dato' Sri Khazali for his guidance during the chairmanship of the Board Nomination and Remuneration Committee (BNRC). I would also like to welcome the latest addition to our Board of Directors, the esteemed Dato' Prof Dr Noor Inayah Yaakub. As our newest Independent Non-Executive Director, she brings a wealth of knowledge and experience to the table. With her appointment, we have made significant progress towards our goal of greater gender diversity, with women now making up 30% of the Board.

TAN SRI DR ISMAIL HAJI BAKAR
Chairman

**MOHD MUAZZAM MOHAMED**

Group Chief Executive Officer

Dear Stakeholders,

I am pleased to report BIMB's outstanding performance in 2022, despite the significant headwinds that continue to challenge our ability to serve our stakeholders. Our resilience during these unprecedented times is a testament to our unwavering commitment to helping our customers while achieving our financial goals. Our adherence to Value-based Intermediation (VBI) has been instrumental in our resilience and continued growth. Sustainability has been a fundamental part of our DNA long before it became mainstream in the business environment. This approach has allowed us to navigate social and environmental risks, such as pandemics and climate change, to deliver shared growth and prosperity for our customers and society at large.

Group Chief Executive Officer Statement

THE BANKING LANDSCAPE: OUR STANDING IN THE MARKET

In 2022, Malaysia's banking industry demonstrated strength despite global events and market uncertainties. The net financing growth in the industry has increased by 4.9% year-on-year (YoY), with household, personal, and term financing being the primary drivers of the growth. However, loan indicators such as loan applications and approvals have contracted month-on-month (MoM) in the past two to three months, indicating signs of weakening in the leading loan indicators.

On the other hand, BIMB has outpaced the banking industry's loan expansion, with financing growth mainly contributed by household, personal, and term financing. The growth in outstanding credit card receivables and Ar-Rahnu also climbed 21.5% compared to December 2021. However, the Gross Impaired Financing (GIF) ratio was higher at 1.27% as of December 2022, mainly due to higher impairment incurred in households and business financing. BIMB has implemented adequate measures to manage the GIF ratio and assure stakeholders.

The industry faces challenges posed by vulnerable household and SME borrowers who could not resume loan repayments after exiting the repayment assistance programme and defaults of specific corporate borrowers. Malaysian banks are strong in terms of their liquidity coverage ratio, whereby should the situation affect the liquidity in the market, banks are resilient enough to face the situation.

Group Chief Executive Officer Statement

The banking system recorded healthy liquidity positions, with the aggregate Liquidity Coverage Ratio (LCR) at 154.1% in December 2022 due to sustained deposit growth supporting banks' lending activities. BIMB's LCR was above the industry average at 170.4%, which depicted sufficient liquidity and acted as a financial cushion in uncertain economic conditions. BIMB's capital buffers remained strong, with a total capital ratio of the Group at 19.4% as of the end of December 2022, higher than the industry average, providing the Bank with a better capacity to handle unforeseen losses or financial downturns.

BIMB experienced a deterioration in non-fund-based income (NFBI), primarily from higher marked-to-market losses on investment due to surging bond yields and higher forex revaluation losses caused by shifting market conditions. Nonetheless, the Bank's stronger fees and commission income growth helped to offset the drag in NFBI.

Overall, the domestic financial system is well-positioned to support economic recovery. BIMB remains focused on minimising adverse consequences during this period of uncertainty while proactively seeking growth opportunities.

BIMB's capital buffers remained strong, with a total capital ratio of the Group at 19.4% as of the end of December 2022, higher than the industry average, providing the Bank with better capacity to handle unforeseen losses or financial downturns.



Green Financing portfolio grew to **RM2.9 billion** (2021: RM2.2 billion)

OUR SEGMENTAL PERFORMANCE: KEY HIGHLIGHTS AND ACHIEVEMENTS

BIMB's strong performance during the reporting year is reflected in the progress achieved across our various business segments, showcasing the effectiveness of our strategy and customer-centric approach.

The **Consumer Banking** division saw significant growth in 2022, with a 9.3% increase attributed to the post-pandemic economic recovery and improved employment rates. This division is committed to helping lower-income customers achieve their dream of homeownership, and the innovative Home Financing-i with Bullet Payment plan has made it easier for customers to acquire residential properties with enhanced payment options, lower commitments, and broader financial eligibility. As part of our commitment to sustainability, Consumer Banking also introduced House Financing for Solar Panels and Hybrid & Electrical Vehicle (HEV) Financing, with RM17 million disbursed for 127 HEVs in 2022. With an increased penetration in the Non-National Vehicle portfolio of RM143.6 million, Consumer Banking remains dedicated to providing innovative and sustainable solutions for its customers.

 See page 70 for more information.

Corporate and **Commercial** Banking segments focused on providing excellent customer service and tailored solutions to meet the unique needs of their clients.

Despite the challenges posed by the pandemic, Corporate and Commercial Banking have actively captured and retained quality corporate customers by providing bespoke financing solutions and banking services tailored to their unique needs. Guided by the "Think Customer" Value, the segments responded quickly to accommodate customers' requests for financing moratoriums and financial assistance to alleviate the pandemic's impact. The segments have also utilised innovative non-fund-based instruments such as BG-i to structure facilities, improved its offering, and championed the Bank Guarantee issuance for faster turnaround times.

By focusing on strategic sectors with increasing demand, Corporate Banking recorded a 36.1% asset growth to RM9.6 billion and a total gross income of RM298.5 million, with RM287.9 million from Fund-Based and RM10.6 million from Non-Fund-Based. In comparison, Commercial Banking saw a decrease in total assets by RM190.5 million (2.7%) to RM6.95 billion compared to 2021. However, there was an



increase in total gross income by RM25.3 million (8.3%) to RM329.1 million, mainly driven by a higher fund-based income of RM308.1 million.

See pages 84 & 89 for more information.

SME Banking strengthened its position as a leading financial solution provider for SMEs by introducing new financing programs such as SME Exporter and SME Smart Eco, increasing our client base and leveraging BNM funding initiatives to promote business recovery, growth, and sustainability. We also engaged in strategic collaborations with partners to expand our market outreach and meet their members' financial needs. In March 2022, we partnered with MIDA to support grant recipients in purchasing machinery and equipment upfront, while in April 2022, we signed an MoU with iPORTAL Live Sdn Bhd to bring our Islamic financial solutions onto a global platform, enabling digital connectivity for all sectors in the Halal Economy. Although the Non-SME segment's asset contribution decreased to RM5.13 billion, BIMB remains optimistic about its growth potential. Despite an increase in Commercial's GIF ratio to 2.70%, the Bank's risk management measures remain proactive, and the Past Due but Not Impaired (PDNI) ratio decreased to 0.14% in December 2022.

See page 80 for more information.

The **Deposits and Cash Management** segment delivered strong results, with a significant YoY increase of 18.4% in deposits and investments, totalling RM7.4 billion. The positive growth was largely attributed to the opening of all economic sectors in Q4 2021, which benefited the non-individual segment. Our customer-centric approach in 2022 led us to develop the Virtual Account Opening (VAO) process, in collaboration with eChannels, which facilitated a faster onboarding process for newly opened accounts. Additionally, we registered over 400 FPX merchants, gained 1,076 subscribers via MyPTPTN app, and acquired 14,256 GOBiz subscribers, while achieving 22,096 eBanker Pro subscribers. We also won three awards at the Malaysian ePayments Excellence Awards (MEEA) in April 2022, recognising our commitment to SMEs: Best JomPay Acquirer, Best Direct Debit Bank, and Best Direct Debit Acquirer (Bank).

See page 75 for more information.

BIMB Investment offers a wide range of Shariah-ESG funds across multiple asset classes and embraces innovation to provide an investment return to its investors. It leverages

Arabesque Asset Management's artificial intelligence (AI) investment tool to identify investable stocks that comply with our Shariah requirements and sustainable investment policy. BIMB Investment has made the Group proud by winning multiple awards and accolades throughout 2022. Amongst others, the fund management arm of BIMB was recognised in the Shariah-ESG space by winning The Edge ESG Awards in two categories, the Alpha Southeast Asia Awards and the Global Business Awards in 2022. Its assets under management (AuM) overall funds of RM1.01 billion and Shariah-ESG Fund of RM745.1 million is a testament to its 28-year commitment to Islamic Fund Management and its focus on Shariah-ESG investing since 2015. The company will continue to intensify its digital business by further enhancing and marketing its BEST app digitally, aiming to offer superior risk-adjusted investment solutions. BIMB Investment's digital initiatives are aligned with the Group's digital banking proposition and LEAP25 business strategy.

See page 98 for more information.

BIMB Securities experienced a 56% decline in revenue generation for the Retail segment due to a decrease in market volume from RM1.399 billion in 2021 to RM0.686 billion in 2022. However, the decline was partially offset by a 4% increase in share margin financing income. To increase market visibility, BIMB Securities expanded stock coverage from 36 stocks in 2021 to 66 in 2022, conducted events and company visits for institutional clients, and hosted weekly webinars and knowledge-sharing sessions for retail clients. The company also introduced the Financial Risk Advisory (FRA) System and digital signatures for the Online Trading Application Form (OTAF).

See page 104 for more information.

Treasury & Markets recorded growth in FX sales volume and total deposits despite intense competition and margin erosion. While wholesale funding costs contributed to margin compressions, liquidity metrics improved. Fixed income investments and trading activities were conservative, with a passive stance in the first half and cautious reinvestment throughout the year. Sukuk distribution performed well, with the Bank appointed as Lead Manager/Joint Lead Manager for 12 ESG-rated Sukuk distribution deals. The fixed-income team achieved a Top 5 ranking in Bloomberg's Malaysian Ringgit Islamic Sukuk League Table for 2022 and received accolades for Best SRI Sukuk and Best New Sukuk.

See page 95 for more information.

Group Chief Executive Officer Statement

PROPELLING OUR STRATEGIC TRANSFORMATION

BIMB has been actively working towards its LEAP25 targets, which are focused on being the bank that advances prosperity for all and provides solutions that deliver value. This five-year roadmap aims to deliver the promise of technology and redefine growth while addressing unprecedented challenges. By 2025, the Group aspires to be a champion in offering Shariah-Environmental, Social, and Governance (ESG) total financial solutions with leadership in digital banking and social finance.

Two years into LEAP25, we have made significant progress and are on track to achieving our 2025 targets, including more than doubling ESG-rated financing assets with a green financing portfolio of RM2.9 billion, creating impact for over 10,545 beneficiaries through social finance, and improving employee engagement and change readiness index to 88%. While sustaining an ROE was 11.3%, LEAP25 aims to increase NFBI contribution and reduce CIR to below 50% by 2025.

Our progress and achievements in LEAP25 are based on the strides made in our six key strategic pillars, as elaborated below.

1

Sustainable Prosperity: Continuous Sound Financial Performance

BIMB's commitment to sustainability extends to two key areas: the sustainability of our business and the sustainability of the environment and society. We remain focused on delivering long-term financial value as we progress towards a prosperous and sustainable future. In 2022, we surpassed expectations with a 6.1% increase in Profit Before Zakat and Tax (PBZT) year-over-year. Our star products, Personal Financing and Home Financing, experienced impressive growth of 9.6%. We are proud to report that our SME portfolio outperformed our target by a remarkable 70.7%, thanks to the tireless efforts of our dedicated sales force and their approach towards targeted sectors. Our sustained ROE of 11.3%, Return on Assets (ROA) of 0.9%, and asset growth and net financing growth of 12.1% and 11.6%, respectively, demonstrate our continued dedication to excellence. Additionally, we achieved a Current, Saving and Transactional Investment Account (CASATIA) ratio of 36.8% and a NIM of 2.31%.

Despite a 35.5% decline (at Group level) in NFBI due to losses in Unit Trust, Forex, and investment, we are delighted to see higher income from eChannels and Bancatakafu in our Consumer Banking sector, resulting in higher NFBI by 22.8% year over year. Our GIF ratio remains well below industry standards at 1.27%, and our LCR is well above the regulatory requirement of >100% at 170.4%. While our CIR increased to 59.8%, we are actively making progress on cost management.

In addition to strong financial results, we made significant headway in our sustainability journey. Within our operations, we continued to improve our environmental footprint through the GoGreen-Energy Efficiency initiative. Under this initiative, we established the country's first environment-friendly branch in Malaysia, located in Temerloh, Pahang. The green branch uses solar energy as a clean, renewable energy source, installing solar panels on the roof. In addition, it also uses a rainwater harvesting system to collect and reuse natural resources to promote the efficient use of water.

As a financial institution, our most significant impact and influence lie in where we channel our money. We are proud to have committed to doubling our green financing growth by 2025. As of 2022, we have approved RM2.9 billion in green financing and are on track to achieve our target.

Additionally, we recognise the urgent need to protect our business, customers, and society from social and environmental issues. To this end, we have embedded ESG risk in our risk management framework, marking a significant milestone in our efforts. This year, we have fully implemented the BNM Climate Change and Principles-based Taxonomy (CCPT), assessed the ESG risk and performance of our business financing customers and piloted the inclusion of ESG action plans and criteria in selected financing applications that involve high-risk sectors.



We have also developed an ESG Scorecard to embed climate risk criteria in portfolio risk assessments. We also preliminary assessed climate physical risk in our mortgage and financing portfolios. Furthermore, we have initiated scenario analysis and stress testing of our non-retail portfolio to strengthen our approach to sustainable finance further.

Supporting the shift to a low-carbon economy is an ethical imperative and a business advantage that brings growth opportunities. We have seen increased solar adoption in households, a drive towards carbon neutrality, and increased government support for the renewable energy industry. In response, we are actively pursuing strategic assessments of investment and acquisition into renewable energy. These investments focus on financing new and existing solar farms and players, including installing solar and net energy metering equipment.

In December 2022, we recorded a 16.2% increase, worth RM97.5 million, in our renewable energy assets, which stood at RM700.9 million compared to RM603.4 million in 2021. We also finalised the terms and conditions with solar panel providers for House Financing for Solar panels. We disbursed RM17 million for 127 units of Hybrid & Electrical Vehicle Financing.

These milestones demonstrate our commitment to promoting sustainable practices and responsible banking. We will continue to work towards achieving our sustainable finance goals and contribute to building a more sustainable future for all.

2 Values-based Culture: Doing the Right Thing

We view our employees as the organisation’s backbone and are committed to providing a safe, inclusive, nurturing work environment. As our employees continue to face the stress and challenges of modern times, we recognise the importance of supporting their mental health and well-being. That’s why we prioritise providing resources and support to help them maintain their mental and emotional wellness.

However, in 2021, our employee engagement score was lower than the Malaysian market norm, with only 57% of employees feeling engaged compared to 81% in 2020. While our top leadership and high performers were engaged, employees across all job levels needed help understanding and accepting our five-year business strategy and adapting to our digital transformation initiatives. These changes disrupted traditional ways of working, causing change fatigue.

To address this, we focused on building our digital capabilities through our Digital Upskilling Programme, which aims to develop a digitally literate workforce to support our digital journey. We also adopted digital therapeutics technology, which has proven effective during the pandemic, where physical therapy sessions are limited. By collaborating with healthcare providers, we provided employees with digital tools to easily access healthcare and well-being information and solutions at their fingertips.

This year, Bank Islam Live Well Programme, which was launched in 2021, focuses on emotional and mental, financial, and spiritual wellness aspects. Our data-driven approach was based on our 2019 Employee Survey results to

understand the Bank’s current culture and identify factors affecting our employees’ health and well-being.

As we emerged from COVID-19 restrictions and employees gradually returned to office, we saw an opportunity to build on the existing Flexible Working Arrangement. This resulted in BIMB’s #Flexwork to further foster a hybrid work culture and agility mindset. With #Flexwork, our employees can choose the most productive work location, with at least one day in the office for vital face-to-face collaboration. The dress code is also flexible, empowering staff to dress appropriately for their job requirements.

Through our efforts in 2022, we have significantly improved our Overall Engagement and Change Readiness Index to 88%. This improvement is the beginning of our journey towards a more agile and hybrid work culture that prioritises work-life balance and supports professional and personal development.

This year, Bank Islam Live Well Programme, which was launched in 2021, focuses on emotional and mental, financial, and spiritual wellness aspects.

Group Chief Executive Officer Statement

3

Community Empowerment: Communities Thriving with Us

At BIMB, we believe in empowering our community through innovative and socially responsible solutions. In 2022, the Bank approved over RM40 million in financing for Affordable Home projects, supporting the government's initiative to provide affordable housing to Malaysians. We approved RM200 million in financing for Infrastructure and Public Facilities projects, helping to build critical infrastructure and improve public services. RM39 million was also approved for financing Healthcare and Education projects, recognising the importance of these sectors in driving Malaysia's development and prosperity.

Championing financial inclusion is important to us, and we are proud to make it a cornerstone of our business. We provide financing solutions for micro-entrepreneurs and other underserved businesses not previously served by the traditional banking system. With this in mind, we expanded our iTEKAD offerings in 2022 to provide solutions to this market, with RM9.9 million channelled to 566 microentrepreneurs.

Through our Islamic charity crowdfunding platform, Sadaqa House, we have redefined the Islamic financial landscape by promoting financial inclusivity and providing banking facilities to underbanked segments through our microfinance offering.

We collected RM7.3 million for Sadaqa House in 2022, significantly impacting our beneficiaries' lives through 11 changemakers. Our Orphan Fund is another testament to our commitment to community empowerment. We aim to create an end-to-end care package that supports orphans as the principal beneficiaries and empowers the community.

BIMB runs its Corporate Social Responsibility (CSR) initiatives and philanthropic activities through AMAL, a platform focusing on contributing to the community where we operate. With 16,009 beneficiaries since 2018, we are proud to serve the financial empowerment agenda within the community in alignment with *Maqasid Shariah*, thus creating a multiplier effect supporting and uplifting the community.

In one of our community empowerment initiatives in 2022, AMAL partnered with Yayasan Sabah College of Technology (YSCT) to make a real difference in the lives of physically disabled individuals. *The Pusat (AMAL) Latihan dan Amali Orang Kelainan Upaya (OKU) Sabah* in Tuaran trains these individuals in acquiring new skills such as carpentry and furniture making to supplement their livelihood. After last year's flood damaged the centre's carpentry workshop, AMAL provided cash contributions to assist in rebuilding efforts, while YSCT provided a group of 20 lecturers and student volunteers to aid in fixing the electrical and wiring of the centre, enabling the workshop to reoperate. Together, we are creating opportunities for a brighter and more sustainable future for them.

These initiatives reflect our commitment to positively impacting the communities we serve, and we are proud to have approved a total of RM279 million in financing for these vital sectors.

4

Customer-centricity: Our Customers are Well-Served

We aim to cater to all customer segments. We focus on understanding our customers' needs and how we can best support them. We stepped up our efforts to improve the customer experience during the year. Our customer service benchmark indicators are well within target, with an average waiting time of fewer than 10 minutes and an average serving time of fewer than 5 minutes. Our SST uptime remains above 95%, ensuring our customers can access our services smoothly.

We are proud to report that our Net Promoter Scores (NPS) for overall Bank and digital touchpoints (Internet Banking & GO Mobile Banking app) have improved significantly. This is due to our higher number of promoters and reduced detractors, with our overall Bank NPS reaching 71, up from 49 in 2021.

We constantly strive to enhance our customers' experience and journey with us. Our improved consumer turnaround time for submission and approval volume of fewer than two days has benefited our Personal Financing and Financing customers. We have also

seen an improvement in our product holding ratio through key initiatives such as our Leads Management System, profiling, and cross-selling, which are all tracking as planned.

For our mass customers, we have increased the size, capacity, and capability of our wealth management offerings and product propositions to meet their protection and investment needs. Our initiatives under Wealth Management are tracking as planned, with seven campaigns completed, nine new products launched, and 15 process enhancements completed.



5

Real Economy: Producing Goods and Services

At BIMB, we are driven by a steadfast commitment to promoting prosperity for all, and we believe that one of the best ways to achieve this is by growing wealth in the economy on equitable terms. That's why we are dedicated to developing and empowering small and medium-sized enterprises (SMEs), the backbone of Malaysia.

In 2022, we launched a range of initiatives designed specifically to cater to the needs of SMEs. These include the SME Referral Campaign 2.0 and the completion of the SME Contract Financing product guidebook. We are incredibly proud to have expanded our SME Banking footprint with 16 SME hubs and two regional sales teams in HQ. We are excited to have signed an MoU with iPORTAL to provide digital pathways for inclusion and connectivity for all sectors in the Islamic Economy verticals.

We've seen a remarkable 13.3% increase in our total SME portfolio asset growth in FY2022, which is a testament to our unwavering commitment to supporting SMEs. Our efforts have not gone unnoticed, and we are thrilled to have been recognised with two prestigious awards: the Halal Financial Excellence Award 2021 from HDC and The Brand Laureate Best Brands Awards 2021-2022–Nation's Pride from Brand Laureate.



At BIMB, we are driven by a steadfast commitment to promoting prosperity for all, and we believe that one of the best ways to achieve this is by growing wealth in the economy on equitable terms.



As we embrace the rise of digital, we are also aware of the increased cybersecurity and data privacy risks. Our responsibility is to protect our customers and stakeholders from data loss and breaches that can result in significant financial losses and reputational damage.

6

Digitalisation: Technology Enables Our Growth

We are committed to becoming Malaysia's leading digital bank and have made significant strides towards achieving this goal. Our latest achievement is the launch of Be U, a fully cloud-native digital banking proposition that boasts a first-of-its-kind technology stack. The user-friendly app enables customers to perform their banking transactions seamlessly, without the need to visit a branch, thus increasing financial inclusivity, particularly among the digital-native, younger generation. We proudly offer our customers a secure, engaging banking experience that puts their needs first.

As we embrace the rise of digital, we are also aware of the increased cybersecurity and data privacy risks. Our responsibility is to protect our customers and stakeholders from data loss and breaches that can result in significant financial losses and reputational damage. To achieve this, we have employed a team of cybersecurity specialists in both our technology operations and information security and governance teams.

We recognise that our customers' actions are the biggest exposure to breaches. Therefore, we have implemented awareness programs that educate them on protecting themselves from online scams and unauthorised access to their accounts.

Group Chief Executive Officer Statement

OUTLOOK

2023 is expected to remain a challenging year, with the economy projected to grow at a modest rate of 4.5% amidst external headwinds. Nevertheless, we are confident in our ability to navigate the landscape and continue our growth trajectory. We entered the new year from a position of strength, with our capital ratio exceeding industry standards at 19.4% and our liquidity coverage ratio at an impressive 170.4%, along with a CASA ratio of 36.8%, which demonstrates our strong liquidity position.

In addition, we are committed to maintaining our focus on sustainability and are intensifying our efforts in green and sustainable financing. Our goal is not only to meet the needs of our customers but also to contribute to a healthier planet and society. We can be a force for good in the world of finance, and we are dedicated to being pioneers in the field of sustainable and ethical banking. By channelling our resources towards responsible and sustainable financing practices, we can protect our business and customers from climate risks and drive positive change in the world.



We entered the new year from a position of strength, with our capital ratio exceeding industry standards at 19.4% and our liquidity coverage ratio at an impressive 170.4%, along with a CASA ratio of 36.8%, which demonstrates our strong liquidity position.

ACKNOWLEDGEMENTS

As we approach our 40th anniversary in 2023, I want to thank all our stakeholders for their unwavering trust and support.

Firstly, I would like to acknowledge our employees who have been the backbone of BIMB, serving with dedication and commitment. I am truly amazed by the passion and commitment of our pioneers, who have been with us since the beginning. Their stories continue to inspire us to strive for excellence.

I also want to express my appreciation to our strong Board of Directors, who have been equally passionate in guiding us towards achieving our goals and objectives. Additionally, I would like to extend my gratitude to our shareholders for their continued support and belief in our vision.

We have also been fortunate to work closely with our regulators, such as Bank Negara Malaysia. Thank you for your ongoing efforts and support in driving positive change through the financial sector.

Lastly, I would like to thank all our other stakeholders who have significantly shaped our journey thus far. As we move forward, we remain steadfast in our commitment to creating value for each of you. Thank you once again for your support and trust in BIMB.

MOHD MUAZZAM MOHAMED
Group Chief Executive Officer



Financial Review by the Group Chief Financial Officer



AZIZAN ABD AZIZ
Group Chief Financial Officer

STRONG GROWTH AND PROFITABILITY

The Bank is proud to announce a Profit Before Zakat and Tax (PBZT) of RM746.9 million, reflecting a notable 6.1% increase over the previous year. This robust performance can be attributed to higher net income and lower net allowance for impairment on financing and advances, offset by higher total overheads. The Group's earnings per share of 22.86 sen and Return on Equity (ROE) of 7.5% (after tax and zakat) are testaments to our solid performance.

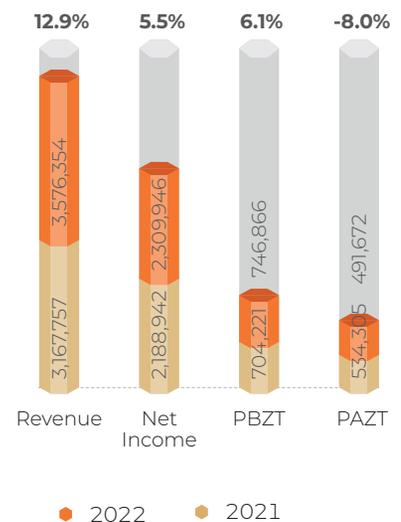
However, our FY2022 Profit After Zakat and Tax (PAZT) slid 8% year-on-year due to the one-off Cukai Makmur.

The Bank's increased net income can be attributed to higher net fund-based income, which increased by RM247.2 million or 13.5%, primarily driven by year-on-year financing growth and benefiting from multiple Overnight Policy Rate (OPR) revisions during the year.

Despite a few OPR revisions during the year, our net income margin dropped by 7 basis points (bps) to 2.31%. This was mainly due to a higher average liabilities rate and lower treasury asset yield. However, we note that the liabilities rate was much higher in Q4 2022 as customers anticipated further OPR hikes in FY2023 and expected higher profit rates for renewal or new placement of deposits/investment accounts before the year's end.

Our average assets rate for FY2022 was marginally higher by 18bps at 4.07% as compared to 3.89% a year earlier. In previous years, we had monetised our in-the-money financial assets at fair value through other comprehensive income (FVOCI) holdings, which we reinvested in shorter-tenor and lower-rate securities. This has affected the overall increase of the average asset rate for financing products.

Finally, the Group's net allowance for impairment on financing and advances decreased by RM50.7 million or 26.6% to RM140 million compared to last year. This is a testament to the Bank's prudent risk management practices and credit quality assessment.



Financial Review by the Group Chief Financial Officer

2022 has been another year of strong financial performance for BIMB, despite the persistent market uncertainties and volatility. Our solid growth is partly attributed to the OPR hikes implemented by Bank Negara Malaysia (BNM), which we could leverage due to our highest floating rate financing ratio in the industry. Additionally, we pursued new business opportunities by directly engaging with various professional bodies, further diversifying our portfolio.

As a responsible financial institution, we also prioritised engaging with customers facing difficulties servicing their financing, offering options for restructuring or rescheduling their financing terms. These efforts aim to ensure the sustainability of our profitability and income as we move forward with our LEAP25 Strategy.

SEGMENTAL PERFORMANCE

BIMB's business segments recorded solid performance in FY2022, reflecting our strength across the Group. Consumer Banking reported a net income of RM1.4 billion, a 12.2% increase from the previous year, mainly driven by higher net fund-based income and non-fund-based income. Corporate and Commercial Banking recorded a net income of RM531.8 million, a 28.0% increase, mainly due to higher net fund-based income. Treasury's net income, however, decreased by 81.9% to RM43.7 million due to lower net gain from the sale of financial assets at FVOCI, higher net loss from foreign exchange transactions, and higher net loss on revaluation of financial assets at fair value through profit or loss (FVTPL). Nonetheless, the segment's assets remained strong at RM21.9 billion.

SOLID FINANCIAL POSITION

Our total assets increased by RM9.7 billion, reaching RM89.9 billion, driven by increased net financing and financial assets at amortised cost. Despite the challenging economic conditions, our gross impaired financing ratio remained low at 1.27% while our net impaired financing ratio improved significantly to -0.32%, reflecting our commitment to maintaining a healthy credit portfolio.

Our deposits from customers and investment accounts also increased by

RM7.4 billion to reach RM75.2 billion, a testament to the trust and confidence placed in us by our valued customers. Although our current, savings and transactional investment accounts (CASATIA) ratio decreased to 36.8%, we remain committed to maintaining a strong liquidity position.

We also recorded a slight increase in our equity to RM6.8 billion, mainly contributed by the current period profit and increased share capital from Dividend Reinvestment Plan (DRP). Additionally, our Total Capital Ratio also increased to 19.4%, reflecting our strong capital position.

KEY FINANCIAL PRIORITIES

1 Quality of Assets

We maintain high-quality assets, resulting in a low Gross Impaired Financing ratio and requiring less provision. As of 31 December 2022, our gross impaired financing ratio was **1.27%**, which remains better than the industry average of **1.7%**.

2 Cost-to-Income Ratio

We closely monitor our Cost-to-Income Ratio, which deteriorated to 59.8% YoY due to various factors. These challenges include Foreign Exchange (FX) revaluation loss, unit trust revaluation loss, and lack of opportunity to monetise investment papers amid the increasing interest rate environment, all of which are in line with the economic and market landscape.

Additionally, we incurred elevated costs due to our investment in new capabilities and infrastructure for future revenue uplift, including higher IT-related expenses of RM14.5 million (+12.4%) compared to FY2021. However, the benefits of these investments will be seen in the next two to three years.



RETURNS TO SHAREHOLDERS

BIMB is proud to announce the successful declaration and payment of the First Interim Dividend of 10.40 sen per ordinary share for FY2022, which was disbursed on 30 January 2023 amounting RM224.1 million. Almost 90% of the dividend was reinvested by our shareholders via Dividend Reinvestment Plan (DRP) to subscribe for new ordinary shares which were listed on 31 January 2023.

The strong support from our shareholders, for the DRP, speaks volumes about their trust in BIMB. This is further reinforced by the Bank's unyielding commitment to stability and protection, exemplified by our impressively low Gross Impaired Financing (GIF) ratio of less than 1.3% at the end of 2022. Additionally, our steadfast approach to continuous dividend payment, even with DRP, and

a healthy capital ratio despite the challenging times are all testaments to our resiliency.

Furthermore, the Bank is pleased to declare a Second Interim Dividend of 3.40 sen per ordinary share for the financial year, bringing the total annual dividend to 13.80 sen per share for a payout ratio of 60%. The entire second interim dividend is applicable for the DRP.

OUTLOOK

As we enter the year 2023, we recognise that we will face potential challenges, such as concerns about inflation and geopolitical conflicts. Nonetheless, we remain optimistic about our ability to achieve moderate growth supported by strong domestic demand, despite the anticipated slower growth of the global economy. To maintain our growth trajectory, we have set targets for the near to mid-term despite the uncertainties that may arise.

PERFORMANCE OUTLOOK

Metric	Short-Term (FY2023)	Medium-Term (FY2025) (LEAP25)
ROE (based on PBZT)	12%-13%	Competitive to industry standard
CET1 Capital Adequacy Ratio	13.0%	13.1%
Total Capital Ratio	19.3%	19.2%
Gross Impaired Financing Ratio	<1.6%	1.3%

3 Total Capital Ratio

We have a firm commitment from both the Board and management to sustain any pressure to profit or challenging outlook. As a result, our Total Capital Ratio remained strong at **19.4%**, which is above the industry average of **17%-18%**.

We have identified several key priorities for the year ahead to achieve these targets. Our primary focus is on expanding our portfolio of quality financing assets, with a particular emphasis on SMEs, which we believe present significant growth opportunities. Secondly, we will continue to intensify our efforts to enhance the Bank's digitalisation aspirations, which include improving our mobile app and continuously upskilling our staff to serve our customers better. Finally, we plan to broaden our reach in Institutional Banking, further solidifying our market position.

With these priorities in place, we are confident that we will sustain our robust financial performance and continue delivering value to all our stakeholders in

2023 and beyond. We are committed to maintaining our growth trajectory and achieving our targets, and we will remain agile and responsive to any challenges that may arise.

As we enter the year 2023, we recognise that we will face potential challenges, such as concerns about inflation and geopolitical conflicts.

AZIZAN ABD AZIZ

Group Chief Financial Officer

Our Integrated Approach to Value Creation

At BIMB, we take a big-picture approach to creating value. By considering all aspects of our operations, we provide better and more sustainable outcomes. Our integrated approach to decision-making, management, and reporting helps us deliver long-term value as Malaysia's leading Islamic bank.

01 SETTING THE CONTEXT

Operating Environment

Our value creation is shaped by factors such as economic conditions, regulations, and customer behaviour. Adapting to these elements is crucial for the Group to remain competitive and relevant.

 See page 40

Stakeholder Expectations

We stay ahead of stakeholders' evolving needs by adopting an integrated approach to decision-making and management, which enables them to deliver long-term value and maintain their position as a top Islamic bank in Malaysia.



 See page 38

Risks & Opportunities

We proactively manage risks and capitalise on opportunities to grow our business and enhance long-term value, given the potential impact of these factors.



 See page 48

02 DEVELOPING OUR STRATEGIC DIRECTION

Material Matters

To create sustainable value, we prioritise issues that significantly impact business and stakeholder value. We employ the materiality principle to guide our strategies and business decisions.



 See page 44

Strategy Development



Our LEAP25 strategy is shaped based on market and stakeholder needs, thus reinforcing our status as a Value-based Intermediary (VBI).



 See page 52



03 PUTTING OUR STRATEGY INTO ACTION

The Six Capitals

To ensure our business operations and growth are well-supported, we leverage six (6) capitals, comprising both financial and non-financial resources. This enables us to effectively execute our value-creating strategy and seize opportunities for growth.



Financial Capital: Our financial strength propels us forward. We use our earnings to finance our strategic aspirations, grow our business, and invest in the development of the other types of capitals.



Human Capital: Our employees are the backbone of the Bank. We invest in their development and skills to execute our strategic purpose with precision.



Intellectual Capital: We blend innovation with heritage. Our technological advancements reinforce our VBI values and enhance our competitive edge.



Natural Capital: Our sustainability journey starts with the environment. We're committed to reducing our ecological footprint by minimising our use of natural resources.



Social & Relationship Capital: Our stakeholder relationships provide the trust and support needed to drive our strategy forward. Strong stakeholder relationships are the foundation of our shared and sustainable success.



Manufactured Capital: Our branches, ATMs, offices, and other facilities are essential in meeting the financial needs of our customers and society at large. These assets provide the necessary infrastructure and resources to deliver our products and services effectively, and enable a seamless customer experience.



See page 34

04 DELIVERING SUSTAINABLE VALUE

Value Creation

At BIMB, we strive to achieve our ultimate purpose of creating sustainable value for our diverse range of stakeholders. This means generating strong financial returns for our shareholders, delivering essential financial products and services to our customers, nurturing the careers of our employees, fostering shared prosperity within our community, and contributing to a better future that benefits everyone.

Our Value Creating Business Model

Our business model demonstrates how we leverage our six capitals to create value in the form of outputs and outcomes, and how we ensure the sustainability of our business for our stakeholders.

OUR CAPITALS...

INPUTS

FINANCIAL CAPITAL

- Total Assets: **RM89.9 billion**
- Total Equity Group: **RM6.8 billion**
- Total Equity Bank: **RM6.7 billion**
- Total Customer Deposit: **RM60.7 billion**
- Total Asset Under Management: **RM2.2 billion**
- Market Capitalisation: **RM5.9 billion**

INTELLECTUAL CAPITAL

- Strong brand value with **almost 40 years** of sustained success as the pioneering, pure, full-fledged Islamic financial institution
- Strong reputation as the **global source of reference** for the Islamic financial industry
- Strong value proposition through **partnerships** with key organisations, institutions, and public agencies

HUMAN CAPITAL

- A diversified workforce of **4,744** employees nationwide, made up of **2,433** males and **2,311** females
- An agile, performance-based, purpose-led culture driven by **TAAT values**
- **RM9.7 million** invested in training that supports strategic themes and material issues

MANUFACTURED CAPITAL

- Dedicated network of **135** branches and **947** self-service terminals nationwide
- Concentrated effort to enhance the delivery of digital solutions and deployment of automated processes through **significant investment in IT development and infrastructure**, including cyber-security
- Continuous **investment in promoting mobile applications and online channels** including GO by Bank Islam mobile banking app, Sadaqa House and Internet Banking

SOCIAL AND RELATIONSHIP CAPITAL

- More than **5.7 million** customers served
- Beneficial **engagements with government, regulators and NGOs** to strengthen relationships and contribute to the betterment of the industry and society
- Adoption of sustainable practices based on realising the **UN SDGs** and **ESG** objectives

NATURAL CAPITAL

- Continued commitment to **Green Financing** effort, which focuses on financing within the renewable energy, green technology, and waste management sectors
- Emphasis on corporate and social initiatives that promote positive environmental impact
- Electricity usage of **12,784,982 kWh** (increase from 12,395,485 kWh in 2021)
- **42,064,650** reams of paper (reduction of 36,426,600 reams from 2021)

... ENABLE VALUE-ADDING

TAAT VALUES

Think Customer

KEY RISKS



Credit Risk



Market Risk



Liquidity Risk



Operational Risk



Information Technology (IT) Risk



Shariah Non-Compliance (SNC) Risk



Regulatory/Compliance Risk



Climate Risk



Model Risk

MATERIAL MATTERS



Sustainable Economic Performance



Customer Experience



Purposeful Financial Services



Energy and Climate Change



Environmental Stewardship



Community Enrichment



Talent and Development



Employee Wellbeing, Health and Safety



Diversity & Inclusion



Labour Standards and Practises



Sustainable Supply Chain



Collaboration and Partnerships



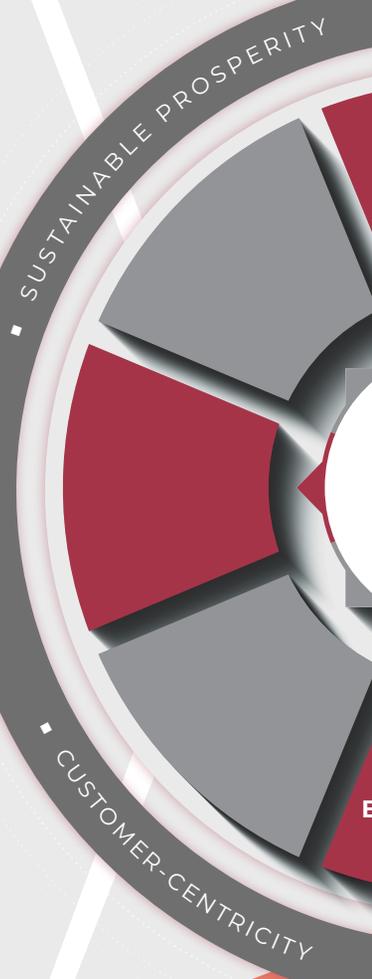
Corporate Governance and Business Ethics



Data Privacy and Security



Risk Management



DIGITALISATION

COMMUNITY EMPOWERMENT



▶ VISION

The Bank that advances prosperity for all.

▶ MISSION

To provide solutions that deliver value.

ACTIVITIES THAT CREATE...

Advance Beyond

Act with Integrity

Take Charge



VBI DRIVERS

CUSTOMER-CENTRICITY

VALUES-BASED CULTURE

SUSTAINABLE PROSPERITY

REAL ECONOMY

OUTPUTS

- ◆ Providing value-driven, innovative and sustainable banking solutions
- ◆ Enhancing access to financial services and improving the quality of life
- ◆ Serving SMEs and large corporations to contribute to economic growth
- ◆ Supporting national progress and ensure stability of Malaysia's financial sector
- ◆ Improve financial literacy, promote inclusiveness, and contribute towards a sustainable future

... VALUE FOR OUR STAKEHOLDERS

OUTCOMES

CUSTOMERS

- More than **RM7.2 billion** approved for new personal financing
- More than **RM3.7 billion** approved in new home financing
- More than **RM319.3 million** approved in new vehicle financing
- **RM2.9 billion** approved green financing portfolio
- Ranked **1st in customers experience score** within the banking industry as conducted by KPMG Malaysia

EMPLOYEES

- **RM784 million** paid in salaries and benefits
- **489** employees promoted
- Employee retention rate of **95.9%**
- **#Flexwork** in hybrid work culture that empowers employees to retain flexibility to work from anywhere that best suits their job
- **Most preferred employer in Malaysia** awards (Graduan Brand Awards 2021)

INVESTORS

- **RM224.1 million** paid out in dividend
- **7.5%** return on equity (PAZT)
- Earnings per share of **22.86 sen**

COMMUNITIES

- A total of **RM918,350** invested in AMAL activities
- Business zakat obligation for financial year 2022 is **RM13.6 million**
- **RM9.9 million** worth of iTEKAD Maju and iTEKAD BangKIT microfinancing distributed to help the micro-entrepreneurs in addition to training programmes

REGULATORS & GOVERNMENT

- **Compliance** with all regulatory requirements
- Guidance and alignment towards **industry-led sustainability practices** with continuous commitment towards VBI
- **Participation in the creation of an ESG book** as a commitment towards ESG incorporation in all business initiatives
- Contribution of **RM207 million** in corporate tax

UNDERPINNED BY

OUR OVERARCHING GOVERNANCE

- Our unwavering adherence to the Shariah Principles is a testament to our dedication to good governance, integrity and nation-building.

Performance by Capitals

Our comprehensive and integrated approach leverages six financial and non-financial capitals to drive our long-term success. By thoroughly assessing the availability and quality of capital inputs, balancing short-term and long-term considerations, and making strategic trade-offs, we strive to create sustainable long-term value that benefits all stakeholders.



HUMAN CAPITAL

The economic value of BIMB's intangible human assets such as knowledge, experience, and skills.

Inputs	Outputs/Outcomes		
		2022	2021
<ul style="list-style-type: none"> • 4,744 total employees: <ul style="list-style-type: none"> - 2,433 males and 2,311 females • RM784 million in staff costs • RM9.7 million invested in training that supports strategic themes and material issues 	Employee Retention Rate	95.9	96.6
	Employee Satisfaction Score (%)	88	57
	Salaries & Benefits (RM 'million)	784	698
	No. of Employees Trained	4,677	5,069
	No. of Employees Promoted	489	423
	Average Training Per Employee (man-hour)	35	52
	Health and Safety Incidents	145	48
	No. of Fatalities (COVID-19 or Others)	0	0

Key Constraints	Actions to Enhance Outcomes
<ul style="list-style-type: none"> • Employees across the board face challenges in understanding, adopting and adjusting to the five-year LEAP25 strategy and change initiatives. • Change fatigue arising from digital, operational and cultural strategic transformation objectives. • Expect new technology and infrastructure to support a conducive work environment, and recognition beyond financial compensation. 	<ul style="list-style-type: none"> • Establish the Bank Islam Digital Academy to build digital understanding and drive digital adoption amongst the workforce; to develop, implement and scale up immersive programmes; provide complete suite learning programmes grounded in day-to-day application to real-world business challenges. • Introduce The Digital Young Leaders Programme (YLP), a special management training programme to develop future digital leaders in BIMB. • Bank Islam Live Well Programme focuses on aspects of Emotional and Mental, Financial, and Spiritual Wellness. • Adopt the #Flexwork practice to empower staff in planning their work to increase productivity and create an agile, flexible, hybrid work environment; opened BITIZone@L10, an entire floor of co-working and hot desking workspaces at Menara Bank Islam to promote collaboration and innovation. • Strengthen our risk culture and elevate the risk and compliance culture practice to achieve a sustainable mindset change. • Enhance employer branding and developing young talent through the Bank Islam Youth Ambassador (BIYA) Programme to nurture and mentor young graduates.



FINANCIAL CAPITAL

Refers to the funds available to achieve our growth and financial commitments. Our ability to access and manage financial capital is critical to our long-term value creation.

Inputs

- **RM89.9 billion** total assets
- **RM6.8 billion** total equity
- **RM5.9 billion** market capitalisation

Outputs/Outcomes

	2022	2021
Profit Before Zakat and Taxation (PBZT) (RM million)	746.9	704.2
Dividend Payout Ratio (%)	60	50
Return-on-Equity (based on PBZT) (%)	11.3	11.1
Earnings Per Share (sen)	22.86	21.87

Key Constraints

- Retaining support of providers of capital by balancing short-term returns against capital retention for long-term growth.

Actions to Enhance Outcomes

Actions to enhance outcomes:

- Engagement with shareholders and investors.
- Engagement with analysts and fund managers.
- Engagement with potential shareholders via event organised by fund managers.
- Participation in relevant conferences, e-conferences, e-forums and webinars.



MANUFACTURED CAPITAL

Includes the physical assets and infrastructure needed to operate, such as our buildings, technology systems, and equipment. Effective manufactured capital management allows us to run smoothly and maintain a competitive edge.

Inputs

- **135** branches
- **16** SME hubs
- **451** ATMs
- **29** Ar-Rahnu outlets
- **947** Self-service Terminals
- **7** Bureau de Change outlets
- **RM82.7 million** in technology expenses
- **3** contact centres

Outputs/Outcomes

	2022	2021
No of active enquiries and transactions via online platforms (billion)	1.6	1.2
No. of active internet/mobile banking customers (million)	3.0	2.3

Key Constraints

- Costs and challenges related to maintaining ATMs and branches, particularly in less urban/rural areas.

Actions to Enhance Outcomes

- Expand our digital banking platform to deliver more inclusive and cost effective financial solutions to customers.
- Streamlining operational processes to increase efficiency through automation and digitalisation.

Performance By Capitals



SOCIAL AND RELATIONSHIP CAPITAL

Includes our relationships with all stakeholders, including society at large. A strong reputation and positive relationships with stakeholders help built trust and gain support in driving our strategy forward.

Inputs	Outputs/Outcomes	
	2022	2021
<ul style="list-style-type: none"> • More than 5.7 million total customers • RM13.6 million zakat obligation for financial year 2022 • 2,178 SME customers • 1,264 registered suppliers • 42 CSR programmes • 580 Bumiputera suppliers 	No. of beneficiaries reached	>11,100
	Total spent on Bumiputera businesses (RM)	54,092
	Total spent on local suppliers (RM)	211,936
	NPS Score	49

Key Constraints	Actions to Enhance Outcomes
<ul style="list-style-type: none"> • The lingering impacts of COVID-19 continue to affect SMEs and other stakeholders. • Many SMEs are hesitant or reluctant to approach financial institutions for help, with some unaware of available solutions and support. 	<ul style="list-style-type: none"> • Promote SME financing offerings, including Targeted Relief & Recovery Facility (TRRF), SME Penjana Tourism Facility (PTF), SME Automation & Digitalisation Facility (ADF) and All Economic Sectors Facility (AES) – to support its activities. • Establish strategic collaborations with government agencies and business associations to expand market outreach. • Continuously engage with SME customers through online and offline sessions, including webinars, pocket talks, exhibitions and other physical events.



INTELLECTUAL CAPITAL

Capital covers our intangible assets, such as our intellectual property, digital systems and proprietary solutions. This capital is particularly important in the banking sector, where innovation and technology advancements are driving changes in the industry.

Inputs

- Launched Be U by Bank Islam, a cloud-native digital bank
- **RM82.7 million** in IT/Technology expenses
- **39** years of banking experience
- **1** new standards/certifications adopted

Key Constraints

- As the first bank to leverage cloud-based technology to put critical systems online, the Be U project was subject to significant scrutiny, delaying the public release.
- Features and enhancements were rolled out periodically, affecting the readiness and impact of the app and compromising organic growth performance immediately post-launch.

Outputs/Outcomes

	2022	2021
No. of downloads of GO by Bank Islam Mobile Banking App (million)	2.2	1.1
No. of awards won	21	15

Actions to Enhance Outcomes

- Identify collaboration opportunities with strategic partners with adjacent offerings, to leverage their immense footprint.
- Review and refresh communications and messaging approach to higher-affinity segments to heighten the appeal and uptake of the Be U proposition.



NATURAL CAPITAL

Encompasses the natural resources that we rely on, such as water, land, and energy. While we may not be as directly impacted by natural capital as other industries, we still promote sustainable practices and mitigate environmental risks.

Inputs

- **12,784,982 kWh** of electricity use
- **22,779.35 kWh** (petrol) energy used
- **180,413 m³** water used
- **42.1 million** sheets of paper used*

* Paper usage is not calculated towards carbon emissions

Key Constraints

- SME customers may not share our focus on green financing strategies, as their current priority is on recovering from the impact of COVID-19.

Outputs/Outcomes

	2022	2021
Energy Consumption (kWh)	12,784,982	12,395,485
Carbon Emissions (tCO ₂ e)	8,240.6	7,545.10

Actions to Enhance Outcomes

- Introduced financing opportunities that facilitate SME's adoption of green sustainability practices as producers or users.
- Organise environmental awareness programmes for SMEs via online media channels and physical engagements

Stakeholder Needs and Expectations

Our long-term success is closely tied to the success of our stakeholders, both internal and external. With this in mind, we place a strong emphasis on engagement and collaboration with all our stakeholders. By understanding their unique needs and perspectives, we are better equipped to shape our strategies and implement initiatives that not only meet, but exceed their expectations. We are committed to building lasting relationships with our stakeholders, and working together towards mutual success.

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EMPLOYEES

☰

Why Are They Important?

Our employees, or BITIZENs, are crucial to our success. From junior staff to senior Board members, each individual plays a critical role in aligning with our internal culture and Shariah principles.

Engagement platform

- Internal communication channels including the internal portal, HUMANE portal (Online Human Capital Management System), SAPJAM platform and e-mail communication
- Digital town hall and discussion sessions with the senior management
- Online training and development programmes
- Internal activities and initiatives among the Group's workforce
- Employee Engagement Survey

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CUSTOMERS

☰

Why Are They Important?

Our customers are the driving force behind BIMB's success. Through every transaction, we strive to provide the best possible products, services, and banking solutions to meet and exceed their expectations.

Engagement platform

<p>Digital touchpoints:</p> <ul style="list-style-type: none"> Internet Banking Corporate Website Mobile applications including GO by Bank Islam; GO Biz by Bank Islam; SMExpert; BEST Invest and BISONline 	<p>Contact Centre:</p> <ul style="list-style-type: none"> Brick and mortar: <ul style="list-style-type: none"> – 135 branch networks – 16 SME Hubs – 29 Ar Rahnu Outlets – 7 Bureau de Change – 947 Self-service Terminals 	<ul style="list-style-type: none"> Social media platforms including Facebook, Instagram, YouTube and Twitter Customer surveys and focus groups Webinars and online discussion forums
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GOVERNMENT & REGULATORS



Why Are They Important?

Proactive engagement with government and regulatory stakeholders is critical to achieving our vision of holistic wealth creation and driving Malaysia's financial industry growth as a fully-listed Shariah-compliant financial institution.

Engagement platform

- Industry meetings, discussions, and dialogues with relevant agencies
- Provision of thought leadership and insights within the industry
- Participation in government-led as well as global initiatives and programmes



LOCAL COMMUNITIES



Why Are They Important?

Engaging with community stakeholders, such as local residents, citizen associations, and NGOs, can improve legitimacy, decision-making, and competitiveness.

Engagement platform

- Maintaining relationships with the non-governmental organisations (NGOs) and other relevant organisations
- Reaching out to the marginalised communities to gather information and better understand their plights
- Partnerships with relevant institutions and organisations to gain insight into tackling current concerns or issues for better sustainability efforts
- CSR initiatives



INVESTORS



Why Are They Important?

Our investors have a vested financial interest in BIMB's performance as shareholders in the business. By engaging with them, we build trust in a long-term relationship where we understand their concerns and keep them fully apprised of our strategies.

Engagement platform

- Annual General Meetings, Extraordinary General Meeting, Court Convened Meeting and Analysts Briefings
- Participated in relevant conferences, roadshows, e-conferences, e-forums and webinars
- Constant meetings and discussions with business analysts and fund managers



Operating Environment

ISLAMIC BANKING REVIEW & OUTLOOK

A REVIEW OF 2022

The Global Economy

The year 2022 began with positive developments in the global economy as it continued to rebound strongly from the pandemic-induced slowdown of 2020. The global GDP growth in 2021 was 6.3%, setting the stage for a promising start to the year. However, Russia's invasion of Ukraine caused significant disruptions to the global economy. The displacement of millions of Ukrainians and the resulting humanitarian crisis has been unprecedented in Europe since World War II. The conflict also profoundly impacted the prices of gold, crude oil, and natural gas, while the stock markets were also affected. This situation further highlighted the need to transition towards cleaner and more sustainable energy sources.

The rising inflation rates in many countries emerged as another major concern in the global economy. Prices for essential commodities like energy, shelter, clothing, and food rose significantly, which put immense pressure on the lower-income groups. This trend has transformed the economic mood and potentially redirected the trajectory of national and global economies for the foreseeable future. To curb the rising inflation, central banks across the world have aggressively increased their policy rates throughout 2022. However, the pace of these rate hikes has not kept up with the pace of inflation in most countries.

The Malaysian Economy

The Malaysian economy performed remarkably well, with real GDP growth coming in at 8.7% in 2022. The impressive growth was due to base effects and an increase in domestic demand, fueled by improved labour market conditions and aggressive policy support amid raging global inflation. As the borders reopened and the pandemic status shifted to endemicity, economic activity picked up pace and returned to normal levels. The demand for electronic and electrical (E&E) products remained high, contributing significantly to the growth of exports, while the manufacturing and services sector continued to play a pivotal role in driving the country's economy.

The Banking Sector

In 2022, Bank Negara Malaysia (BNM) took steps to address inflation by increasing the overnight policy rate (OPR) four times, ultimately bringing it to 2.75%. While this move was expected to be positive for the banking industry, the benefits were partially offset by increased deposit competition leading to higher costs of funds. Despite this, Malaysia's banking industry showed strength throughout the year despite market uncertainties and global events. Household, personal, and term financing were the primary drivers of the industry's net financing growth, which increased by 4.9% YoY. Islamic Banking, in particular, stood out with a ten-year CAGR of 10.9% and financing growth surging by 12.4% in 2022, outpacing Conventional Banking. This momentum was driven by the increased proportion of Islamic Banking assets relative to the entire banking system's assets across various sectors, spurred by news of the global economy reopening, strong economic recovery, and higher adoption of digital financial services.

OUTLOOK

The Global Economy

All multilateral development banks (MDBs) are projecting lower global growth rates for the second year due to the ongoing global cost of living crisis, tight financial conditions, the prolonged Russia-Ukraine military conflict, and the lingering effects of the pandemic. Trade in 2023 may also be weighed down by lower overall external demand, particularly among advanced economies.

Some policymakers argue that more tightening is necessary to quell stubborn inflation following a series of strong job reports, prices, and consumption data. The US unemployment rate in January reached the lowest level since May 1969 at 3.4%, pointing to sustained labour market strength. Such a situation and persistent inflationary pressures have led to the growing expectation that the Fed will continue to tighten its policy rates for higher and longer, despite the recent banking crisis in the U.S.

The wrong monetary policy mix could be a problem. Overly expansionary fiscal policy could prevent economies from necessary slowdowns and eventually lead to more aggressive monetary policy responses to control inflation. This could cause a more painful downturn to wring inflation pressures out of the economy, at the cost of lost fiscal space.

The Malaysian Economy

Malaysia's economy recorded its highest growth in two decades, driven by pent-up demand that has placed the country at the top of Asia's fastest-growing economies, according to Bloomberg. However, this trend is likely temporary, and many other countries are still struggling to recover from post-pandemic growth headwinds. In response to high inflation, the Malaysian prime minister has unveiled several initiatives to reduce living expenses and promote more progressive taxation. The government is proposing to increase taxes on the top 20% of incomes (T20) while decreasing income taxes for the middle 40% of workers (M40).

The Banking Sector

The nation's banking sector remains strong and competitive, enabling it to continue serving as a reliable financial intermediary. In the wake of the COVID-19 pandemic, Malaysian banks have extra cash in anticipation of pandemic-related loan losses, which could potentially be utilised for deterioration in any asset quality caused by the inflationary environment, providing potential earnings in the form of writebacks in 2023 and beyond.

Malaysian Islamic financing growth is expected to moderate in 2023 due to higher financing rates reducing demand, though it is expected to continue outperforming conventional banks due to the country's supportive regulatory environment, Islamic finance ecosystem, and the shift towards Shariah-compliant services. At the end of 2022, the share of Islamic financing in the total banking system loans was 41%, solidifying Malaysia's position as the third-largest Islamic banking industry worldwide.



KEY MARKET TRENDS SHAPING OUR BUSINESS

Trend 1 MARKET CONDUCT

Trends Impacting Our Business

- Consumer protection will remain a priority as we offer products to vulnerable customers to strike a balance between inclusivity and fair treatment
- Fair treatment of consumers is essential to inspire a positive user experience and customer outcomes

How It Impacts Our Business

We will need to promote an inclusive and enabling financial services landscape. This will build trust, inspire confidence, and empower consumers with knowledge of their rights and responsibilities.

How It Impacts Stakeholders

Customers will need to:

- Avoid predatory lending practices and strengthen disclosure practices.
- Promote sound consumer outcomes regarding redress mechanisms.
- Improving the accessibility of key product information.
- Ensure disclosure requirements that reflect the changing needs of consumers.

Employees will need to:

- Enhance professional qualifications to bolster public confidence.
- Proactively support customers facing hardship in this economic climate.

Key Risks & Opportunities

Risks:

- The Bank may face false claims from customers, putting the burden of proof on the bank.

Opportunities:

To achieve inclusivity, the Bank can:

- Offer more social financing strategies and products.
- Explore marketplace platforms to support small businesses in Malaysia.
- Partner with fintech companies to provide financial solutions to underserved populations.

Our Approach

- Create task forces or working groups to deploy the right strategies and ensure regulatory compliance.
- Provide advisory-related support to guide our business customers.

LINK TO

Capitals



Stakeholders



Material Matters



Operating Environment

Trend 2 ADVANCING DIGITALISATION OF THE FINANCIAL SECTOR

Trends Impacting Our Business

- The impact of digitalisation on financial services is widespread and extensive.
- Customers want faster, easier, and personalised services, while also caring about data privacy and security.
- Digital business models are increasingly ecosystem-driven, which creates new risks and complexities.
- Financial industry needs to embrace the benefits of digitalisation while managing associated risks that could harm the system, customers, and confidence in the industry.
- The rise of cashless and cardless society through increased use of ewallet, QR transactions, cardless withdrawal etc.

How It Impacts Our Business

BIMB must:

- Enable an environment that is conducive to innovation by prioritising and supporting greater use of technology
- Improve product offerings and delivery channels to support a vibrant digital financial services landscape
- Relook at further rationalising brick and mortar products/channels offerings.
- Adopt practices that will enable us to be agile and quickly respond to customers' changing demands
- Shift from product-centric to customer-centric when identifying and crafting our solutions
- Improve customer proposition through exploration of new digital business models
- Leverage on FinTech for access to new technologies, sustainable revenue streams and quicker time to market

Key Risks & Opportunities

Risks:

- Transformational risks could threaten system-wide stability, consumer outcomes, and confidence in the financial sector.
- The rise of Artificial Intelligence (AI) also means conscious effort needs to be put into redefining the workforce roles for a robust future-proof business.
- The emergence of new technologies and partnerships also bring about new risks related to cybersecurity, data security, and regulatory compliance that we need to be on top of.

Opportunities:

- BIMB to safely introduce new financial innovations into the market at different stages of the innovation cycle.
- The issuance of the digital banking licenses by BNM puts us in the right time and place to accelerate and put forth new digital offerings

How It Impacts Stakeholders

Internal stakeholders will need to:

- Enhance system-wide cybersecurity oversight and capabilities.
- Regularly update and adjust our policies on digital business models to ensure effective risk management.
- Back new and improved legislative and regulatory reforms that will facilitate the end-to-end digitisation of business processes.
- Amend second point: Regularly review policies to ensure alignment and relevancy with new technological developments to ensure risks are effectively managed
- Actively seek for opportunities to upskill and reskill to meet the future workforce demands
- Adopt a growth mindset to see challenges as new opportunities for potential new digital business models

Our Approach

- Continuously support the Bank's growth potential in strategies for digital initiatives
- Regularly refine our skillsets to ensure we are updated with the evolving digital landscape.
- Prioritise our IT/Digital investments through the development and implementation of IT Blueprint that identifies key initiatives that would move the dial in growing the business

LINK TO

Capitals



Stakeholders



Material Matters





Trend 3 CLIMATE CHANGE & SUSTAINABILITY

Trends Impacting Our Business

- Regulatory priorities will likely focus on climate risk-related regulations to meet rising expectations from clients, investors, and stakeholders.
- BNM’s Financial Sector Blueprint 2022-2026 aims to create a favourable market environment for green financing and investment.
- BNM’s main goal is to promote financial system resilience by improving climate-related and environmental risk management in the financial sector.

How It Impacts Our Business

BIMB must:

- Provide financial solutions that deliver economic and social benefits while promoting people and environmental welfare.
- Promote participation from all segments of society, especially disadvantaged and underserved communities, in its financial activities and businesses.

Key Risks & Opportunities

Risks:

- Balancing investors’ financial interests with ESG priorities could be challenging.

Opportunities:

- Attracting new customer segments that prioritise sustainability.
- Government tax incentives for ESG initiatives.
- Enhancing the Bank’s brand equity by integrating ESG elements throughout its vision, operations, and product offerings.

How It Impacts Stakeholders

Stakeholders must advance the following outcomes for the financial sector:

- Ensure effective implementation of the Climate Change and Principle-based Taxonomy to assess climate-related risks and promote environmentally sustainable economic activities.
- Align policies and procedures to consider climate and environmental risks.
- Strengthen the disclosure practices of financial institutions regarding climate risk.

Our Approach

Identify opportunities for ESG initiatives and improve our skills to manage associated risks.

LINK TO

Capitals



Stakeholders



Material Matters



Material Matters

As a socially responsible bank, BIMB takes ESG considerations seriously. By identifying material ESG issues, we shape our strategy to create value for our business and stakeholders while contributing to a more sustainable future. Our robust process to determine priority issues enables us to distribute resources efficiently, thus maximising positive impacts that benefit all.

MATERIALITY PROCESS

In 2022, we conducted a comprehensive materiality determination process to update our previous material matters. Through this process, we analysed the feedback and perspectives of our stakeholders to identify the issues that are most relevant and impactful for our business and stakeholders. The Leadership team uses these material matters to guide the development of our strategies and future focus areas.



The stakeholders engaged include:

Internal Stakeholders
Board of Directors
Internal Management
Internal Shariah and Financial Inclusion Team
Other Management-Level Employees
Employees

External Stakeholders
Shareholders & Investors
Regulators & Government
Customers
Industry-related Associations
Business Partners
NGOs
Vendors and Suppliers



MATERIALITY RESULTS & ANALYSIS

Following our 2022 assessment, we have determined 15 material matters, as presented in our materiality matrix.

BIMB Materiality Matrix 2022



Environment	Social	Economic	Governance
Sustainable Economic Performance	Customer Experience	Purposeful Financial Services	Energy and Climate Change
Environmental Stewardship	Community Enrichment	Talent and Development	Employee Wellbeing, Health and Safety
Diversity & Inclusion	Labour Standards and Practises	Sustainable Supply Chain	Collaboration and Partnerships
Corporate Governance and Business Ethics	Data Privacy and Security	Risk Management	

Material Matters

The materiality matrix shows that while all material topics are important, some are relatively more significant based on the views of our internal and external stakeholders. Notably, majority of the top material topics are centred around governance and economic matters, while environmental and social topics are generally lower in priority, given that we have already implemented management measures for these areas.

We have categorised our material matters into Economic, Environmental, Social, and Governance (EESG) domains to align with our strategic focus on making positive contributions across all aspects of value creation.

For more information on our approach to each material matter, please see page 44

Economic

Material Matter	Definition & Scope	More Information
Sustainable Economic Performance	Identification and management of direct and indirect economic impacts on society, including the economic value generated and distributed by an organisation, through the financial products and services in which ESG and climate-related factors were taken into consideration in growing the financial performance of the company.	Page 115
Purposeful Financial Services	Consideration of ESG, climate-related, and Shariah compliance in our financial services including banking and investment and introduction of products and services to promote sustainable and low carbon economy.	Page 116
Customer Experience	Strengthening customer experiences by providing convenient, innovative, and ethical services that suit customer needs and expectations. This includes the provision of Shariah-compliant products and services, and innovative digital banking experiences while respecting customer rights.	Page 120
Collaboration & Partnerships	Collaboration and partnerships with different organisations for innovative banking services, as well as organisations involved in sustainability-related services to achieve sustainability goals.	Page 121

Environment

Material Matter	Definition & Scope	More Information
Energy and Climate Change	Measurement of an organisation's investment-related products or policies aims at investing or producing a specific climate-related outcome that supports businesses in transitioning towards aligning to a low-carbon economy. It also includes promoting companies in taking measures to manage climate-related opportunities and risks to increase their climate resilience in the changing climate environment as the world transitions towards a low-carbon economy.	Page 122
Environmental Stewardship	Responsible planning and management of environmental resources in a socially equitable, environmentally sustainable, and economically beneficial manner, including responsible use of water, and prevention of waste production through process modifications, reuse and recycling of materials used.	Page 124

**Social**

Material Matter	Definition & Scope	More Information
Labour Standards and Practices	Fair treatment of the employees and respecting the rules and regulations that govern the working conditions of the employees.	Page 125
Employee Wellbeing, Health, and Safety	Measures are taken to improve and maintain employees wellbeing and safety, through promoting a positive working environment, sound management, prevention and mitigation measures for critical incidents, workplace accidents or injuries, and potential health and safety risks.	Page 127
Talent and Development	Continued efforts to nurture talents, upgrade employees' skills and knowledge to boost employees' performance, which result in the quality of work produced.	Page 130
Diversity and Inclusion	Promotion of a workplace where every employee is treated with dignity and respect regardless of their differences such as age, gender, race, or background.	Page 136
Community Enrichment	Empowering and creating positive social impacts that enriches the communities in which we operate, or those directly or indirectly connected to our operations, including community-related investments.	Page 137
Sustainable Supply Chain	Measurement of an organisation's investment-related products or policies with the aim to encourage and support companies that adhere to ethical governance practices across their supply chain. It also includes promoting companies in taking measures to manage social and environmental related impacts across the supply chain.	Page 136

Governance

Material Matter	Definition & Scope	More Information
Corporate Governance and Business Ethics	Having a transparent, ethical, and responsible governance structure in defining the organisation's strategy. This includes having Shariah-compliant guiding principles, objectives, and processes to conduct business with reference to moral principles, policies, guidelines, and values that dictate fair, ethical, and moral employee conduct and fair competition in the marketplace.	Page 142
Data Privacy and Security	Respect customer data privacy and have reasonable measures in place to protect the customer data collected, stored, processed, or disseminated.	Page 145
Risk Management	Measures to identify, analyse, manage, and mitigate potential risk from an investment decision by considering regulatory requirements, ESG and climate-related factors in credit analysis and investment decisions.	Page 146

Key Risks and Mitigations

1 CREDIT RISK



DEFINITION

Risk of loss of revenue and/or principal arising from the inability of an obligor to fulfil its financial obligation in accordance with agreed terms.

MITIGATION

- Maintain a robust and prudent credit risk policy and limits to ensure credit default and losses are within the approved risk appetite.
- Credit evaluation by the business is independently reviewed and constructively challenged by credit analysts prior to submission to Management and Board Committees for approval.
- Independent post-credit review and post-mortem analysis is conducted regularly to assess and ensure asset quality standards are maintained.
- Proactive and vigilant management at account level to prevent deterioration in asset quality. This includes granular portfolio risk reviews and monitoring.
- All exposure and non-compliances, including emerging risk, are reported to Management & Board Committees.

2 MARKET RISK



DEFINITION

Risk of losses in on- and off-balance sheet positions arising from adverse movements in market prices/rates.

MITIGATION

- Maintain a robust market risk policy and limits based on best practices.
- Proactive monitoring, analysis and reporting to ensure that management of market risk is within the approved risk appetite.
- Proactive review of all market risk parameters in line with the Group's business strategy and current economic environment.
- Market Risk controls are reviewed regularly to ensure effective management of the risk.
- Conduct regular and ad-hoc stress testing to identify possible risks and to ensure the Group's exposure remain in accordance with the Group's risk tolerance.
- All exposures and non-compliances are reported to Management & Board Committees promptly.



3 LIQUIDITY RISK



DEFINITION

Risk of adverse impact to the financial condition of the Group, or the soundness of the Group being adversely affected by an inability (or perceived inability) to meet its contractual obligations.

MITIGATION

- Maintain a comprehensive liquidity risk policy and limits based on best practices.
- Proactive monitoring, analysis and reporting to ensure the management of liquidity risk is within the approved Risk Appetite.
- Liquidity risk controls are reviewed regularly to ensure effective management of this risk factor.
- Proactive review of all liquidity risk parameters in line with the Group's business strategy, regulatory requirements and current economic environment.
- Preserve high quality liquid assets and well-diversified sources of funds as liquidity risk buffer under both business-as-usual (BAU) and stress conditions.
- Conduct regular and ad-hoc stress testing to identify possible liquidity strain and to ensure the Group's exposure remains in accordance with the Group's risk tolerance.
- Establish robust liquidity crisis management plan and viable contingency funding plan.
- All exposures and non-compliances are promptly reported to Management & Board Committees.

4 OPERATIONAL RISK



DEFINITION

The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, which includes legal risk and Shariah Non-compliance risk but excludes strategic and reputational risks.

MITIGATION

- Maintain and actively manage operational risk in line with the Group's operational risk policy and approved Risk Appetite.
- Embedded Risk Units are established within significant activities and risk controllers are appointed in every division to enhance and ensure active monitoring of operational risks in the Group.
- Proactive review and management of critical business functions and essential services to ensure timely recovery in the event of disruptions.
- Various ORM tools, comprising proactive and reactive tools, are applied to provide a robust and consistent approach in managing Group-wide operational risk.
- All operational risk issues and incidents are reported to Management and Board Committees with detailed root cause analysis and action plan.
- Conduct operational risk training and awareness to ensure continuous development in building strong Group's risk culture.

Key Risks and Mitigations

5 INFORMATION TECHNOLOGY (IT) RISK



DEFINITION

Any potential adverse outcome, damage, loss, violation, failure, disruption, theft or breach arising from the use of or reliance on computer hardware, software, electronic devices, systems, applications and networks or the existence of vulnerabilities such as software defects, capacity inadequacies, network vulnerabilities and control weaknesses.

MITIGATION

- Establish internal process and controls, which include among others, proper systems development and project management approach and methodology, change management, security tool implementation, proactive security monitoring and system backup & recovery.
- Continuous assessment and review of security vulnerabilities and security control effectiveness.
- Enhanced monitoring of cybersecurity arising from challenges posed by the COVID-19 pandemic.
- Close monitoring of rectification progress by the relevant working-level and management committees.
- Where relevant, IT-related issues and incidents are escalated to the Board Risk Committee or Board IT Committee.

6 SHARIAH NON-COMPLIANCE (SNC) RISK



DEFINITION

Risk of legal or regulatory sanctions, financial loss or non-financial implications, including reputational damage, which the Group may suffer arising from failure to comply with the rulings of Bank Negara Malaysia's Shariah Advisory Council (SAC), standards on Shariah matters, or decisions or advice of the Group's Shariah Supervisory Council.

MITIGATION

- Ensure the soundness of Shariah governance framework through four dedicated functions - Shariah Research & Advisory, Shariah Risk Management, Shariah Compliance and Shariah Audit – as required under BNM Shariah Governance Framework.
- All policies, products, services and processes are subject to Shariah assessment.
- Operational risk management tools such as Risk Control Self-Assessment (including validation), Key Risk Indicators and Loss Event Management are extended and enhanced for the management of SNC risk.
- All SNC issues and incidences are reported to the Management, Board and Shariah Committee with detailed root cause analysis and action plans.



7 REGULATORY/COMPLIANCE RISK



DEFINITION

Risk of legal or regulatory sanctions, material financial loss, or reputational loss suffered as a result of failure to comply with the laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to BIMB's banking activities.

MITIGATION

- Streamlining compliance Policies & Procedures to ensure robustness across the Group whilst localising at subsidiary level to address respective regulators' requirements.
- Compliance risk management tools are deployed to ensure a more proactive and vigilant management of regulatory risk.
- Establishment of Foreign Exchange Policy (FEP) helpdesk to ensure compliance with foreign exchange requirements.
- More robust onboarding process which ensures the Outsourcing Service Providers (OSPs) share the Group's vision and commitment in championing VBI and ESG initiatives.
- Training and continuous up-skilling on key emerging risk including products and parameters as well as publication of learning and awareness materials to all staff.
- Implemented the Financial Risk Advisor (FRA™) System for BIMB Securities to manage end to end risk to ensure agility and efficiency of a business performance.
- Embarked on a new robust Anti Money Laundering (AML) System for the Group to mitigate, prevent, detect and respond to evolving money laundering, terrorist and proliferation financing activities.
- All issues and non-compliance are highlighted to the GCEO's Office and deliberated at the Management and Board Risk Committee.

8 CLIMATE RISK



DEFINITION

Risk arising from the effect of climate change on the Group's operations and to its customers. These include physical risks that are chronic in nature including extreme weather events such as heat waves, droughts, floods, typhoons, and acute in nature that bring long-term shifts in climate patterns such as sea level rise and sustained temperature increase.

Climate risk includes transition risk that entails changes in policies, investments, and business strategy such as carbon taxation that may negatively impact segments that are carbon-intensive or unable to adapt in a timely manner.

MITIGATION

- Developing and implementing an ESG risk framework covering identification, mitigation and monitoring of climate change risk; in line with the BNM's Climate Risk Management and Scenario Analysis policy document.
- Implementation of the BNM Climate Change Principles-based Taxonomy (CCPT) to classify financing exposures according to severity of climate risk.
- Conducting selective ESG due diligence of new and existing financing customers that carry elevated climate risk indicators based on sector and business activity.
- Implemented exclusion policy in the Group's risk appetite statement, i.e. to phase out and exit from the coal sector by 2030.



MENARA

Our Strategic Roadmap: LEAP25

As part of our ongoing commitment to advancing prosperity for all and delivering value, we have developed a comprehensive roadmap for the next five years. Known as LEAP25, this strategy is designed to leverage technology, redefine growth, and address the unprecedented challenges of our times.

At the core of LEAP25 is our goal to become a champion in offering a Shariah-compliant Environmental, Social, and Governance (ESG) total financial solution. This involves leadership in digital banking and social finance, in addition to our ongoing commitment to the principles of Shariah.

By 2025, we aim to be at the forefront of the industry, providing innovative solutions that meet the evolving needs of our clients while promoting sustainability and responsible business practices. By embracing this ambitious vision and staying true to our core values, we can continue to build a brighter, more prosperous future for all.

LEAP25 SIX STRATEGIC PILLARS:



The LEAP25 strategy has been pivotal in aligning us with our growth trajectory while making meaningful contributions to sustainability and advancing shared progress. Our commitment to the six targets under LEAP25 has been unwavering, and as of 2022, we remain on track to achieving them.

Strategic Performance Review

SUSTAINABLE PROSPERITY

What It Means

Sustainable Prosperity is both a growth opportunity and a values-based obligation, ensuring the long-term sustainability of the Group and creating value for our stakeholders. This includes our strategies and actions for strengthening the Group's financial position and our commitment to building for the future by taking a responsible and ethical approach to diversifying revenue streams and sustaining growth momentum.

What We Did

- Migrated the new GradOne Scorecard into a system and introduced fairer credit scoring for graduates aged 21-35.
- Collaborated with eChannels on Virtual Account Opening (VAO).
- Launched various campaigns such as *Al-Awfar* Elite 3.0, TDT Extra, *Al-Awfar* Plus, MaxCash, and SME Circle Campaign with new features to attract customers.
- Focused on sectors in accordance with our Risk Appetite, such as Healthcare, Power, Manufacturing, Telecommunication, Oil & Gas, as well as taking a cautious approach to other neutral sectors.
- Launched BIMB's Five Sustainability Commitments at the Annual General Meeting.
- Endorsed Governance Oversight on Sustainability.
- Set up a Sustainability Project Working Team (SPWT).
- Organised, conducted, and facilitated the inaugural Sustainability Workshop for Mid-Senior Management representatives across the Group.
- Opened the 1st environment-friendly branch in the country in Temerloh, Pahang to adopt sustainable practices in business operations.
- Spearheaded Value-based Intermediation Financing and Investment Impact Assessment Framework and developed a sectoral guide on waste management ahead of other cohorts among industry peers.
- Pioneered in Climate Change and Principle-based Taxonomy (CCPT) exercise.
- Contributed significantly to the CCPT Implementation Group as an industry key contributor.

Value Created

- Increased foothold in the Professional segment with 14% growth through 4 strategic collaborations with Professional Associations.
- Recorded a growth of RM7.4 billion in Deposits and Investment Accounts (IA).
- Successfully opened 2,536 accounts via VAO.
- Achieved a total asset growth increase of 12.1%.
- Maintained an overall green financing portfolio covering renewable energy and green building of RM2.9 billion approved.
- Introduced a new programme for SMEs, SME Eco Smart Financing.
- Finalised the Terms and Conditions with solar panel providers for House Financing for Solar Panels.
- RM17 million disbursed for 127 HEVs in 2022.
- Achieved a non-retail green financing increase to RM2.6 billion in 2021, compared to RM2.2 billion in the previous year.

Outlook

Our short-term plan includes the rollout of Home Financing-i with Bullet Payment Product, which is expected to be completed in 2023, subject to the completion of Phase 3 system development. This new product will give customers more flexibility in managing and meeting their financial obligations. Additionally, the Bank plans to expand its environment-friendly approach to five more locations by 2023, promoting eco-friendly features and sustainable practices to customers and the community. Overall, BIMB is dedicated to improving its services and positively impacting society.



VALUE-BASED CULTURE

What It Means

As Malaysia's leading, pioneering Islamic bank, our business mission and corporate culture is anchored in upholding Shariah goals and the principles of Value-based Intermediation (VBI). We are driven by our commitment to our values and supported by a strong ethical framework that enables us to achieve the goals of Islamic finance. These values are embedded into every aspect of our business policies and operations, encompassed in the TAAT values: Think Customer, Act With Integrity, Advance Beyond, Take Charge).

Value Created

- Achieved an Overall Engagement & Change Readiness Index of 88% for FY2022.
- On track to meet our upskilling targets, with 84% of employees achieving Digital Awareness, 32% achieving Foundational skills, and 3.3% achieving Expert/Specialist Level skills.

What We Did

- Kicked off the talent identification process for 12 Mission Critical Positions (MCP), with a current cover ratio of 2x and a firm talent assessment approach in place.
- Introduced a new Group Institutional Banking Target Operating Model (TOM) to strengthen the BIMB Investment and BIMB Securities businesses and operations.
- Completed Group Liquidity Crisis Management Plan (LCMP) testing at the Group level, attended by BIMB Investment and BIMB Securities representatives.
- Strengthened Shariah governance and compliance practices through the completion of a new reporting structure and the establishment of a common membership of the Shariah Committee, as well as the closure of gaps.

Outlook

The Group remains committed to developing internal skills and investing in employees with a growth mindset. However, the scarcity of ESG talent in the industry and fierce competition for tech talents from more agile organisations renowned for tech leadership and offering more competitive salary compensation presents a challenge that we must navigate.

Strategic Performance Review

CUSTOMER-CENTRICITY

What It Means

With customers at the forefront of the business, the Bank may offer holistic products based on customers' unique needs and convenience. BIMB is transforming the customer experience by placing our customers and stakeholders (internal or external) at the heart of all our planning and decision-making to ensure our customers are well served. We actualise the principles of competency, honesty and transparency in service delivery.

What We Did

- Engaged personal banking and SME customers to raise product awareness and gather feedback on current requirements for SME solutions
- Simplified and expedited approval process for criteria- and programme-based financing offers
- Raised the Single and Joint Discretionary Power to RM3 million
- Established a dedicated Credit Analyst team for SME customers
- Conducted staff training to raise standards for customer service delivery
- Launched the SME@Work mobile application for frontline sales staff to access important information for improved real-time decision making
- Rolled out the second version of the SMEXpert mobile application with more features and a better user experience

Value Created

- Accelerated financing approval turnaround time for improved efficiency.
- Expanded SME customer base and enhanced retention efforts.
- Increased visibility as a trusted provider of financial support for SMEs.
- Simplified financing approval and disbursement processes for SMEs with streamlined services.
- BIMB Investment offers strong ESG value propositions with AI and Big Data technology, global best practices from Arabesque partnership, and a proven track record.
- BIMB Investment's BEST app boasts over 30,000 registered users involving approximately RM30 million in investments as of 31 December 2022.
- Won The E-Commerce – Financial Services Award at the Malaysia Technology Excellence Awards 2022 for the second time.

Outlook

In the short-term, the Group plans to strengthen its cooperation with other institutional unit trust advisors to offer unique products and improve infrastructure. Additionally, the Group aims to build innovative products for specialised markets and focus on digital business growth by enhancing the BEST app and integrating customer relationship management techniques into the user experience.

In the medium to long-term, the Group aims to lead Shariah-ESG investment by offering sustainable risk-adjusted investment returns through Big Data and Artificial Intelligence. The Group will also help customers achieve their financial goals by understanding their needs and providing valuable investment solutions. It will shift toward goal-based investment plans that are accessible, affordable, and attractive to all customers through a people-centric approach.



COMMUNITY EMPOWERMENT

What It Means

As a listed Islamic bank with VBI as our core business model, we prioritise achieving Maqasid al-Shariah by emphasising communities' well-being. Financial inclusion is a crucial enabler of our environmental, social and governance (ESG) and sustainability principles by fostering positive transformation and socio-economic impact through financing.

Value Created

- Enhance the lives of 10,545 beneficiaries in 2022 by supporting families and small business owners with social finance initiatives.
- Supported the economic status of 40 micro-entrepreneurs.
- Assisted 566 borrowers through both iTEKAD BangKIT and iTEKAD Maju

What We Did

- Provided social assistance through various financing plans such as Asnaf Zakat Home Ownership Personal Financing Plan, Awqaf Ummah Home Financing Plan, and Bayt As Solah Financing.
- Distributed RM5.1 million in 2022 and RM10.1 million since 2018.
- Channelled RM4.63 million into our iTEKAD microfinancing programme.
- Launched the Sadaqa House Orphan Fund, with RM1.5 million raised in contribution.

Outlook

In the coming year, we will focus on financing disbursement and funding those in need. We plan to channel RM11 million in blended financing, allocate RM1 million for escalator funding, and disburse RM2.8 million for Asnaf Personal Financing-i recipients. We aim for 10% of funding recipients to improve their creditworthiness and 30% to see improvements in their socio-economic quality of life.

Looking to the medium to long-term, our goal is to raise a perpetual fund of RM1 billion by 2040. We have committed to partnering with three implementing organisations, OrphanCare Foundation, Pertubuhan Anak Yatim Malaysia (PEYATIM), and Youth Empowerment Foundation (YEF), over four years in support of the Orphans Agenda. The perpetual fund's returns will be used to distribute a minimum of RM3 million monthly for the welfare and education of orphans.

Strategic Performance Review

REAL ECONOMY

What It Means

BIMB aims to grow wealth inclusively within the real economy – concerned with producing and purchasing non-financial goods and services – and capture a greater customer share of that market. We support SMEs in growing the real economy by elevating their strengths and potential. The Bank supports various initiatives that build the real economy on equitable terms through a Halal ecosystem.

What We Did

- Expanded Halal economy financing portfolio by collaborating with Halal Development Corporation (HDC), Malaysia External Trade Development Corporation (MATRADE), SME Corporation Malaysia (SME Corp).
- Formed new partnerships with MIDA and iPortal Live Sdn Bhd to promote growth in the Halal economy.
- Launched real-economy programmes with marketing campaigns to promote SME solutions and digital platforms.
- Introduced seven Shariah-ESG funds through BIMB Investment, including Global, Asia Pacific, Malaysia, technology equities, Global Sukuk and Wakaf Unit Trust Funds. Recorded an AUM of RM745.10 million as of 31 December 2022.

Value Created

- Increased awareness of the Bank’s SME financing programmes
- Gained positive publicity and visibility as a valuable provider of business and financial insights for SMEs
- Improved customer acquisition and retention for SMEs
- BIMB Investment received five awards:
 - Best Risk-Adjusted Returns for ESG Principle Investment 2022 (fourth consecutive win) conferred by Alpha Southeast Asia
 - Best Overall Winner and Best Fund-Based on Asset Class (Equity) for BIMB-Arabesque Global Shariah-ESG AI Technology Fund, at The Edge ESG Awards 2022
 - Best Shariah-ESG Investment Management Company 2022 at the Global Business Magazine Awards
 - The E-Commerce – Financial Services Award 2022 at the Malaysia Technology Excellence Awards
- Enabled SME Banking customers to access financing for business growth needs.
- Developed a strong ESG investing ecosystem through Shariah-ESG and sustainable investment in alignment with the BIMB Group’s principles.

Outlook

Through BIMB Investment, we strive to become the top Shariah-ESG investment leader in local and regional markets. To achieve this, we will expand into new market sectors and explore new asset classes and SRI funds. We aim to lead the next generation of asset management by providing sustainable risk-adjusted investment returns using Big Data and Artificial Intelligence.



DIGITALISATION

What It Means

Our multi-year Digitalisation journey is designed to holistically transform

- Customer channels and platforms by providing omnichannel customer journey and experience and pushing the envelope on personalisation
- Applications & infrastructure to be future-ready with API-based technology stack and single data source for advanced analytics
- Process and ways of working that promote agile for iterative delivery, and
- Capability and skills to be digitally ready to support business goals

Value Created

- Improved the go-to-market capabilities for customer-centric offerings via Be U. It offers a savings account that allows zero balance, fund transfer capabilities and a “Nest” feature that helps customers save for specific goals.
- Enhanced flexibility and agility in developing new product offerings in a shorter period.
- Generated high-quality leads for cross-selling products, for example Al-Awfar and Personal Financing
- Increased credit card customer base by 0.7% with 2,436 new accounts added, with 1,347 Mastercard and 1,089 VISA cards activated.

What We Did

- Progressed a new working culture centred around Agile, DevOps and Design Thinking
- Instigated a philosophy of working with best-in-class ecosystem partners to build a cloud and microservices-based technology stack
- Increased traction on using and training machine learning models in various use cases, for example, in predicting the likelihood of customers accepting a product through the Propensity model
- Expanded the use of Robotic Process Automation (RPA) by skilling up more RPA Bitizen developers bank-wide
- Established a partnership with APU for Digital Academy
- Launched Be U by Bank Islam, the first digital Islamic Bank in Malaysia, touted as the friendliest digital bank in Malaysia. Be U is targeted at the younger generation.
- Commenced work to implement future-ready platform and infrastructure such as API and big data

Outlook

Looking ahead, we seek to uphold our mission to drive business growth and agility through innovation enabled by technology. We work to be able to provide digital solutions that are customer-centric, sustainable and value creating. Our IT Blueprint and Digital Bank represent our robust digital strategy to better equip ourselves to improve our digital offerings and stay ahead of our competitors. Our main aspirations are to:

1. Enhance customer access and interaction (channels) via omnichannel capabilities
2. Improve customer experience through frictionless access to the bank's services
3. Foster innovation with developers and fintech ecosystems through strategic partnerships
4. Venture into cloud through the establishment of our cloud strategy and its relevant policies
5. Increase business and operation agility in responding to customers' needs through strategic adoption of technology
6. Capitalise on data to gain insights for future development, optimise potential and reduce risk

In a nutshell, we are committed to rigorously develop and grow our digital business models and making Bank Islam a digitally mature organisation.

Key Performance Indicators

FINANCIAL METRICS

KPIs	Units	Objective	2020 Actual	2021 Actual	2022 Actual
Total assets	RM (billion)	To measure the overall value of the bank's total revenues obtained after accounting for depreciation associated with the assets.	74.6	80.2	89.9
Net fund based income	RM (million)	To calculate all revenues, costs and earnings per share.	1,580.9	1,831.6	2,078.8
Non fund based income	RM (million)	To calculate non fund income related to bank and creditor income derived primarily from fees.	532.8	357.3	231.1
Profit Before Zakat and Tax	RM (million)	To measure the underlying profitability of the Bank's performance before the impact of zakat and tax.	728.2	704.2	746.9
Total Gross Financing	RM (billion)	To measure overall bank health and efficiency by identifying problems with asset quality in finance portfolios.	55.6	59.2	65.9
Gross Impaired Financing	RM (million)	To measure gross loans, advances and financing.	373	568	835
Total Deposits & Investment Accounts	(RM billion)	To track simple-to-complex deposit operations in the banking systems.	63.4	67.8	75.2
Total Capital	RM (million)	To guarantee depositors and creditors that their funds are safe and indicate the bank's ability to pay for its liabilities.	8,352	8,741	9,131



FINANCIAL METRICS

KPIs	Objective	2020 Actual	2021 Actual	2022 Actual
Employee Engagement Index	To measure the engagement, productivity and overall well-being of our employees and business performance towards achieving the goals of our LEAP25 strategy.	81%	57%	88%
Customer Satisfaction Score	To develop better business services in line with the market trends and expectations of customers.	60	49	71
Women in Senior Management	To promote positive gender diversity within the company that will impact working cultures and promote social benefits among employees.	4	4	6
Number of SME Customers	To determine overall engagements with SMEs' while creating a wider customer range.	40%	40%	55%
Carbon Emissions (tCO₂e)	To track our operational emissions as a baseline towards reducing our climate impact	8,546.97	7,545.10	8,240.64
Self-service Terminals	To analyse transaction data and coordinate nationwide operations more effectively.	946	947	947

5-Year Financial Summary

Financial Year Ended 31 December	2022	2021	2020	2019	2018
Operating Results (RM'000)					
Total Revenue	3,576,354	3,167,757	3,342,202	3,644,696	3,336,502
Income Attributable to Depositors and Investment Account Holders	1,266,408	978,815	1,228,505	1,551,945	1,383,834
Profit Before Zakat and Tax ("PBZT")	746,866	704,221	728,213	843,480	810,258
Profit After Zakat and Tax ("PAZT")	491,672	534,305	564,954	627,609	593,887
Key Statements of Financial Position Items (RM'000)					
Total Assets	89,851,671	80,156,214	74,637,022	67,593,802	63,938,733
Total Financing	64,901,994	58,153,769	54,670,635	49,472,522	45,680,680
of which:					
Gross Impaired Financing	835,232	568,383	373,234	433,001	425,937
Investment in Securities	15,447,801	15,535,542	13,739,191	12,809,708	11,719,258
Deposits from Customers	60,707,504	57,338,834	51,077,262	47,408,738	49,895,232
Investment Accounts of Customers	14,461,439	10,452,902	12,368,528	10,240,373	5,176,819
CASATIA	27,685,071	26,845,680	22,907,392	18,860,995	17,668,839
Shareholders' Equity	6,796,243	6,399,938	6,285,699	5,714,453	5,276,407
of which:					
Share Capital	3,645,043	3,445,757	3,306,118	3,012,368	3,012,368
Ratio Analysis					
Return on Equity (based on PBZT) (%)	11.3	11.10	12.14	15.35	15.83
Return on Assets (based on PBZT) (%)	0.9	0.91	1.02	1.28	1.33
Return on Equity (based on PAZT) (%)	7.5	8.42	9.42	11.42	11.60
Return on Assets (based on PAZT) (%)	0.6	0.69	0.79	0.95	0.98
Cost Income Ratio (%)	59.8	57.01	53.81	53.56	52.97
Financing to Available Fund Ratio (%)	77.2	79.00	79.24	78.99	77.71
CASATIA Ratio (%)	36.8	39.60	36.11	32.72	32.08
Gross Impaired Financing Ratio (%)	1.27	0.96	0.67	0.86	0.92
Financing Loss Coverage (%)	140.80	187.19	248.63	179.32	187.75
Total Capital Ratio (%)	19.39	18.56	19.82	18.66	17.77
Earnings Per Share (sen)	22.86	21.87	22.19	25.00	23.96
Gross Dividend Per Share (sen)	13.80	10.93	10.92	12.45	11.86
Net Assets Per Share (RM)	3.15	3.08	2.42	2.28	2.10



5-Year Financial Highlights

Total Revenue
(RM Million)



Income attributable to depositors and investment account holders (RM Million)



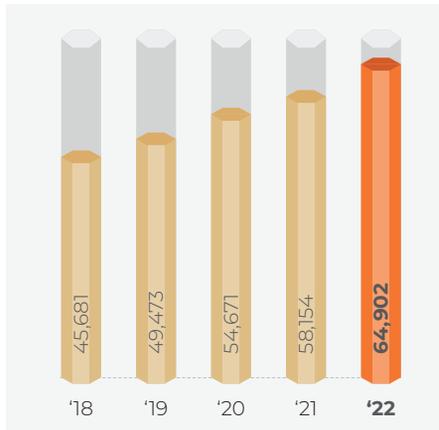
Profit Before Zakat and Tax
(RM Million)



Total Assets
(RM Million)



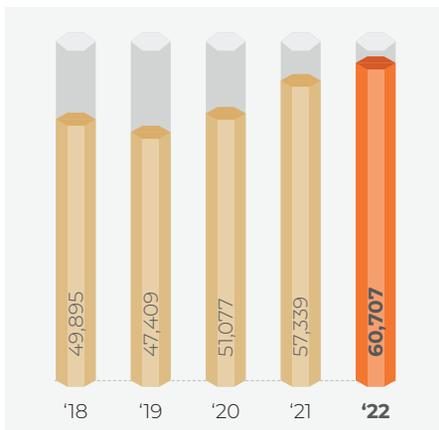
Total Financing
(RM Million)



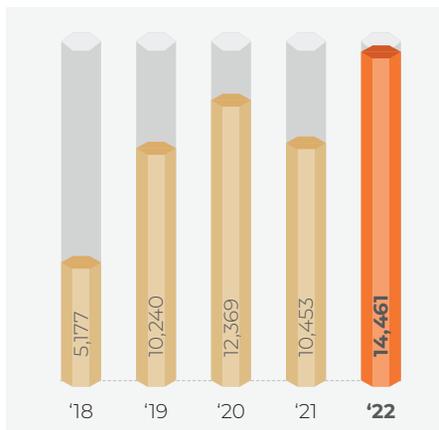
Gross Impaired Financing
(RM Million)



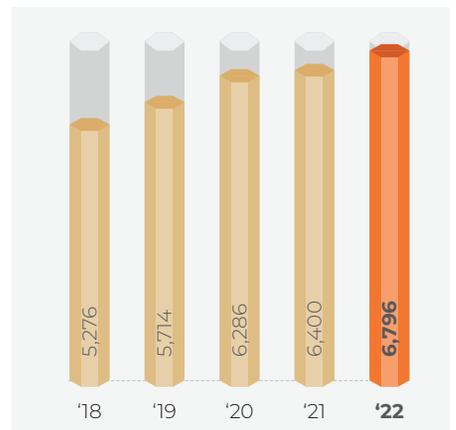
Deposits from Customers
(RM Million)



Investment Accounts of Customers (RM Million)

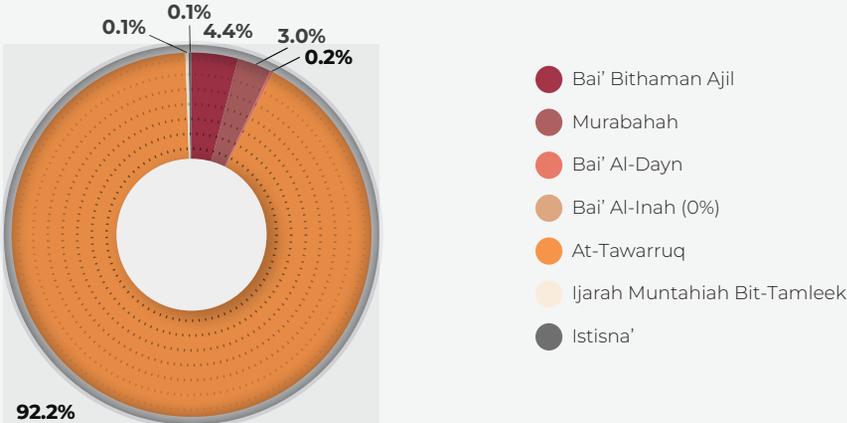


Shareholders' Equity
(RM Million)

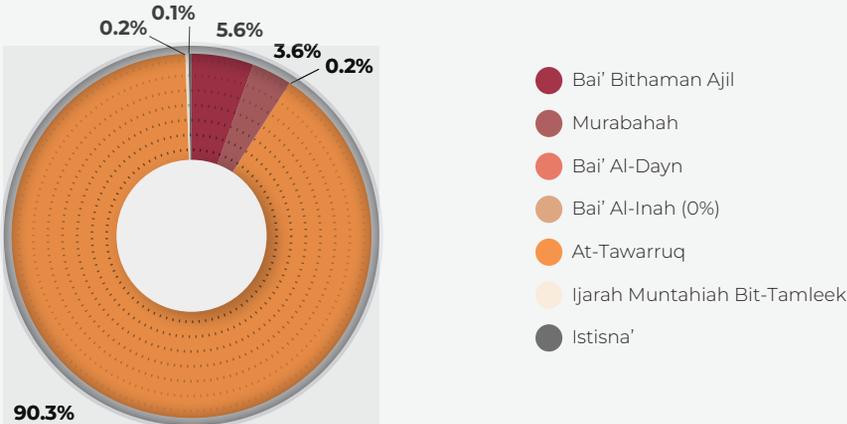


Financial by Contract

2022



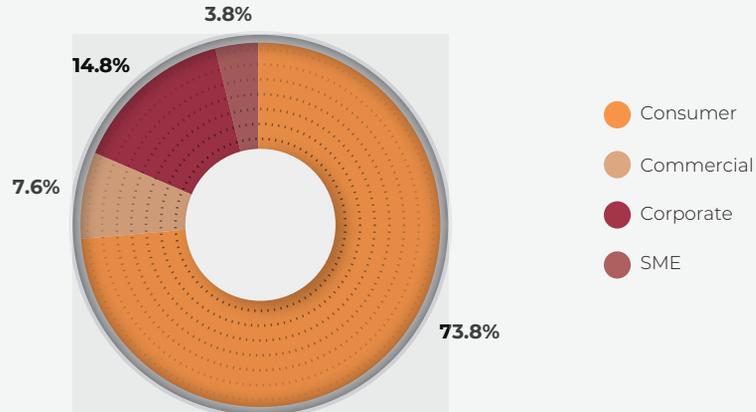
2021



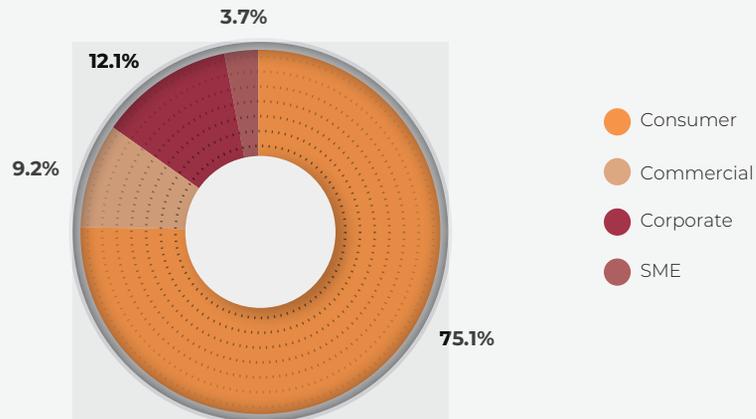


Segmental Analysis

2022

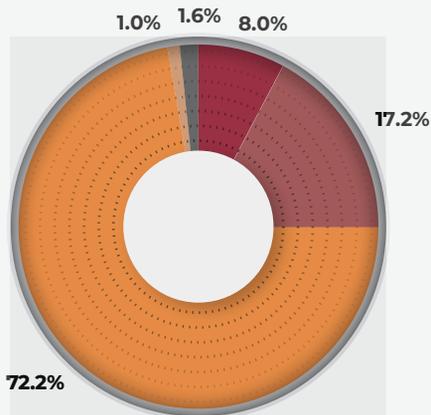


2021

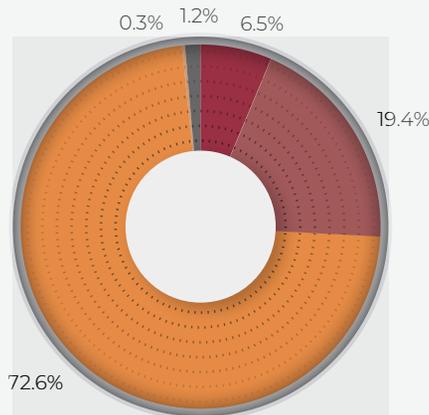


Simplified Statements of Financial Position

TOTAL ASSETS



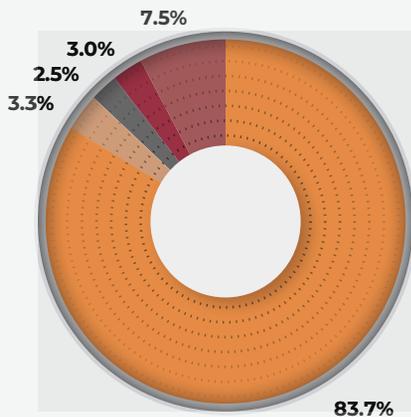
RM89.8 billion
as of
31 December
2022



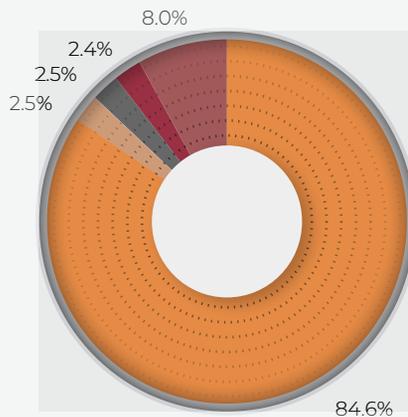
RM80.2 billion
as of
31 December
2021

- Cash and short-term funds
- Investment in securities
- Financing, advances and others
- Statutory deposits with Bank Negara Malaysia
- Other assets

TOTAL LIABILITIES AND EQUITY



RM89.8 billion
as of
31 December
2022



RM80.2 billion
as of
31 December
2021

- Customers' deposits & investment accounts
- Recourse obligations on financing sold to Cagamas
- Subordinated Sukuk Murabahah
- Other liabilities
- Equity



Statement of Value-added & Distribution

STATEMENT OF VALUE-ADDED

	2022 RM'000	2021 RM'000
Net income derived from investment of depositor's funds	1,513,570	1,441,384
Net income derived from investment account funds	393,858	337,411
Net income derived from investment of shareholder's funds	402,518	459,058
Net allowance for impairment on financing and advances, net of recoveries	(140,032)	(190,738)
Loss on modification of financial assets	-	(48,911)
Net allowance for impairment on other financial assets	-	(7,406)
Direct expenses	(11,414)	(10,938)
Finance cost	(107,171)	(89,887)
Overhead expenses excluding personnel and depreciation	(405,460)	(402,697)
	1,645,869	1,487,276

DISTRIBUTION OF VALUE-ADDED

	2022 RM'000	2021 RM'000
To employees:		
Personnel expenses	821,955	723,830
To the government and zakat authority:		
Taxation and zakat	255,194	169,916
To providers of capital:		
Dividend to shareholders	300,444	226,893
To reinvest to the Group:		
Depreciation	78,007	59,225
Retained earnings	190,269	307,412
	1,645,869	1,487,276

Quarterly Performance

RM million	Financial year ended 31 December 2022				
	Q1	Q2	Q3	Q4	Year
Total Revenue	774	823	934	1,045	3,576
Net Income Before Impairment	523	547	612	627	2,309
Profit Before Overheads, Zakat and Tax	478	518	586	589	2,171
Profit Before Zakat and Tax	159	181	219	187	747
Profit After Zakat and Tax	106	117	143	126	492
Earnings Per Share (Sen)	4.95	5.44	6.63	5.84	22.86
Dividend Per Share (Sen)	-	-	10.40	3.4	13.80

RM million	Financial year ended 31 December 2021				
	Q1	Q2	Q3	Q4	Year
Total Revenue	771	834	746	817	3,168
Net Income Before Impairment	532	591	501	565	2,189
Profit Before Overheads, Zakat and Tax	521	557	460	453	1,991
Profit Before Zakat and Tax	214	261	153	76	704
Profit After Zakat and Tax	159	194	102	79	534
Earnings Per Share (Sen)	6.10	7.44	4.08	3.84	21.87
Dividend Per Share (Sen)	-	-	10.93	-	10.93



Financial Calendar

FINANCIAL RESULTS ANNOUNCEMENTS



31 MAY 2022

Quarterly report on consolidated results for the financial period ended 31 March 2022

30 AUGUST 2022

Quarterly report on consolidated results for the financial period ended 30 June 2022

30 NOVEMBER 2022

Quarterly report on consolidated results for the financial period ended 30 September 2022

27 FEBRUARY 2023

Quarterly report on consolidated results for the financial period ended 31 December 2022

ANALYST BRIEFING



1 JUNE 2022

Briefing on 1Q2022 Financial Results

1 SEPTEMBER 2022

Briefing on 1H2022 Financial Results

1 DECEMBER 2022

Briefing on 9 Months 2022 Financial Results

28 FEBRUARY 2023

Briefing on FY2022 Financial Results

DIVIDENDS



FIRST INTERIM DIVIDEND OF 10.40 SEN PER SHARE

Notice: 9 December 2022
Entitlement: 30 December 2022
Payment: 30 January 2023

SECOND INTERIM DIVIDEND OF 3.40 SEN PER SHARE

Notice: 3 April 2023
Entitlement: 17 April 2023
Payment: 12 May 2023

40TH ANNUAL GENERAL MEETING



VENUE

FULLY VIRTUAL

At Broadcast Venue
Level 10
Menara Bank Islam
22 Jalan Perak
50450 Kuala Lumpur

DATE

26 May 2023
10.00 a.m.



CONSUMER BANKING



Consumer Banking had a remarkable year in 2022, with the post-pandemic recovery boosting economic activity and the national employment rate. This contributed to a substantial 9.3% growth for the division, which saw a significant increase in consumers' credit situation. Consumer Banking's asset composition now represents a remarkable 74% of total Bank assets, an impressive milestone for the Bank.



Our collaboration with four professional associations, namely the Malaysia Institute of Accountants (MIA), Malaysian Society for Occupational Safety & Health (MSOSH), Pertubuhan Arkitek Malaysia (PAM) and Persatuan Akauntan Sektor Awam (PSA), enabled us to build stronger relationships and create a more robust support system for our customers.

In addition, we launched several innovative product and branding initiatives, including three new debit cards with unique features such as BIMB's Debit Card-i with a built-in sadaqa contribution to Sadaqa House, BIMB Visa Alumni International Islamic University Malaysia Debit Card-i payWave, and BIMB Visa Alumni Universiti Teknologi MARA Debit Card-i payWave. We also celebrated the FIFA World Cup 2022 by introducing a new limited edition credit card, the BIMB Visa FIFA-themed Credit Card-i, which received a positive response from our customers.

WHO WE ARE AND WHAT WE DO

As the largest division within BIMB, Consumer Banking accounted for 60% of the Group's net income in 2022. We offer a wide range of consumer banking products and services, distinguished by our status as a fully-fledged Islamic bank. The division recorded an improved market share of 4.91% in 2022, compared to 4.79% in 2021. Total assets increased by 9.3% to RM48.7 billion during the year, exceeding our growth target of 8%.

CREATING STAKEHOLDER VALUE

Stakeholder Expectations	Value Created in 2022
<p>Lower-income customers:</p> <ul style="list-style-type: none"> Home Financing-i with Bullet Payment 	<ul style="list-style-type: none"> Supported customers' acquisition of residential property with an enhanced payment plan with lower commitments and broader financial eligibility.
<p>Sustainability & Environment:</p> <ul style="list-style-type: none"> House Financing for Solar Panels Hybrid & Electrical Vehicle (HEV) Financing 	<ul style="list-style-type: none"> Provided the option to include solar panel purchase within the home financing/refinancing package to offer an attractive and sustainable energy solution. Total disbursement for HEVs: 127 units totalling RM17 million.

Consumer Banking

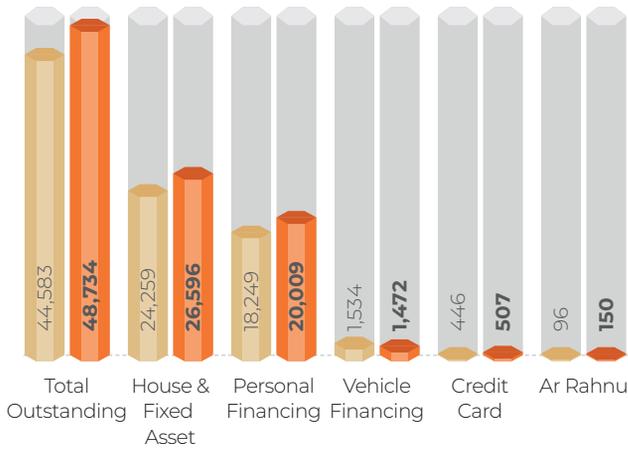
KEY FOCUS AREAS & RESULTS

Focus Areas	What We Did in 2022	Results
Sustainable Prosperity & Product Innovation	<ul style="list-style-type: none"> Increase Non-National Vehicle penetration 	<ul style="list-style-type: none"> Total penetration for Non-National Vehicle portfolio: RM143.6million.
	<ul style="list-style-type: none"> Contactless Mobile Payments 	<ul style="list-style-type: none"> Offered cheaper terminal rental to support contactless card payments via smartphone.
	<ul style="list-style-type: none"> New Bank Islam Visa FIFA-Themed Credit Card-i 	<ul style="list-style-type: none"> Launched a new limited edition credit card in conjunction with the FIFA World Cup 2022, with 9,999 cards issued.
	<ul style="list-style-type: none"> Introduced 3 new BIMB Debit Cards 	<ul style="list-style-type: none"> Added three new Debits Cards to our product lineup since March 2022: <ul style="list-style-type: none"> BIMB Visa Debit Card-i (Generic) payWave BIMB Visa Alumni International Islamic University Malaysia Debit Card-i payWave BIMB Visa Alumni Universiti Teknikal MARA Debit Card-i payWave
Customer-centricity	<ul style="list-style-type: none"> Added Ar-Rahnu counters at 20 existing branches 	<ul style="list-style-type: none"> Established 20 new Ar-Rahnu counters in selected branches to provide financing solutions through the Ar-Rahnu facility.
	<ul style="list-style-type: none"> Penetrated and grew new customer segments under the GradONE program 	<ul style="list-style-type: none"> Introduced a revised scorecard for the GradONE program onboarding effective 17 June 2022; the average approval rate post-revision increased by 7.5%.
Digitalisation	<ul style="list-style-type: none"> Streamlined Credit Card application and approval process 	<ul style="list-style-type: none"> Introduced special credit processing for existing customers with minimum documentation required for Credit Card applications.
	<ul style="list-style-type: none"> Self-service card management via Internet Banking (IB) Leveraged analytical tools such as Tableau & Robotic Process Automation (RPA) for business insights 	<ul style="list-style-type: none"> Implemented card-i services on the IB platform in December 2022 to complement conventional card maintenance. 5 RPA projects completed: <ol style="list-style-type: none"> Submission & Approval Monthly Report VF SRP & SRP FTHB Confirmed Asset Info Data Packaged Employer Reporting VF Daily Submission Report Daily Debit Card Issuance Report



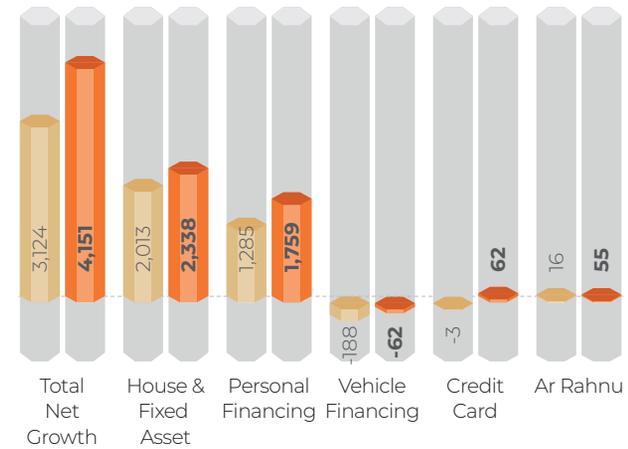
PERFORMANCE HIGHLIGHTS

Total Outstanding (RM Mil)



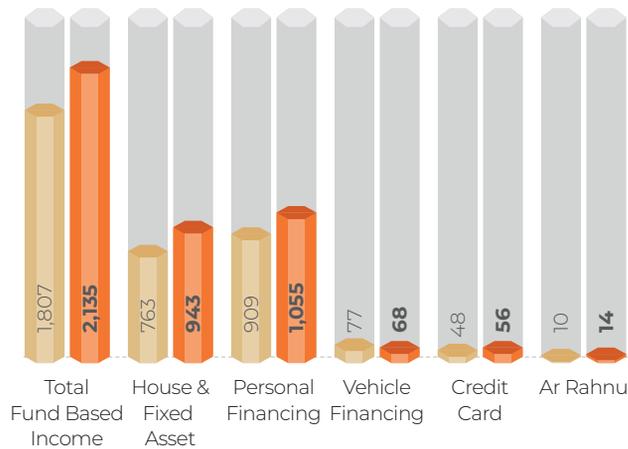
FY2021
FY2022

Net Growth (RM Mil)



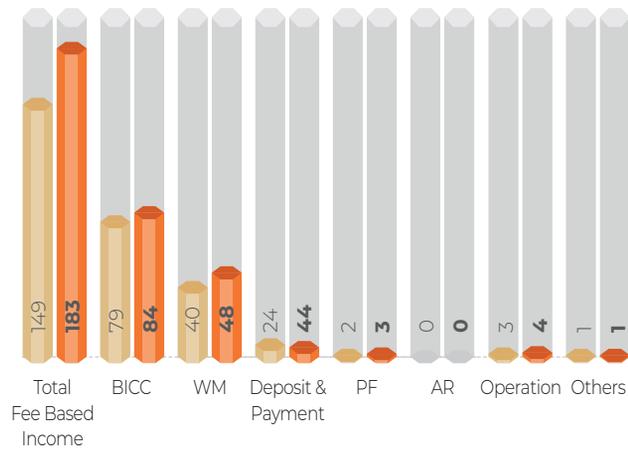
FY2021
FY2022

Fund-Based Income (RM Mil)



FY2021
FY2022

Fee-Based Income (RM Mil)



FY2021
FY2022

Consumer Banking

KEY RISKS & CHALLENGES

Risks & Challenges	Mitigation Strategies
Challenging economic outlook with the rise in inflation, provision, and post-pandemic COVID-19 impacts	Focused and sustained our secure payment financing (package employers; ASB financing; government sectors and professional associations). We maintained our asset quality with an agile strategy of enhancing the collections process and recovery intensity.
Digital competition is expected to intensify in 2023 with new digital bank offerings to launch	We expect to commence digital consumer credit card onboarding with the delivery of FOS (Phase 2) while streamlining our systems and operations to prepare for the mid-to long-term digitalisation play.

GROWTH OPPORTUNITIES

Opportunities	Our Approach
Greater awareness of Socially Responsible Investments (SRI) and ESG portfolio	<p>As a responsible financial intermediary, the Bank explored value creation and promoted sustainability initiatives in new business areas.</p> <p>To increase the take-up rate of green technology products, we grew our ESG portfolio through hybrid and electric vehicle financing, and solar panels within home financing packages to offer a sustainable cost-effective energy solution.</p> <p>The Bank also pursues a financial inclusion by empowering first-time homebuyers to obtain financing through Skim Rumah Pertamaku (SRP) & First Time Homebuyers Scheme.</p>

OUTLOOK AND STRATEGIC PLANS

Short-Term

We will focus on secured payment financing for retail assets to rebalance our portfolio and extend our product penetration into relevant target segments, particularly Professionals. To increase our reach and market coverage, we will also pursue growth in the underserved market sector (i.e., non-Bumi). The Bank will continue to expand its secured payment financing, including working with package employers, the public sector, and professional associations. Our strategic partnership with Yayasan Pembangunan Ekonomi Islam Malaysia (YaPEIM) will launch a new business line by introducing Gold Investment Products under our Ar-Rahnu portfolio.

Medium- to Long-Term

In line with our 2023 strategic intent to adopt a segment-led approach, we will promote our Young Graduate proposition with a structured, packaged approach to nurture this emerging mass affluent segment over its lifecycle. We will also continue to optimise our data analysis efforts to identify value-creation opportunities, such as performance analysis of business insights to understand customer demands and formulate effective business strategies. To decrease turnaround time and enhance the overall customer experience, we will re-evaluate appropriate specifications to develop a straight-through application for the disbursement procedure.



DEPOSITS AND CASH MANAGEMENT



In 2022, we recorded a commendable growth of RM7.4 billion in deposits and investments, representing an 18.4% increase over the previous year. This impressive result was largely attributed to the opening of all economic sectors in Q4 2021, which bolstered the non-individual segment.

Despite a higher average disposable income among Malaysian households, growth in the individual segment was affected by consumers' spending behaviour shifting away from non-essential items. An intensified price war in Q4 2022 added additional pressure. Nevertheless, we continued to invest in improving the customer experience with enhanced products and value-added solutions. Our efforts were recognised in April 2022, when we achieved three awards at the Malaysian ePayments Excellence Awards (MEEA).

Deposits and Cash Management

WHO WE ARE AND WHAT WE DO

Deposits and Cash Management (DCM) is a key business enabler for BIMB, delivering stable, balanced deposits growth and superior cash management solutions. We embrace a pragmatic liquidity management approach and provide customer value through unique products and solutions while ensuring sound liquidity levels and effective costs of funds for the Bank. We also venture into new business frontiers by diversifying our resources and boundaries across business collaborations and digital inclusion.

In 2022, we focused on the five components under the Retail Segment: Mass Market, High Net Worth Individuals, Professionals, Salary Earners, and Non-Bumi. Our Corporate Segment focus included Corporate & SME. The Bank's approach to drive deposit growth has been:

- 01** Adopting a customer-centric approach.
- 02** Strategic positioning of resources encompassing the sales and support teams.
- 03** Embracing digitalisation to seamlessly integrate products and solutions.
- 04** Achieving synergy between internal and external parties, leveraging individual and collective strengths.

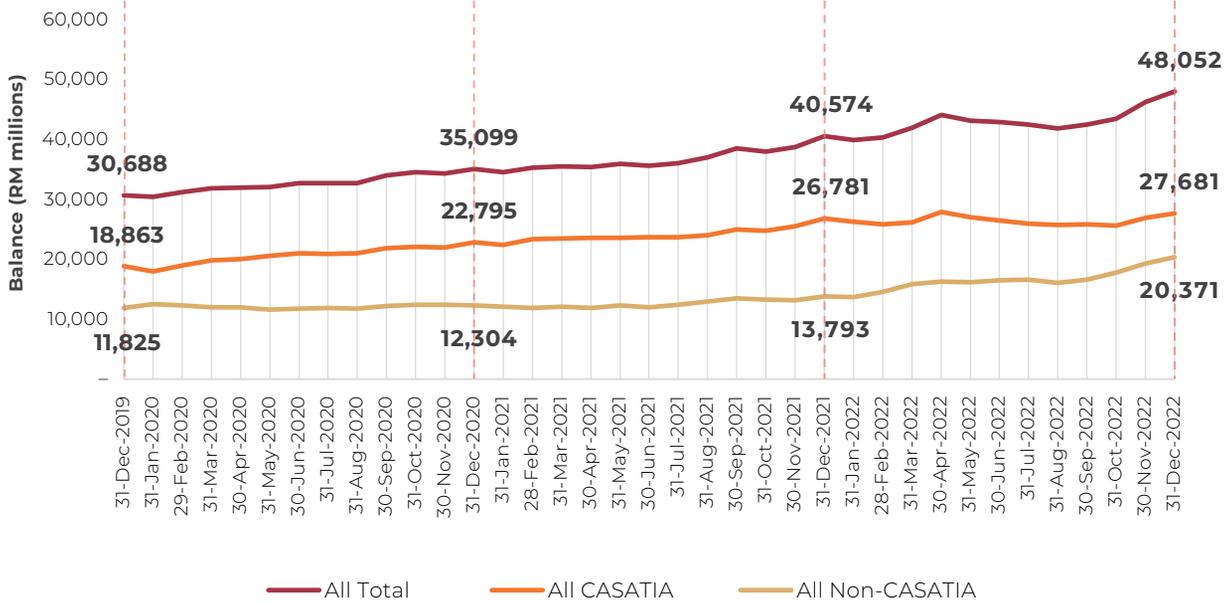
KEY FOCUS AREAS & RESULTS

Focus Areas	What We Did in 2022	Results
Sustainable Prosperity	<p>Achieved commendable growth in SME deposits by deploying deposit growth strategies comprising:</p> <ul style="list-style-type: none"> • Campaigns & promotions • Strategic collaborations • Business solutions for SMES: <ul style="list-style-type: none"> – Onboarding SMEs with SMExpert application – SME Circle Campaign with new features 	<p>Total SME customer banking growth for FY 2022 RM425.1 million</p>
Customer-centricity	<p>Ran campaigns and initiatives to enhance multiple business solutions:</p> <ul style="list-style-type: none"> • FPX campaign • Direct Debit Campaign: PTPTN Campaign on Direct Debit and <i>Potongan Gaji</i> • GO Biz Merchant App • eBanker Pro • High-Risk Customer Portal • Awards for Business Solutions 	<ol style="list-style-type: none"> 1. Over 400 FPX merchants registered from January to December 2022 2. 1,076 subscribers via MyPTPTN app by December 2022 (campaign duration from 1 December 2022 to 30 April 2023) 3. 14,256 GO Biz subscribers from January to December 2022 4. 22,096 eBanker Pro subscribers as at December 2022 5. Improved accuracy in the review and approval of high-risk customers 6. The Malaysian e-Payments Excellence Awards (MEEA2022): <ol style="list-style-type: none"> a. Best JomPay Acquirer b. Best Direct Debit Bank c. Best Direct Debit Acquirer (Bank)
Community Empowerment	<p>In November 2022, we migrated to a new Al-Awfar draw engine with the Sponsorship & Zakat Distribution for IPTA/IPTS.</p> <p>This improved the reliability and transparency of the draw and is in line with the Bank's commitment to Corporate Social Responsibility (CSR) and serving the community.</p>	<ol style="list-style-type: none"> 1. Sponsorship: RM386,865 approved and paid

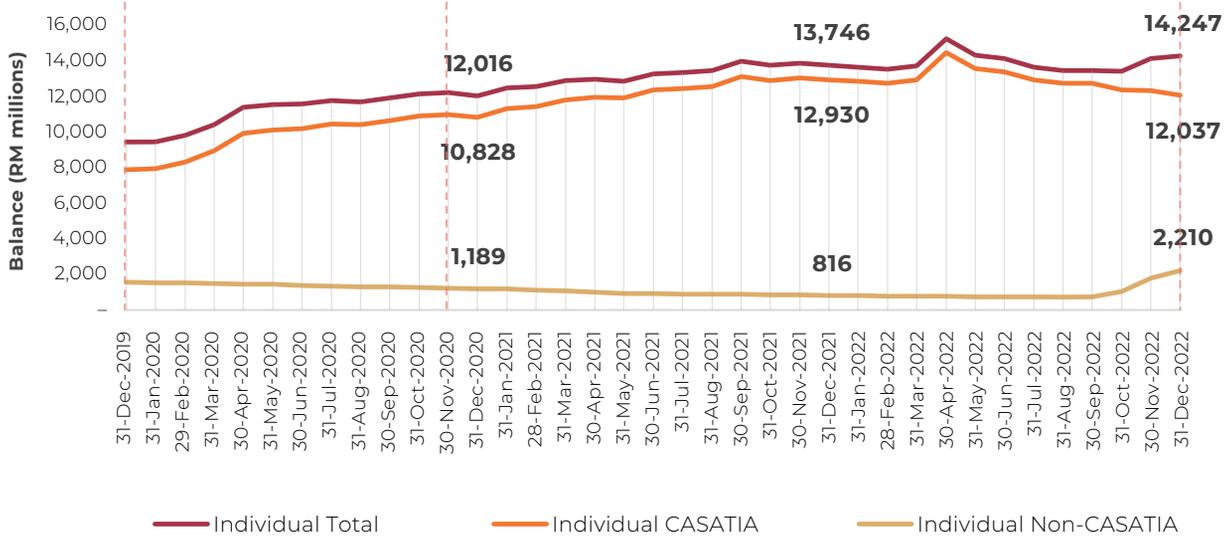


PERFORMANCE HIGHLIGHTS

Overall CASATIA vs Non-CASATIA



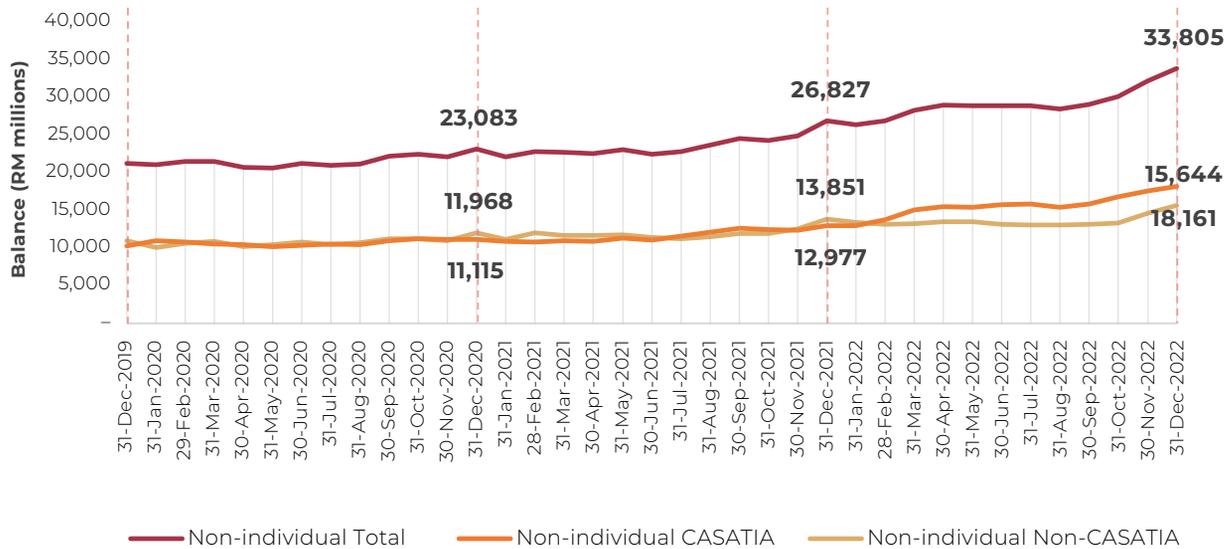
Individual CASATIA vs Non-CASATIA



Deposits and Cash Management

PERFORMANCE HIGHLIGHTS

Non-Individual CASATIA vs Non-CASATIA



Campaign Performance

The Individual segment performance growth was supported by the following campaigns:

Campaign	Date Launch
AL-AWFAR ELITE 3.0	1 March – 31 December 22
TDT EXTRA	15 September – 31 December 22
MAXCASH	15 September – 31 December 22
AL-AWFAR PLUS	15 September – 31 December 22
JOM PROMOTE GAJI	1 March – 31 December 22
AL-AWFAR “DO IT WIN”	1 February – 31 August 22
TRU GOLD CAMPAIGN	1 April – 31 August 22
SME CAMPAIGN	1 April – 31 August 22

**KEY RISKS AND CHALLENGES****Risks & Challenges**

1. eBanker Pro launch delayed by technical disruptions
2. Price war among industry players intensified

Mitigation Strategies

Dedicated teams were formed to address these challenges:

1. Customer Enquiries – set up an end-to-end resolution service
2. System Error & Testing – collaborated with IT and vendor to deliver solutions

DCM initiated time-bound campaigns incorporating revisions on profit rates (MaxCash 5.7% and TDT 4.4%) offered to attract more customers

GROWTH OPPORTUNITIES**Opportunities**

1. Customers' growing expectations for a faster account opening process
2. Demand for improvement via digitalisation for merchants and vendors

Our Approach

1. Development of Virtual Account Opening (VAO) processes, including collaboration with eChannels to promote a faster on-boarding process for new accounts
2. Promoting GO Biz by BIMB app & Terminal to achieve high subscription growth and reduce paper wastage

OUTLOOK AND STRATEGIC PLANS

Under the new Deposits & Cards structure, DCM is taking a prudent and sustainable approach to overall deposit growth. In the short term, we are focused on strengthening our product standing in the market through a key product rebranding initiative that will commence in 2023. We are also exploring opportunities to enhance our products continuously by leveraging the Bank's digitisation and ESG-related agenda. This is crucial for product differentiation and meeting the growing demand for seamless banking products and services from both individual and non-individual segments.

To achieve our deposit targets while fostering stronger relationships between our customers and sales team, the Bank will collaborate extensively with relevant agencies and corporate interests to enable bulk deposit holding within DCM while creating deposit-taking opportunities for our sales team.

Looking ahead, we anticipate further advancements in banking technology, particularly those involving Artificial Intelligence, over the next five years. These developments will support the industry's efforts to create a more socially and environmentally responsible banking environment. At BIMB, we are committed to re-engineering our platform for Deposits & Cards products to deliver entirely seamless banking solutions that are customer-centric and aligned with our ESG agenda. We believe this approach will enable us to provide more value to our customers and contribute to a sustainable future for all.



SME BANKING



SME Banking strengthened its position as a leading financial solution provider for SMEs with new financing programs such as SME Exporter and SME Smart Eco, increasing our client base while leveraging BNM funding initiatives to promote business recovery, growth, and sustainability. We engaged in strategic collaborations with partners to expand our market outreach and meet their members' financial needs.

In March 2022, we partnered with MIDA to support grant recipients in purchasing machinery and equipment upfront, while in April 2022, we signed an MoU with iPORTAL Live Sdn Bhd to bring our Islamic financial solutions onto a global platform, enabling digital connectivity for all sectors in the Halal economy. We achieved a significant Net Growth of 71% in SME Banking Asset, earning us the Nation's Pride Brand of the Year Award for SME Development at the Brand Laureate Best Brands Awards 2021-2022. Our commitment to providing tailored financial solutions to support SME growth remains steadfast, and we will continue to push for excellence in all areas of the SME sector.



WHO WE ARE AND WHAT WE DO

BIMB's SME Banking Division was established in 2018 with a vision to provide comprehensive Shariah-compliant financing solutions to support the growth of SMEs and the SME sector. As a leading provider of Islamic banking solutions, we understand the importance of offering tailored financial products and services to meet the unique needs of SMEs in the Halal Economy.

Our comprehensive range of products and services are customised to fit the specific requirements of SMEs, including financing solutions for working capital, trade finance, and investment in fixed assets. We also offer digital banking solutions, such as online banking and mobile banking, to make banking easier and more convenient for our SME customers.

SME Banking Products and Services

- | | |
|--|---|
| Go Halal SME Financing | WinBiz (Women-in-Business) Financing |
| SME Exporter Financing | Disaster Relief Facility |
| SME Smart Eco Financing | Business Premise Financing |
| All Economic Sector Facility (AES) | SME Biz Financing |
| SME Automation and Digitalisation Facility (ADF) | TNB Vendor Financing |
| Domestic Investment Strategic Fund Financing (DISF) | SME-PENJANA Tourism (PTF) |
| SME Biz G.R.O.W Financing | SMEXpert Mobile Application |
| | SME@Work mobile application |

Read more about SME Banking at <https://www.bankislam.com/business-banking/sme-banking/>

CREATING STAKEHOLDER VALUE

Stakeholder Expectations

Value Created in 2022

SME Customers & SME ecosystem

- Increased total financing to SME customers by **50%**
- Enhanced engagement and outreach efforts that improved our visibility as the provider of valuable business and financial solutions for SMEs.

BIMB Staff

- Launched **SME Referral Campaign 2.0**, a collaboration between SME Banking Division and Consumer Banking Division (CBG) to promote SME financing products through BIMB branches nationwide. The campaign aims to:
 - Grow our market share in Islamic financing under the SME segment
 - Create product awareness and encourage Brand Managers and Sales Personnel under CBG in promoting SME financing products
 - Drive Branch Managers and their team to focus their sales on SME Financing as to further increase profit income for the bank
- Launched **SME@Work** mobile application, a robust Sales Performance Management tool that is accessible 24/7 to support frontline sales staff and Managers with the following functions:
 - Provide real-time updates on actual performance and productivity output by Relationship Managers, SME Business Centres. Region and Nationwide respectively to enable quick and informed decision-making
 - Conduct leads submission and monitor customer application status
 - Quick reference tool on products and campaign info, branch locations and directory
 - Disseminate eBusiness Card for quicker engagement with potential customers

KEY FOCUS AREAS & RESULTS

Focus Areas	What We Did in 2022	Results
Real Economy	<ul style="list-style-type: none"> Introduced new total financing solutions that meet the evolving needs of SME customers 	<p>Introduced financing programmes to build the Halal ecosystem:</p> <ul style="list-style-type: none"> SME Exporter Financing Programme to facilitate the export of SME products and services to global markets SME Smart Eco Financing Programme to support producers and users of green technology
Customer-centricity	<ul style="list-style-type: none"> Conducted engagements with our customers and SME companies to address financial gaps Developed a simplified and fast approval process for our financing programmes Conducted staff training exercises to develop well-informed and capable staff in delivering exceptional customer service and improved customer experience Continuous digitalisation efforts to improve user experience. 	<ul style="list-style-type: none"> Conducted over 20 webinar sessions and physical engagements or talks with SMEs to strengthen our visibility as the provider of valuable business and financial insights for SMEs Participated in various key exhibitions organised by our strategic partners Established SME@Work mobile application with real-time updates such as customer application status, environment friendly eBusiness Cards, and easy reference tools to support frontline sales staff and Managers in making informed decisions and enhance customer experience Rolled out SMEXpert mobile app version 2 with more features and a customer-friendly user interface to provide better user experience Received the Nation's Pride Brand of the Year Award for SME Development at The Brand Laureate Best Brands Awards 2021-2022

PERFORMANCE HIGHLIGHTS



**KEY RISKS & CHALLENGES****Risks & Challenges****Mitigation Strategies****Disruptions to SME Business growth**

Post-pandemic recovery and natural disasters disrupted growth and business performance for SMEs

- Continuously implemented engagement activities to SME Customers and registered SME members of the Bank's strategic partners to spread product awareness, encouraging SMEs to approach FIs and seek financial assistance
- Promoted the SMEXpert mobile app as a digital marketing tool to promote BIMB's SME products and services

GROWTH OPPORTUNITIES**Opportunities****Our Approach**

- | | |
|---|--|
| <ol style="list-style-type: none"> 1. Initiatives and incentives for green technology adoption and applications 2. Rising demand for digitalised services and platforms | <ol style="list-style-type: none"> 1. Increased promotion of SME Smart Eco Financing products to SMEs 2. Deployed digital platforms to improve communications with customers, strengthen market outreach and deepen support for SMEs 3. Implemented financial assistance programmes to meet the current needs of customers and help ease their financial burden |
|---|--|

OUTLOOK AND STRATEGIC PLANS

Within the next year, we plan to roll out more financial assistance programs and initiatives to help SMEs ease their financial burden, while also supporting the Group and the government's ESG aspirations. One of our key initiatives for 2023 is to further promote the SME Smart Eco Financing Programme, which encourages sustainable business practices among SMEs.

In the medium to long term, SMEs will be focused on business recovery efforts and exploring new markets and opportunities, which presents new opportunities for SME Banking to expand our market penetration and strengthen our relationships with customers. We are committed to developing appropriate financing programs and digital initiatives that will enhance the overall customer experience and contribute to the growth and success of SMEs in the Halal Economy.

We will also continue to work closely with strategic partners and stakeholders to cultivate SME growth and development, while exploring new avenues for market expansion. With our strong focus on innovation, customer service, and Shariah-compliant solutions, we are confident that SME Banking will continue to play a pivotal role in supporting the growth and success of SMEs in the Halal Economy, both in the short and long term.



CORPORATE BANKING

“ In 2022, in line with the Group’s commitment towards the ESG agenda, we offered a total banking facility of up to RM352.9 million to support and finance our customers’ development and construction activities related to renewable energy.



WHO WE ARE AND WHAT WE DO

BIMB's Corporate Banking Team provides comprehensive financing solutions guided by Shariah principles, which are central to our Value-based Intermediation (VBI) approach in catering to corporates, government agencies, and government-linked companies. We offer strong branding and technical expertise, coupled with value-added advisory propositions in structured and project financing, particularly in green technology and the renewable energy sector. We focus on providing fully Shariah-compliant financing products and have robust competencies in both product coverage and service delivery.

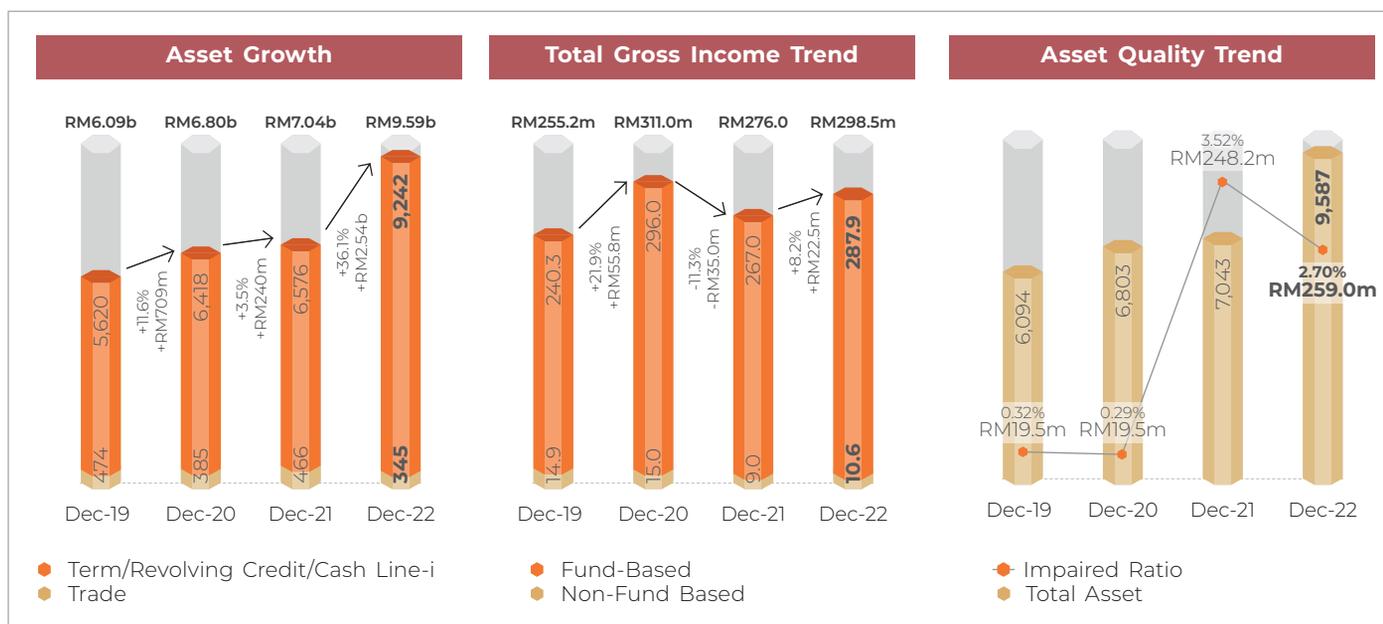
CREATING STAKEHOLDER VALUE

Stakeholder Expectations	Value Created in 2022
We provided facilities to our corporate customer to finance the construction of the solar photovoltaic (PV) system at various sites	The solar energy generated shall be for the customer's self-consumption to save on electricity cost and this is part of their Renewable Energy programme which targets to assist our customer to achieve its net-zero fossil fuel consumption, carbon neutrality and sustainability goals.
We granted project financing facilities to our corporate customers to develop small hydropower system.	Apart from providing income diversification to the shareholders of the customers, the projects are aligned with Malaysia's commitment to increase the installed capacity of renewable energy (excluding large hydro schemes) from 2% in 2018 to 20% by the year 2025 as part of the National Renewable Energy Policy. This commitment is in line with the objective to increase Renewable Energy contribution in the national power generation mix.
We provided facilities to our corporate customer to finance the development, construction costs and for working capital related to the design, construct, own, operate and maintenance of Biogas Pond, Biogas Pre-treatment System and Bio-Methane Purification System	The customer invests in the generation of Renewable Energy (RE) using waste from its mills – specifically palm oil mill effluents (POME) and palm kernel shells (PKS). By generating more RE, they reduce electricity offtake from the national grid while moderating methane emissions from the bio-waste. Effectively, this contributes to a lower carbon footprint. The objective is for sustainability to be integrated into every aspect of the strategies and business operations of the customer in order to keep enhancing its stakeholder value. They continue to develop their sustainability reporting in line with best practices.

KEY FOCUS AREAS & RESULTS

Focus Areas	What We Did in 2022	Results
Customer-centricity	<p>Guided by our “Think Customer” Value in 2022, the Corporate Banking team:</p> <ul style="list-style-type: none"> • Provided customised financing solutions and banking services tailored to clients’ needs to support their business growth • Cultivated long-term business relationships by building trust through excellent customer service • Responded swiftly to customer’s requests for loan moratoriums and financial assistance to mitigate the effects of the Covid-19 pandemic 	<ul style="list-style-type: none"> • Total Outstanding Financing Assets: RM9.59 billion
Sustainable Prosperity	<ul style="list-style-type: none"> • Leveraged existing strong relationships with preferred customers with mutual growth prospects • Cultivated new-to-bank customers via sector focus to preserve asset quality and income contribution <ul style="list-style-type: none"> – Principle focus areas are Healthcare, Food, Infrastructure, Plantation, Green Technology and Renewable Energy • Maintained anti-attribution strategy via: <ul style="list-style-type: none"> – Defending assets by maintaining close professional relationships through excellent customer service – Encouraging clients’ utilisation of revolving facilities by offering competitive rates and elevated service • Established a new team to grow product offerings and develop new revenue streams by purchasing Unrated Sukuk • Capitalised on potential synergies with BIMB’s major shareholders to increase financing activity and explore cross-selling opportunities within the Group 	<ul style="list-style-type: none"> • Recorded a RM2.54 billion (36%) YoY growth (FY2021 RM7.04 billion)

PERFORMANCE HIGHLIGHTS





KEY RISKS & CHALLENGES

Risks & Challenges	Mitigation Strategies
Slow economic growth & post-pandemic recovery	<ul style="list-style-type: none"> Proactively monitored our customers to detect any potential distress while providing support to those already with financial assistance requirements (such as restructuring and rescheduling) Cautiously implemented a selective Sectoral Focus on Infrastructure/Construction, Green Energy/Power, Plantation, Healthcare, Oil & Gas, and Property Development/Real Estate Cautiously continued to support existing manufacturing and trading companies to produce quality products and services
Capturing new and retaining quality corporate customers and encouraging loyalty to BIMB against competition from other financial institutions	<ul style="list-style-type: none"> Strengthened the relationship of new & existing customers by providing proactive banking services & support to assist potential growth of their businesses Introduced a client coverage initiative to targeted existing customers under the Group Institution Banking platform Acquired new-to-bank customers via Unrated Sukuk Programme Continued to leverage existing customers and grew deposits from our portfolio customers. Increased participation in syndicated financing & refinancing of large exposure Explored synergies with Lembaga Tabung Haji (TH) to increase financing exposure and other cross-selling opportunities with the TH group of companies to leverage on joint account planning initiatives Initiated collaboration and account planning activities with BIMB Investment Management and BIMB Securities
Increasing Non-Fund-Based Income against competition from other Financial Institutions	<ul style="list-style-type: none"> Focused on growing arrangement/participating fees via refinancing and syndication from other financial institutions Encouraged collection of processing/arrangement fee for all new approvals Explored lead roles for project and infrastructure financing deals with lucrative fee income Explored complementary and innovative uses of non-fund-based instruments (e.g. BG-i) in structuring facilities Championed the Bank Guarantee issuance, especially for government and local authority businesses, via a simplified programme approach with fast turnaround time Implemented a compulsory Forex Line for all trade customers and treasury dealers to provide competitive rates and strengthen business relationships with regular visits and product briefings
Rising operating costs and Division expenses	<ul style="list-style-type: none"> Reviewed team structures to optimise sales and execution and ensure efficient mobilisation of available manpower Adjusted recruitment strategy to a “need-to-hire” basis to balance business needs Implemented a multi-tasking work culture to ensure optimal staff strength and enhance skillsets Reviewed operational procedures and processes to enhance efficiency and productivity while challenging or eliminating unnecessary processes to save costs Reduced wastage through strict monitoring of office expenses and elimination of non-value-added processes while encouraging recycling to maximise resources
Motivating, training and retaining good staff	<ul style="list-style-type: none"> Promoted Staff Career Development with job rotation across the divisions and other departments Encouraged Ownership & Accountability by promoting values of integrity and accessibility with realistic approaches

GROWTH OPPORTUNITIES

Opportunities	Our Approach
<p>Rising demand for Infrastructure/ Construction, Green Energy/Power, Plantation, Healthcare, Oil & Gas, and Property Development/Real Estate sectors</p>	<p>Growth targets will be focused on Risk Appetite and the identified list of clients and sectors across value chain ecosystems:</p> <p>Public Infrastructure & Development:</p> <ul style="list-style-type: none"> • ICT, Telecommunications & Digital Project • Public Infrastructure • Government Instrument Market <p>Sustainability:</p> <ul style="list-style-type: none"> • Renewable Energy • Green Financing • Affordable Home Projects • Ecosystem Building <p>Identifying Supply Chain Vendor Financing Opportunities in:</p> <ul style="list-style-type: none"> • Water Operators • Healthcare • Pharmaceutical • Manufacturing, Semiconductors & Food/Halal Exporters

OUTLOOK AND STRATEGIC PLANS

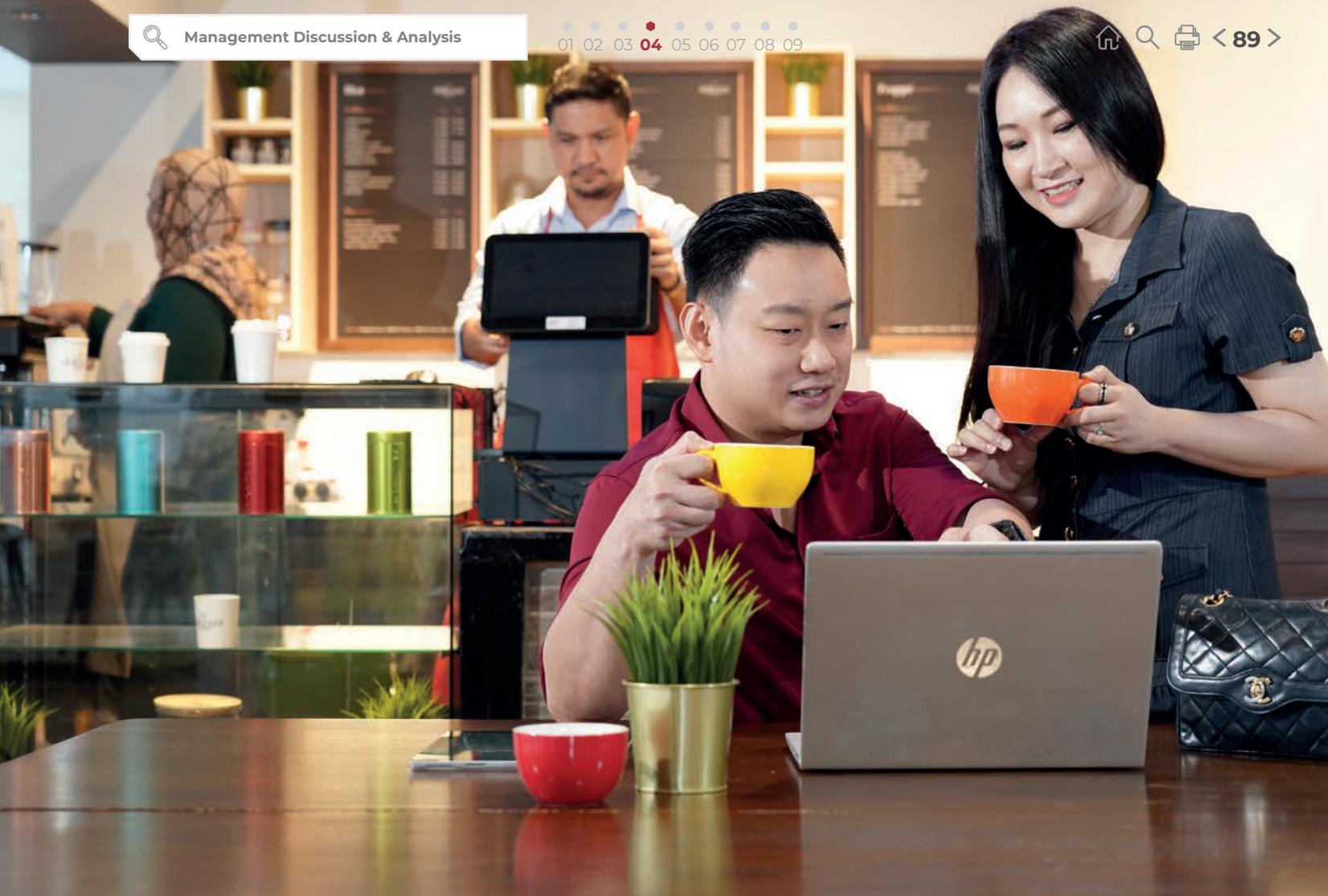
As we move into 2023 and beyond, we anticipate ongoing volatility in financial markets and global interest rates, which will likely result in the Ringgit weakening against the US Dollar. Global supply chain disruptions, particularly in light of China's continued zero-Covid policies, will leave markets vulnerable. Additionally, despite heavy government subsidies, inflationary pressure is set to continue intensifying due to global uncertainties such as the Russia-Ukraine conflict, energy supply disruptions, and aggressive monetary policy tightening. We expect Bank Negara Malaysia to commit to market-friendly reforms and a balanced fiscal policy revision of subsidy policies to address these challenges.

At BIMB, our Corporate Banking Division will implement key tactics and strategies across our six strategic pillars for 2023 and beyond. Under Sustainable Prosperity, we will increase our asset size with a focus on Public Infrastructure & Development, ESG, and Ecosystem Building. We will also diversify our portfolio and cross-sell initiatives to nurture new-to-bank and new-to-product customers.

We will enhance our Values-based Culture by promoting ownership and accountability throughout the organisation and realigning to risk and compliance considerations while building integrity and accessibility realistically. For Community Empowerment, we will provide financing to the Healthcare and Infrastructure sectors to benefit the wider community. We will identify principal targets throughout the value chain to drive this financing.

We are developing a new Target Operating Model (TOM) and Client Solutions Model to enhance Customer-centricity. These models will leverage our digital channels and distribution infrastructure to provide seamless client onboarding and experience management for all Group entities. Hiring dedicated Product Solutions Specialists will further enhance the customer experience. Partnering with clients through program-based solutions, we will support public infrastructure projects to drive progress in the Real Economy. Our Digitalisation initiatives will include data monetisation to support business growth, introducing dashboards on customers' facility portfolios, and a new Credit Origination system.

We will identify and explore cross-selling opportunities across the Group to increase financing exposure, leveraging joint planning initiatives via the new TOM. Externally, we will focus on growing arrangement/participating fees via refinancing and syndication from other Financial Institutions. We will also step up our Foreign Currency Trade Product offering and introduce a compulsory Forex Line for all trade customers and Treasury Dealers to provide competitive rates.



COMMERCIAL BANKING



In 2022, the rapid progress in sustainable and climate financing presented the Commercial Banking team with a challenge in capacity and capability. We are bracing ourselves to ensure we are well-positioned at the forefront of Environmental, Social and Governance (ESG) finance. We are committed to integrating ESG considerations into our business and decision-making processes and nurturing potential customers towards sustainable growth. Currently, our focused-on companies are engaged in Renewable Energy (RE) and sectors with positive social impacts. As part of our initiative to support ESG, we have granted banking facilities amounting to RM438.1 million in the year 2022 to customers in renewable energy, sustainable waste management and water treatment sectors.

Commercial Banking

WHO WE ARE AND WHAT WE DO

Bank Islam's Commercial Banking team provides comprehensive and wide range of Shariah-based financing solutions to our customer. We are committed to promote best practices and ensure efficient service delivery to all customers guided by Environmental, Social and Governance (ESG) principles.

KEY FOCUS AREAS & RESULTS

Focus Areas	What We Did in 2022	Results
Focus on Green Financing	<p>We will continue our focus on Green Financing as part of main initiative under the Sustainable Prosperity and to encourage financing towards ESG-positive product and services including renewable energy, socially and environmentally responsible businesses. We are stepping up our efforts to support the country's aspiration to promote the growth of green economy by channelling our capital and resources towards supporting sectors and economic activities under this segment.</p> <p>The Division's exposure to green financing portfolio includes renewable energy (solar), water treatment and waste management. The government continues to promote a more effective way of waste management by encouraging the reuse and reduce method and ultimately reducing landfill wastes. We want to take this opportunity to grow our financing asset towards the waste management and water treatment ecosystem as well as other green economy or technology in parallel with rapid expansion in this segment growth.</p>	<p>Approved: RM438.1 million (14 projects)</p>
Focus on financing of Affordable Home projects to support Government initiative	<p>500,000 units of Affordable Home will be built under the 12th Malaysia Plan, as well as improvements made to facilitate home financing, including Fund for Affordable Housing, Youth Housing Scheme and Rent-to-Own Program (RTO) to increase the opportunities for the B40 and M40 groups to own homes. Furthermore, affordable home is currently a top priority for most property developers in Malaysia. The development of this residential segment not only helps sales, but also provides opportunities for people to own homes. This is further driven by the increasing awareness and desire of buyers towards home ownership, although the economy is still unstable due to the Covid-19 pandemic. Therefore, we want to support the Government's initiative to offer more affordable homes for the B40 and M40, by playing our part to provide bridging financing for the affordable homes project to be developed in strategic locations with promising take-up rate.</p>	<p>Approved: RM41.8 million (3 projects)</p>



KEY FOCUS AREAS & RESULTS

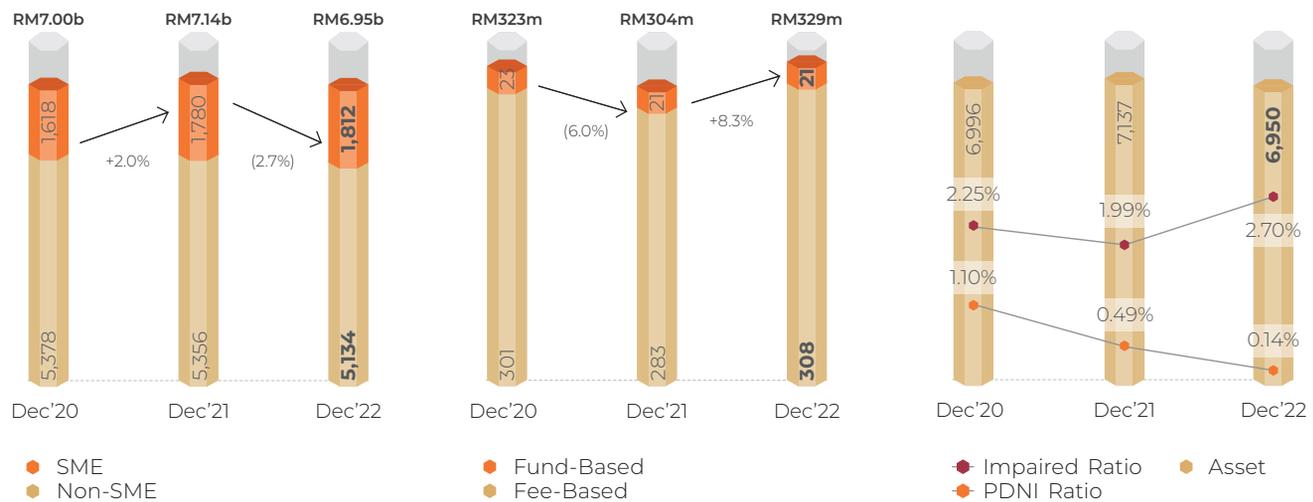
Focus Areas	What We Did in 2022	Results
Financing of Infrastructure and Public Facility projects.	<p>The government is focusing on development and infrastructure projects under the 12th Malaysia Plan. The COVID-19 pandemic had forced the government to focus less on development projects, placing priority instead on overcoming the health crisis.</p> <p>Some of the development projects announced were Klang Valley Double Track (KVDT) project, Gemas-Johor Bharu electrified double-tracking project, East Coast Rail Line (ECRL) project, Rapid Transit System (RTS) project, West Coast Expressway (WCE) and the Central Spine Road. We will continue to leverage on Contract Financing structure to finance working capital requirement by the private sectors that obtain contract directly from the government and government-linked companies.</p>	<p>Approved: RM203.9 million (4 projects)</p>
Financing of Healthcare projects	<p>The budget allocation for 2022 is expected to increase due to the strain in financial resources towards public healthcare system, especially during this long-drawn-out pandemic situation. As the international borders had been reopened sometime in 2022, high possibility of healthcare tourism to make a strong come back with consideration to create a green bubble for medical tourism. Rapid development of the national vaccination program also creates opportunities for authorised pharmaceutical companies to seek financing for the acquisition of vaccines. Our exposure to healthcare segment stands at RM188 million. Therefore, we would like to allocate our capital by providing financing option in for CAPEX requirement as well as offering supply chain financing in the ecosystem that provides support to the healthcare system. This includes hospital, pharmaceutical and medical devices industries.</p>	<p>Approved: RM57.8 million (5 projects)</p>
Financing of Telecommunication and Information Technology projects	<p>Among the highlights of the 12th Malaysia Plan are accelerating the growth of digital transformation agenda which targets the digital economy to contribute 25.5 per cent to the country's Gross Domestic Product (GDP) by 2025. The government will further bridge the digital divide between the urban and rural areas through the various programmes and projects. The provision of digital infrastructure involves public and private sector investment to improve the existing 4G network. Private sector and local telecommunication companies also invested to accelerate the implementation of 5G nationwide. We would like to increase our existing exposure in Information and Communication Technology (ICT) of RM44 million as at Aug'21 by focusing on CAPEX requirement by telecommunication companies to support the National Digitalisation Agenda.</p>	<p>Approved: RM203.9 million (4 projects)</p>

Commercial Banking

PERFORMANCE HIGHLIGHTS

Despite a decrease in Commercial Banking's total assets by 2.7% (RM190.5 million) from RM7.14 billion in December 2021 to RM6.95 billion in December 2022, the division recorded an increase in total gross income of RM22.4 million (7.3%) from RM306.7 million in December 2021 to RM329.1 million in December 2022. This is largely attributed to higher fund-based income, which stood at RM308.1 million in December 2022 compared to RM285.6 million in December 2021.

While we experienced a lower asset contribution from the non SME segments, which was worth RM5.13 billion in December 2022 compared to December 2021's RM5.36 billion, we remain optimistic about the future growth potential of this sector. Although the Gross Impaired Ratio increased from 1.99% in December 2021 to 2.70% in December 2022, we are confident in our risk management measures and remain committed to addressing any potential challenges in a proactive manner. Additionally, our Past Due but Not Impaired (PDNI) ratio also decreased to 0.14% in December 2022 from 0.49% in December due to our robust and pro-active early care management of potential distress customer.



**KEY RISKS & CHALLENGES**

Risks & Challenges	Mitigation Strategies
Slow Economic Growth & Post-Pandemic Recovery	Set up an Asset Quality Management unit that proactively monitors our customers to detect any potential distress and provide support to those already with financial assistance requirements (such as restructuring and rescheduling).
Soft Property Outlook	<ol style="list-style-type: none"> 1. Practice extra vigilance and caution towards the property development segment, with only two property development projects totalling RM32.0 million approved in 2022, compared to 11 projects totalling RM118 million in 2021. 2. Support construction companies who have obtained supply, service, and construction contracts with proper financial control mechanisms, who will be monitored closely by our dedicated unit.
Volatility of the Oil & Gas (O&G) Sector	<ol style="list-style-type: none"> 1. Support vendors under the Petronas Vendor Financing Programme to help them navigate the volatile market. To date, we have approved a total of RM405 million to 90 Petronas vendors since the program's inception. 2. Leverage our control mechanism whereby the utilisation and settlement of O&G vendor contracts are monitored by a dedicated unit.

GROWTH OPPORTUNITIES

Opportunities	Our Approach
Renewable Energy Growth	<p>Actively pursue strategic assessments on investment and acquisition into renewable energy. These investments focus on financing new and existing solar farms and solar players such as financing of installation of solar and net energy metering equipment.</p> <p><i>For more information, see page 118.</i></p>
Responsible Waste Management	<p>Explore strategic assessment on investment and acquisition into the waste management segment, with a recorded total accumulated assets of RM597.9 million.</p> <p><i>For more information, see page 118.</i></p>

Commercial Banking

OUTLOOK AND STRATEGIC PLANS

In the next one to three years, Commercial Banking will support the Bank's priority on driving Sustainable Prosperity and the Real Economy. Specifically, we will focus on Green Financing in Renewable Energy, Waste Management and Water Treatment, with a target of achieving between 10-15% year-on-year (YoY) growth on the total portfolio value. In addition, we aim to increase our New-to-Bank & New-to-Product assets by diversifying our portfolio, developing innovative solutions, and identifying cross-selling opportunities, targeting a YoY growth rate of 5%.

Looking towards 2030, we will mitigate our exposure to high sustainability risk sectors by supporting our clients' transition towards a low-carbon economy and ESG business practices. We will advocate for real economic growth and nurture community upward mobility through social finance by supporting Public Infrastructure projects, Social Finance, and Value-based intermediation (VBI). We will further mobilise our portfolio of Shariah-ESG products and solutions by expanding our sustainability capabilities into new segments beyond solar power.

To support this new ecosystem, we will increase our human capital and digital capacity, establishing a digital platform that can handle the end-to-end processing of our customers' financing requirements, improving turnaround time, and enhancing our fulfilment capacity. We will upskill our employees and leverage technology to better meet specific requirements and create synergy between the Bank's business units, providing a comprehensive suite of products and solutions. Our aim is to shift our business model focus towards value creation. Our new Target Operating Model and Client Solutions Model will enable us to achieve this by offering a much-improved customer experience journey.





TREASURY AND MARKETS



The Treasury and Markets Division provides Shariah-compliant treasury solutions to meet the business needs of our clients across multiple segments. Our products and services include Money Market, Foreign Exchange (FX), Fixed Income, and structured products.

Treasury and Markets

WHO WE ARE

In 2022, global economies continued to face entrenched inflationary pressures, with demand-pull factors now outpacing receding cost-push factors from post-pandemic supply chain disruptions as well as the Ukraine-Russia conflict. Led by the US Federal Reserve, global central banks maintained their hawkish stance in their respective monetary policies to combat surging inflation. Global post-pandemic economic recovery has also stalled due to broadly worsening economic conditions.

Amid slowing growth momentum, the Fed's rapid rate tightening led to curve inversion and dampened risk sentiments. The Fed hiked the Fed Rates by 75bps in June 2022, the largest increase since 1994, and indicated continued aggressive hikes into 2023. BNM adopted a steadier approach to monetary policy tightening to remain supportive of domestic economic recovery. The Overnight Policy Rate (OPR) was raised 100bps from 1.75% to 2.75% throughout 2022, almost in sync with the rest of other ASEAN central banks, who were also less aggressive than the Fed in combating inflation.

The Dollar Index (DXY) appreciated over 12% from about 93 to 105 levels in 2022. The Ringgit weakened against the US Dollar by 5.4%, peaking above the 4.70 level in October, but performed better against other major currencies such as the Euro, Japanese Yen, and Pound Sterling. The formation of a new Malaysian government during the last quarter of the year stabilised the Ringgit to about 4.4 to the USD. The Ringgit ended the year stronger than most Asian currencies except for the Thai Baht, Hong Kong Dollar, and Singapore Dollar.

Despite the uncertainties surrounding the impact of concerted rate tightening and worsening global economic conditions on the Malaysian economy, the Bank's FX sales volume continued to grow in 2022 amidst intense competition and significant margin erosions. There was also steady and significant growth in total deposits for the Bank throughout 2022. However, intense competition caused wholesale funding costs, contributing to margin compressions for both Treasury investments and Financing assets. The Bank's liquidity metrics, nevertheless, improved further in 2022.

The short-term Islamic interbank rates were capped within a steady range, with overnight rates trading between 1.68% to 2.75%, one week between 1.76% to 2.84% and one month between 1.85% to 3.25%.

Fixed income investments and trading activities in 2022 were generally conservative as the team adopted a passive stance in the first half of 2022 and only started investing in the second half. Both fund-based and non-fund-based income was adversely affected as the team took cautious and prudent steps in rebalancing and reinvestment activities throughout the year while mitigating the revaluation impact on the portfolios' mark-to-market positions.

Meanwhile, Sukuk distribution activities continued to record commendable performance despite a steepening in the Ringgit yield curve and tepid secondary trading liquidity conditions. The Bank was appointed Lead Manager/Joint Lead Manager for 12 ESG-rated Sukuk distribution deals and continued to perform an active role as Islamic Principal Dealer (iPD).

The fixed-income team achieved a Top 5 ranking in Bloomberg's Malaysian Ringgit Islamic Sukuk League Table for 2022. The team also received accolades for the best SRI Sukuk – Pengurusan Air Selangor RM430 million SRI Murabaha Sukuk, and the Best New Sukuk – Bank Simpanan Nasional RM750 million triple-tranche Wakala Sukuk.



OUTLOOK AND STRATEGY FOR 2023

We expect continued volatility in global financial markets in 2023 as the Federal Reserve (Fed) remains committed and aggressive in its rate normalisation path to tame inflationary pressures. The business operating environment will likely remain challenging amidst rising oil prices, lingering supply chain disruptions and geopolitical risks arising from the Ukraine-Russia conflict.

The Fed funds rate is expected to reach around 5% in Q1 2023. The Federal Reserve seems determined to reduce inflation to its 2% target. Rates are expected to remain 'higher for longer' even if the US economy slows down or slips into a technical recession, despite market expectations of a likelihood of rate cuts by the end of 2023. The US Treasury yield curve is likely to remain deeply inverted.

On the local front, BNM is expected to remain cautious in its rate normalisation path, given growing external risk factors. Most forecasts anticipate one or two more hikes in the OPR in 2023.

The domestic yield curve, which has largely moved in tandem with the US curve in recent years, will continue to do so in 2023, albeit with increasingly smaller correlations as domestic economic factors may require more accommodative monetary policy relative to major economies.

Real money investors may pivot towards longer duration exposures with the prospect of the global recession in late 2023. A longer-term concern, however, will be the increasing interest rate differentials with major economies that may require BNM to resume OPR hikes by the end of 2023.

We believe that it will take some time for global FX and Rates markets to stabilise. Continued improvements in the overall liquidity metrics of the Bank and the generation of non-volatile trading income from sales and distribution will be T&M's priorities in 2023. This will entail strategies of short-duration investments, further diversification of the Bank's wholesale funding base and emphasis on customer service excellence.

Despite the tougher outlook for global economic growth and challenges facing the US economy, the US Dollar is likely to remain at historic highs during the first half of the year. However, the greenback may weaken over the course of the second half of 2023 as the Fed slows down its tightening cycle.

Separately, we expect weakness in the Ringgit against the US Dollar to persist as the Fed continues to hike while BNM maintains its gradual policy stance. We expect this trend to reverse towards the end of the Fed's hiking cycle. We expect USD/MYR to be around 4.000 by end-2023.



BIMB

INVESTMENT



BIMB Investment believes that investment opportunities should not be limited to high-net-worth individuals, but made accessible, affordable and attractive to everyone. We are mindful of this as we shift towards goal-based investing, with our role as the catalyst to help our customers achieve their financial goals. From the early development of our products and services to meeting those goals, creating a great experience for our customers is at the core of everything we do.



WHO WE ARE AND WHAT WE DO

BIMB Investment is the fund management arm of BIMB and a United Nations Principles of Responsible Investment (UNPRI) signatory. With a track record of more than 28 years in Islamic Fund Management, BIMB Investment has been a pioneer in the industry on Shariah-ESG investing since 2015. BIMB Investment currently manages a total of 15 funds (comprised of 7 Shariah-ESG funds) across multiple asset classes and geographical locations. BIMB Investment has continued pioneering roles with the growing integration of Artificial Intelligence (AI) into investment process and strategies and is committed to delivering risk-adjusted sustainable and consistent investment performance to investors.

BIMB Investment’s aim is to remain innovative in Shariah-ESG space, providing solutions to cater to the needs of all investors that include retail and sophisticated investors, as well as corporate and institutions, through:

- upholding Shariah-ESG Value;
- embracing Big Data & Artificial Intelligence to offer transparent and superior products with a focus on risk management;
- remaining innovative by developing creative solutions to deliver added value to customers and stay ahead of the competition;
- establishing an effective risk management framework to protect BIMB Investment’s capital base and earnings while promoting sustainable growth;
- taking a disciplined service approach that drives the systematic and consistent application of hard work to achieve results;
- adhering to a strong moral compass guided by Islamic teachings that drive our decision-making and always upholding the value of integrity.

KEY FOCUS AREAS & RESULTS

Focus Areas	What We Did in 2022	Results
Sustainable Product Innovation	Promoted sustainability values within the company.	BIMB Investment’s strength in the Shariah-ESG space was reflected in multiple sustainability-related awards won in 2022, as shown on page 6.
Customer-centricity	Promoted the BEST app through digital marketing initiatives.	BEST app: <ul style="list-style-type: none"> • More than 30,000 users with RM30 million worth of investment • Winner of the The E-Commerce – Financial Services Award at the Malaysia Technology Excellence Awards 2022 (2nd consecutive year)
Digitalisation	Continuous efforts to intensify the digital business.	<ul style="list-style-type: none"> • Enhanced the BEST app to improve the user experience and relationship management approach, leveraging Artificial Intelligence and Big Data technology.

BIMB Investment

PERFORMANCE HIGHLIGHTS

BIMB Investment equity, money market and fixed income funds saw a net outflow of AuM. High equity fund redemption from Institutional Unit Trust Advisers (IUTAs) was due to profit-taking. Islamic money market funds also saw high redemption due to corporate investors withdrawing after the lifting of tax-free income on 1 January 2022. Fixed income funds had a large outflow mainly due to maturity of BIMB One Year Shariah Income Fund (BOSIF) series. Nevertheless, we had an encouraging net inflow of RM100 million in the mixed asset space.

	Redemption (RM mil)	Net Inflow/ (Outflow) (RM mil)
Equity	193	-28
ESG Sukuk	31	-30
Money Market	278	-188
Wholesale Mixed Asset	37	100
Fixed Income	99	-99
Private Mandate	0	40

Assets under Management in 2022

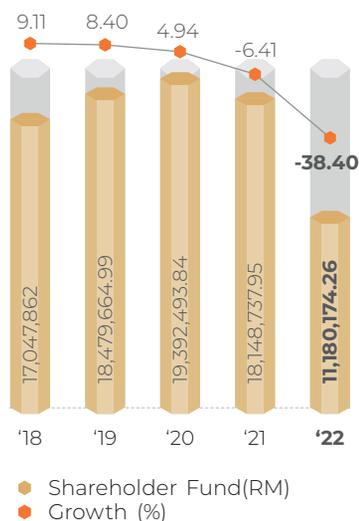


Overall funds
RM1.01 billion



Shariah-ESG funds
RM745.1 million

Shareholders Fund growth





AWARDS & RECOGNITION

01

The Edge ESG Awards 2022

- Best Overall Winner
- Best Fund-Based on Asset Class (Equity) – BIMB-Arabesque Global Shariah-ESG AI Technology Fund

02

Alpha Southeast Asia Awards 2022

- Best Risk-adjusted Returns: ESG Principle Investment 2022 (fourth consecutive year)

03

Malaysia Technology Excellence Awards

- The E-Commerce – Financial Services Award 2022

04

Global Business Magazine Awards

- Best Shariah-ESG Investment Management Company 2022



GROWTH OPPORTUNITIES

Opportunities	Our Approach
Net Flow of Funds	<ol style="list-style-type: none"> 1. Apply to be an authorised Fund Management Institution (FMI) for the Employees Provident Fund Members Investment Scheme (EPF MIS) to tap into their huge market segment.
Volatile Retail Business	<ol style="list-style-type: none"> 1. Focus on building the private mandate business as an alternative to the retail segment by applying for MR or CMSRL for Retail Business staff to promote private mandates. 2. Pursue the EPF-MIS scheme as another retail segment alternative, in line with the competition.
Retail investors driven by short-term performance and Shariah-ESG space is getting crowded	<ol style="list-style-type: none"> 1. Continue establishing more innovative Shariah-ESG funds that could potentially deliver comparatively long-term consistent returns.
Impact of Lockdown on the Agency Business	<p>To address the challenges experienced during the physical lockdown restrictions, the BIMB Investment is:</p> <ul style="list-style-type: none"> • Developing an E-submission feature and web-based application to support the sales channel and provide clients with a seamless investing experience. • Establishing an auto debit e-Mandate, with a target of 3,000 new direct debit cases with RM100 average sale. • Collecting data from these initiatives to improve and identify sales prospects in the future. • Strengthening consultants' knowledge on Arabesque's Shariah-ESG and AI investing approach as the unique value proposition of BIMB-Investment's product and services. • Promoting BIMB-Arabesque i Global Dividend Fund 1 (BiGDF1) as the primary core fund strategy, while BIMB-Arabesque Global Shariah-ESG AI Technology Fund (BGSEAIT) will be the portfolio catalyst for fund retention and new fund investment. BIMB i Growth, BIMB i Flexi Fund and BIMB-Arabesque Global Shariah Sustainable Equity Fund (BGSEF) are three other important funds to focus on. • Increasing the number of IUTA and CUTA. • Applying to become an approved FMI for EPF-MIS and the subsequent set up for EPF's i-Invest to complement the agency business and IUTA/CUTA.



OUTLOOK AND STRATEGIC PLANS

BIMB Investment aims to uphold the Shariah-ESG Values and adhering to a strong moral compass guided by Islamic teachings that drive our decision-making and always upholding the value of integrity. One strategy is to have a pipeline of innovative products to serve niche markets with creative solutions to deliver value-added investment solutions to customers and stay ahead of the competition. Strengthening our cooperation with IUTAs and the agency business to increase our market share in the industry.

Our initiatives are supported by Shariah-ESG best practices derived from our strategic partnership with Arabesque Asset Management. Our aim is to offer superior risk-adjusted investment solutions. These digital initiatives align with the BIMB Group's digital banking proposition and its five-year business strategy, LEAP25.

In the longer-term, our goal is to lead the Shariah-ESG investment in Malaysia and across the region. We will continue to identify sustainable investment assets that includes low-carbon technologies and climate-related assets and respond to the growing demand for Socially Responsible Investment (SRI) funds. While ESG investment challenges remain, we believe that collective efforts by relevant stakeholders can help address them through support for fiscal policies, education, and technologies.





BIMB SECURITIES

“ The year 2022 saw a significant decrease in the market volume, dropping from RM1.399 billion in 2021 to RM0.686 billion. It has significantly affected the income from Dealing, especially on the retail segment which had reduced by 56% as compared to 2021.

Nevertheless, the decline had been cushioned with slight increase of 4% in share margin financing income in 2022. Fee-based income from other segments, such as Underwriting and Placement income had also declined as other brokers took risks to fully underwrite themselves due to being affected with the overall low income from dealing. The Company continued to increase its visibility with increase in stock coverage and company visits for institutional clients as well as weekly webinars for retail clients.



WHO WE ARE AND WHAT WE DO

BIMB Securities Sdn Bhd (BIMB Securities) is a licensed entity under the Securities Commission Malaysia and a Participating Organisation (PO) of Bursa Malaysia Berhad (Bursa), dealing in securities as an Islamic Participating Organisation under Bursa's Rules of the Exchange. We provide a range of services, including stockbroking, Shariah advisory, share margin financing and investment research to both Institutional and Retail clients. At BIMB Securities, we set ourselves apart from competitors by providing personalised services at attractive and competitive rates.

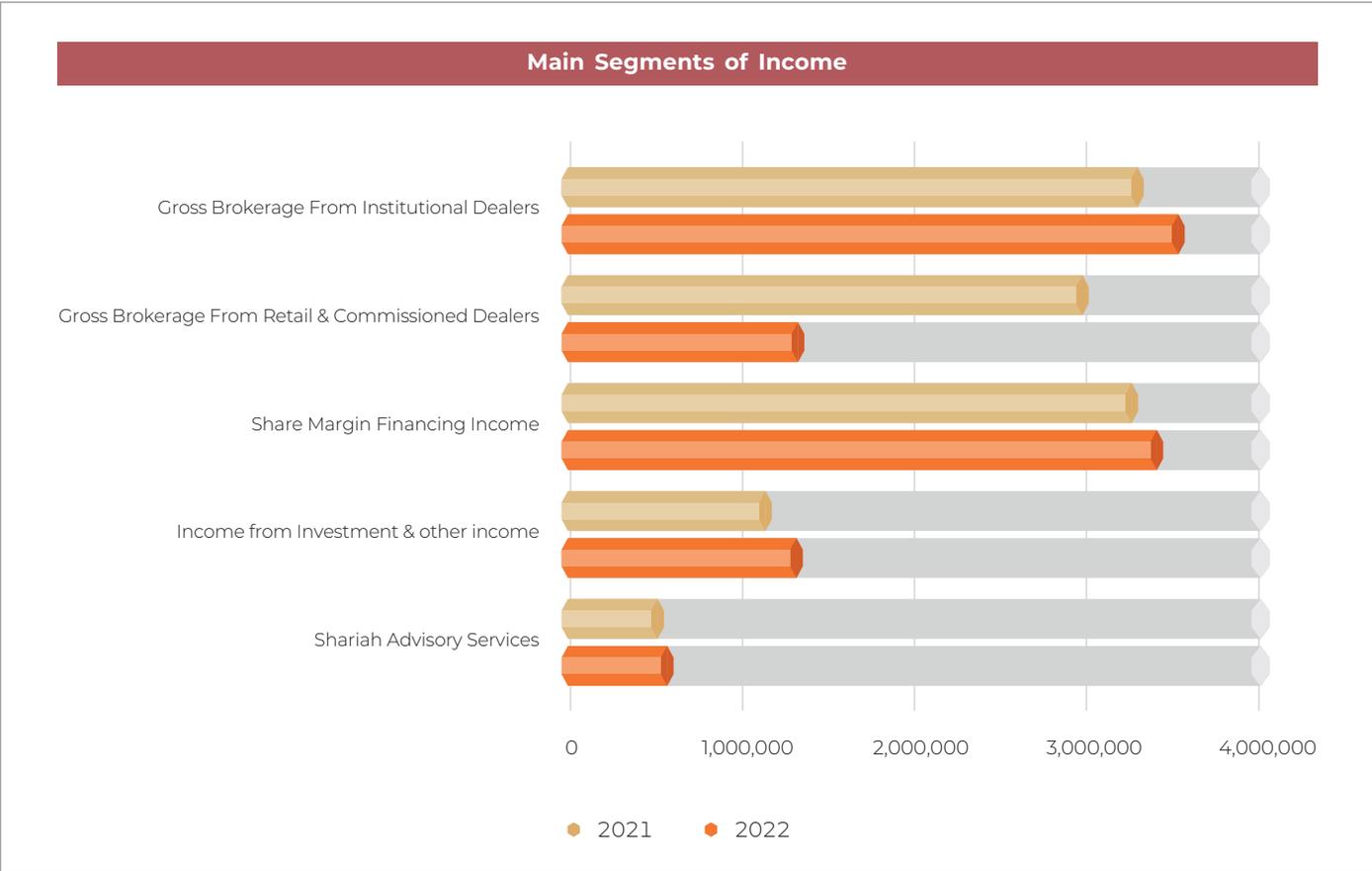
CREATING STAKEHOLDER VALUE

Stakeholder Expectations	Value Created in 2022
Retail Customers <ul style="list-style-type: none"> Weekly webinar series Continuous engagement with share margin clients to facilitate IPO financing and normal financing 	<ul style="list-style-type: none"> Increased approved facilities by RM5.4 million and utilisation amount by RM4.7 million for Share Margin Financing
Institutional Clients <ul style="list-style-type: none"> Increased stocks coverage to improve visibility and services 	<ul style="list-style-type: none"> Increased stock coverage from 36 stocks in 2021 to 66 in 2022, increasing visibility and services to Institutional clients

KEY FOCUS AREAS & RESULTS

Focus Areas	What We Did in 2022	Results
Customer-centricity	<ul style="list-style-type: none"> Increased research stock coverage Conducted online corporate events and company visits for Institutional clients Hosted ongoing weekly webinars and knowledge sharing sessions for retail clients 	<ul style="list-style-type: none"> Increased engagement and visibility with Institutional and Retail clients

PERFORMANCE HIGHLIGHTS



KEY RISKS & CHALLENGES

Risks & Challenges	Mitigation Strategies
Low market volume affected the overall dealing business (mainly retail dealing income)	Increased share margin facility amount and utilisation rate to generate profit margin income and fees

**GROWTH OPPORTUNITIES**

Opportunities	Our Approach
1. Increase in share margin financing request by shareholders of public listed companies (PLCs) and high-net worth clients	1. Provide attractive rates and speed in processing of financing
2. Increase in Shariah Advisory services	2. Increase Shariah funds and maintain good rapport with Shariah Advisory clients while capturing other segments such as PLCs that require Shariah Advisory services
3. Increase in visibility to Institutional clients – BIMB recorded an improvement in gross brokerage of 6% in 2022 compared to 2021	3. Increased stock coverage to 60 by end of 2022 compared to 36 in December 2021

OUTLOOK AND STRATEGIC PLANS

In 2023, BIMB Securities is bracing for a challenging year due to the anticipated increase in interest rates. However, we remain optimistic about the future and if the expected reduction occurs in the following year, we will consider returning our liquidity into equities. We are committed to increasing our overall visibility by enhancing our stock coverage to 100 and improving the quality of our reporting by the end of 2023. This will help us attract more clients in the Upper Tier 2 bracket and increase our visibility with Institutional clients. Additionally, through our Wealth Management platform, we plan to target 200-300 quality clients from BIMB Branches and Regional Offices. To capture more fee-based income, we are exploring Bank-wide offerings such as underwriting and placement income. We also intend to leverage BIMB's Group Institutional Banking capabilities to co-service GLC clients.

Our commitment to innovation is demonstrated by the development of a comprehensive mobile application platform with new features such as Chart Nexus Stock Alert. Internally, we are automating certain processes such as trading limits in ECOS and BTX via iTradeSS and automatically sending of dormant account notices to clients. We are also partnering with regional brokers to offer foreign trading services to all Institutional clients and provide regional coverage for selected sectors.

ESG is anticipated to dominate investment strategies in the years ahead and investors will be heavily influenced by the geopolitical concerns in a dynamic and often volatile, global environment. BIMB Securities aspires to become an established Top 10 broking partner for GLICs and GLCs and target to obtain an Upper Tier 2 ranking as an EPF investment platform. Additionally, we are considering to establish a CF team within the Group's Institutional Banking Division to work alongside the Bank in providing Corporate Finance (CF) and Equity Capital Markets (ECM) services. Finally, we shall also explore the niche and feasibility of becoming a fully Shariah-compliant investment bank.



Sustainability Statement

Sustainability Overview

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

As a champion of Islamic values, we strive to make a positive and lasting impact on the world. We are not content with simply being a financial institution. We see ourselves as a catalyst for change, working towards inclusive growth and sustainable development. Through our purpose-driven approach, we aim to create economic opportunities for all, support ongoing efforts to develop the real economy, enhance the welfare of the community, and contribute towards environmental conservation.



AMAL collaborated with a non-profit organisation, Persatuan Kebajikan Sedulur (Sedulur), to execute empowerment initiatives for the community at Mabul Island, Sabah. We also partnered with ReefCheck Malaysia on environmental protection initiatives to protect the biodiversity of the marine life around Mabul Island.

Success Stories:

Driven by ESG and VBI aspirations, Bank Islam is also going beyond offering financial products and services to uplift and empower local communities through our corporate social responsibility arm, AMAL Bank Islam (AMAL).

MABUL ISLAND, SEMPORNA

AMAL's community service and sustainability programme at Mabul Island, Semporna, Sabah is more than just an initiative – it's a movement towards a better future. By incorporating green technology and eco-friendly applications, we aim to establish a holistic, sustainable living environment in the community. We are upgrading proper sanitation systems at homes and supporting the local economy and welfare. To gauge the effectiveness of the installed sanitation system, we partnered with ReefCheck Malaysia to monitor the growth of seagrass and the biodiversity of marine life around Mabul Island.

SEKOLAH SAUDARA BORNEO

AMAL is empowering the community through a series of initiatives in collaboration with Persatuan Kebajikan Sedulur (Sedulur). At Sekolah Saudara Borneo, a school for stateless children, we installed solar panels to provide electricity, constructed a new and proper sanitation system to protect the growth of seagrass, and upgraded the community square complete with solar lights. We also supported local shopkeepers and small businesses around the island with equipment to boost the local economy and provided portable solar lights, food packs, and reusable sanitary pads to the Bajau Laut community.

PUSAT (AMAL) LATIHAN DAN AMALI ORANG KELAINAN UPAYA (OKU) SABAH IN TUARAN

AMAL's partnership with Yayasan Sabah College of Technology (YSCT) aims to make a real difference in the lives of physically disabled individuals. The Pusat (AMAL) Latihan dan Amali Orang Kelainan Upaya (OKU) Sabah in Tuaran trains these individuals in acquiring new skills such as carpentry and furniture making to supplement their livelihood. After the centre's carpentry workshop was damaged by last year's flood, AMAL provided cash contributions to assist in rebuilding efforts, while YSCT provided a group of 20 lecturers and student volunteers to aid in fixing the electrical and wiring of the centre, enabling the workshop to reoperate. Together, we are creating opportunities for a brighter future.



Sustainability Dashboard



Economy

- RM2.9 billion in Shariah-ESG assets
- RM700.9 million in Renewable Energy Assets
- 71 in NPS



Environmental

- Launched our first environment-friendly branch in Temerloh, Pahang
- Launched our first environment-friendly contact center in Sg Petani, Kedah



Social

- 88% in Employee Engagement Index
- 31,608 beneficiaries reached



Governance

- Zero cases of corruption reported
- Developed an ESG Scorecard to embed climate risk in portfolio risk assessments

Awards & Accolades

Long Standing Excellence in Sustainability from Sustainability CSR Malaysia Awards 2022

Bank Of The Year (Islamic Banking) For **Excellence in Flood and COVID-19 Relief Efforts** from Sustainability CSR Malaysia Awards 2022

ESG Asset Manager of the Year from the Asset Triple A Award ceremony



Sustainability @ BIMB

ESG & CLIMATE CHANGE STRATEGY

Sustainability has been a fundamental principle of the Bank's practices since our incorporation as part of the Islamic banking model. BIMB continues to implement sustainable banking practices following the Shariah principles through the implementation of our sustainability strategy.

Our sustainability strategy draws guidance from the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the Global Reporting Initiative (GRI) Standards, as well as the United Nations' Sustainable Development Goals (UNSDG) and Bank Negara Malaysia's (BNM) Value-based Intermediation (VBI) concept.

Our ESG and Climate Risk Strategy is supported by the ESG Risk Management Framework that are still in development.

OVERARCHING THEME

Entrepreneurial Mindset | Community Empowerment | **VALUE-BASED INTERMEDIATION** | Good Self Governance | Best Conduct

OUR IDENTITY

VISION

THE BANK THAT ADVANCES PROSPERITY TO ALL

MISSION

TO PROVIDE SOLUTIONS THAT DELIVER VALUE

TAGLINE

ASSURING TRUST. DELIVERING VALUE.

OUR 6 STRATEGIC OBJECTIVES

Sustainable Prosperity

Continuous sound financial performance

Value-based Culture

Doing the right thing

Customer-centricity

Our customers are well-served

Real Economy

Producing goods and services

Community Empowerment

Communities thriving with us

Digitalisation

Tech helps us do all this

BIMB SUSTAINABILITY PLAN

- ✓ SOCIAL
- ✓ GOVERNANCE
- ✓ ENVIRONMENTAL

OUR SUSTAINABILITY PRIORITIES

- ✓ Products & Services
- ✓ Stakeholders-customers, regulators & communities
- ✓ Our people, Our conduct

OUR 5 SUSTAINABILITY COMMITMENTS

Commitment 1:

Mitigate Exposure to High Sustainability Risk Sectors by FY2030 e.g. identification & measurement of high risk sector, temperature score by portfolio

Commitment 2:

Double Shariah- ESG assets to RM4 billion by FY2025

Commitment 3:

Achieve a carbon neutral position in operational conduct by 2030 via three-pronged strategy:

- reduce consumption
- transition to renewable energy
- offset carbon footprint-tree planting, oceanic/ maritime activities via CSR

Commitment 4:

Advocate real economy & nurture community upward mobility through entrepreneurship, ecosystem play & social finance:

- From 3,000 to 10,000 enterprises
- From 200 to 3000 social finance beneficiaries

Commitment 5:

Embody Value-based Culture in our People

- Shariah goals and principles for Excellence (Ihsan), beyond shariah Compliance
- Principles of VBI adopted in business strategies and customer centricity, enabled by digitalisation
- People-related policy enhancement (Board, Management and People)

"Doing Well and Doing Good"

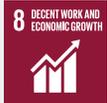
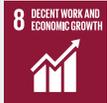
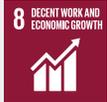
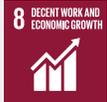
"Communities Thriving With Us"

"Doing the Right Thing"

Sustainability @ BIMB

SUSTAINABILITY COMMITMENTS

We have incorporated five sustainability commitments as part of our LEAP25 strategy, aligned to the Bank's 6 Strategic Objectives and the UN's Sustainable Development Goals (SDGs).

COMMITMENT	HOW WE WILL GET THERE	RELATED SDGS
<p>Commitment 01</p> <p>Mitigate exposure to high sustainability risk sectors by 2030</p>	<p>We will identify high-risk sectors, measure the temperature score of our portfolio, and take measures to reduce exposure to sustainability risks.</p>	 
<p>Commitment 02</p> <p>Double Shariah-ESG assets to RM4 billion by the end of 2025</p>	<p>We will foster job creation and entrepreneurship, promote social, economic, and political inclusion, and encourage the growth of micro-, small-, and medium-sized enterprises (SMEs) by providing access to financial services for all.</p>	 
<p>Commitment 03</p> <p>Achieve carbon-neutral operations by 2030</p>	<p>We will achieve carbon neutrality through consumption reduction, utilising renewable energy and offsetting our carbon emissions.</p>	 
<p>Commitment 04</p> <p>Increase financing support to 10,000 enterprises and 3,000 social finance beneficiaries by 2025</p>	<p>We will support the real economy, entrepreneurship, ecosystem play, and social finance by offering financing to underserved and social finance beneficiaries.</p>	 
<p>Commitment 05</p> <p>Embody a Value-based culture in our people</p>	<p>We will nurture a more engaged and productive workforce who embody Shariah principles and virtues of excellence beyond Shariah compliance. Adopting Value-based intermediation into our business strategies will support our customer-centric approach, enabled by ongoing investment and development of our digital products and processes.</p>	  



Sustainability Governance

GOVERNANCE STRUCTURE

1. Board Oversight on Climate Risks and Opportunities



Overall responsibility and accountability for the Bank's strategic climate leadership ambitions.

- Board mandate expanded to incorporate climate risks and opportunities into the risk agenda, strategy, and risk appetite.
- Board Risk Committee (BRC) oversees the organisation's overall risk tolerance, management of financial and non-financial risk issues. ESG risks including climate risk alongside the Bank's risk appetite.

2. Management's role in assessing and managing Climate Risks and Opportunities



The MRCC is the designated committee to review and recommend climate-related submissions to the BRC. In addition to their existing roles and responsibilities:

- The methodologies and results of the Climate Internal Stress Test, including impacts on retail and wholesale credit portfolios.
- Review of the climate risk scenarios as well as the development of the climate risk management framework and policies.

BOARD OVERSIGHT OF SUSTAINABILITY AND CLIMATE-RELATED MATTERS:

We understand the importance of corporate governance and the Board's responsibility in implementing our sustainability and climate strategy. Therefore, BIMB's new Sustainability Governance Structure incorporates sustainability and climate considerations in Board mandates and relevant committees. This means the Board of Directors oversees the Bank and now includes sustainability and climate considerations in its mandate, strategy and risk appetite.

The BSSC oversees the Bank's sustainability strategy, including carbon footprint management, ESG projects and initiatives, and sustainability initiatives by segment. The BRC oversees the Bank's risk tolerance, financial and non-financial risks, and ESG risks, including climate risk.

Sustainability Governance

SUSTAINABILITY AND CLIMATE CHANGE GOVERNANCE AT THE MANAGEMENT LEVEL:

The GCEO is responsible for the Bank's ESG targets and is supported by all Bank divisions. The Planning & Sustainability Department is responsible for sustainability initiatives, while the Credit Management Division manages the ESG risks and transactional credit-related climate risk and Risk Management Division manages the climate related portfolio credit, market, liquidity and operational risks.

The Management Sustainability Committee (MSC) and the Management Risk Control Committee (MRCC) provide oversight and are chaired by the GCEO. The MSC reports to the BSSC, and the MRCC reports to the BRC.

Sustainability-Related Policies & Guidelines

MATERIAL MATTERS	POLICIES & GUIDELINES
Purposeful Financial Services	<ul style="list-style-type: none"> VBIAF Sectoral Guidance on Construction & Infrastructure (2022) and Waste Management (2023 planned)
Labour Standards and Practices	<ul style="list-style-type: none"> Code of Conduct (Freedom of Association) Remuneration Policy
Employee Wellbeing, Health and Safety	<ul style="list-style-type: none"> Flexi Hours Policy
Talent Development	<ul style="list-style-type: none"> Training & Development Policy
Diversity and Inclusion	<ul style="list-style-type: none"> Code of Conduct (Anti-Harassment and Discrimination)
Corporate Governance and Business Ethics	<ul style="list-style-type: none"> Code of Conduct Code of Ethics
Data Privacy and Security	<ul style="list-style-type: none"> Group Technology and Cyber Resilience Framework Group Technology and Cyber Risk Policy Group Data Management Policy



Economic Impact

SUSTAINABLE ECONOMIC PERFORMANCE

Sustainable Economic Performance is an important aspect of our sustainability agenda as it ensures that our financial products and services contribute to the overall economic growth and well-being of society. This includes identifying and managing direct and indirect economic impacts on stakeholders, including customers, shareholders, employees, and the wider community.

From a business perspective, incorporating ESG and climate-related factors into financial products and services can contribute to the long-term financial performance of the Bank. It allows us to attract a wider range of customers who value sustainability and environmental responsibility. This can lead to increased revenue and market share, as well as improved customer loyalty and retention.

From a stakeholder perspective, sustainable economic performance ensures that the benefits of our business are distributed fairly and equitably among all stakeholders. This includes creating job opportunities, supporting local businesses and communities, and providing access to financial services to those who may have been previously excluded. By considering ESG and climate-related factors, we can contribute to shared prosperity and inclusive growth.

Progress in 2022

1 Shared Value Distribution

We adopt a holistic approach to value creation, ensuring it is equitably distributed across stakeholder groups. This approach allows the bank to create sustainable economic value for all stakeholders while contributing to the development of the community and the economy at large.

Economic Value Distributed:

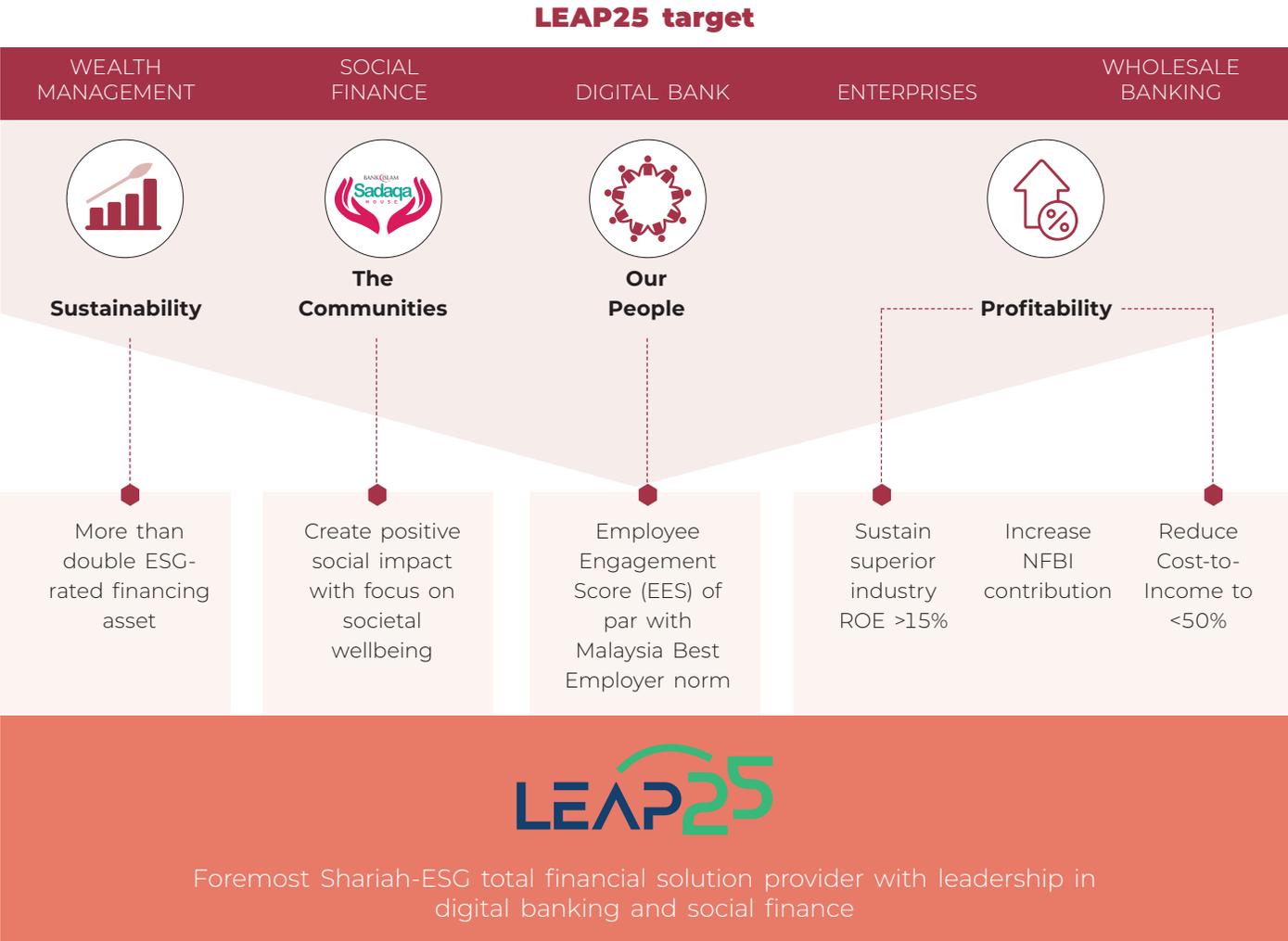


Economic Impact

PURPOSEFUL FINANCIAL SERVICES

We are not content with simply being a financial institution. We see ourselves as a catalyst. As an Islamic Bank, we see ourselves as more than a financial institution. Instead, we view ourselves as a catalyst for change, working towards inclusive growth and sustainable development. Given the nature of our business, we align with sustainability through the Value-based Intermediation (VBI) principles, which integrate doing good into our business activities.

One of our main priorities is promoting social and environmental goals in our financial services, giving customers a say in which ESG principles carry value in financial institutions. Through financing ESG-aligned sectors, we generate measurable social and environmental impact, creating more sustainable financing opportunities across Malaysia and expanding our presence in the wider green economy ecosystem.



At BIMB, we have immersed sustainable financing initiatives across all sectors as we approach the LEAP25 Target. We take a proactive approach and are always looking for new opportunities in green technology, renewable energy production, and more. With VBI, we strive to support shared positive environmental and social impacts through our financing products and services. Our broad management also values stakeholders' need to expand to renewable energy sources, support low-carbon infrastructure and all forms of sustainable and climate-friendly products and services.

For information on how we manage ESG risks in our financing portfolio, please see page 208 to 221 <Risk Management>



BIMB's Key Sustainable Finance Objectives

1. To align our financing portfolio towards the targeted RM4 billion in green financing by FY2025

To achieve this, we will prioritise climate-positive financing across corporate, commercial, SME, and retail financing products and services. These financing activities will focus on renewable energy, green buildings, electric and hybrid vehicles, sustainable public transportation, sustainable agriculture, low-carbon power generation, low-emission manufacturing, and other similar areas.

2. To manage and limit financing towards carbon-intensive sectors, where we have started by committing to phase out and end financing of coal-related activities by 2030

In line with this commitment, we have already taken the first step of phasing out and ending financing of coal-related activities by 2030. We will continue to identify carbon-intensive exposures through our financing activities and develop mitigation plans to improve the climate risk profile of our financing portfolio. Our efforts will include engaging clients to improve their climate policies and commitments to reduce carbon emissions in sectors such as oil & gas, mining and quarrying, agriculture, manufacturing, real estate, and construction.

3. To encourage climate-positive initiatives, commitments and projects through our ESG roadmap and stakeholder engagement

We will continue to engage with various stakeholders, including regulators, government, customers, industry bodies, and NGOs, on sustainable practices, climate-friendly commitments and targets, and supporting climate-positive projects. Our efforts will include engaging with progressive proponents of climate-friendly strategies, including those that seek to reduce forest and biodiversity impacts, encourage marine conservation, improve social outcomes, reduce carbon emissions, and align with stronger ESG commitments and practices by corporates and SMEs.

Progress in 2022

1 Promoting Financial Inclusion

We understand that achieving financial inclusivity requires a comprehensive approach, and we are committed to tackling the obstacles that impede our progress. Therefore, we monitor key challenges to financial inclusion, allowing us to create and implement targeted solutions that benefit the community.

Challenges Faced	Our Response
Untapped and unpenetrated markets due to limited access and outreach to the community	Mobilised our branches to provide better customer touchpoints and handle inquiries from microfinance customers.
The mentality of targeted community segments, with some individuals unwilling to improve themselves and comfortable receiving assistance from zakat authorities.	Developed campaigns to educate individuals on the benefits of financial independence and encourage them to take steps towards achieving their financial goals.

2 Sustainable Products, Services and Solutions

We offer a range of sustainable products and services that align with Shariah principles, to meet the growing demand for socially environmentally responsible financial solutions in Malaysia. Our sustainable offerings and solutions include:

Home Solar Panels and Hybrid/Electric Vehicles (HEV)

We offer clients the option to purchase solar panels and HEVs as part of their overall financing package, thus promoting the development of Malaysia's low-carbon market.

Impact & Achievements:

127 HEV units disbursed, totalling RM17 million

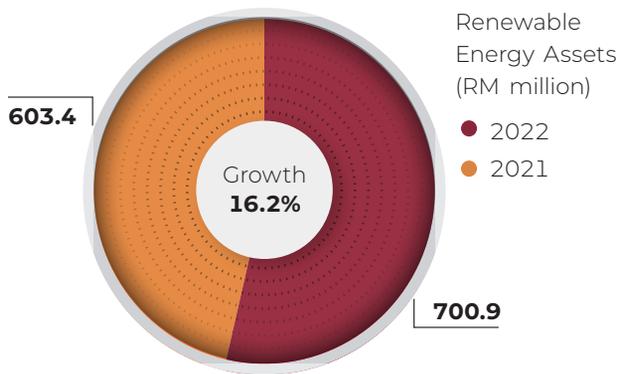
For more information, see page 70 <consumer banking>.

Economic Impact

Renewable Energy

Malaysia's location in the equatorial zone provides high solar potential, and solar has become the cheapest form of electricity in many countries. As a result, there is increasing adoption of solar in households and government support for renewable energy. BIMB has invested in solar farms and players, financing the installation of solar and net energy metering equipment.

Impact & Achievements:

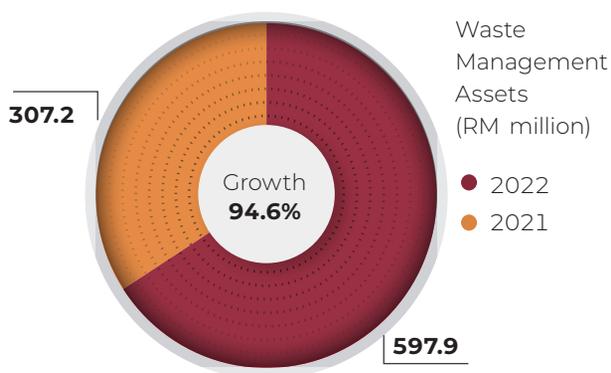


For more information, see page 89 <commercial banking>.

Waste Management

In 2022, Malaysia's waste is expected to reach nearly 15 million tonnes, growing at a compound annual growth rate of almost 2%. The recycling rate in Malaysia in 2020 was estimated to be 36.67%, lower than neighbouring countries such as Singapore, Taiwan, Korea, and Thailand. In response, BIMB continues to pursue investment and acquisition opportunities in the waste management sector.

Impact & Achievements:



For more information, see page 90 <commercial banking>.

3 Supporting SMEs Through Financing

In 2022, we continued to support our SME customers who were still affected by the lingering impacts of COVID-19. We understood that many of them were hesitant to approach financial institutions for assistance or were simply unaware of the support available to them.

To help our SME customers, our SME Banking division leveraged on funds provided by Bank Negara Malaysia (BNM), such as the Targeted Relief & Recovery Facility (TRRF), SME Penjana Tourism Facility (PTF), SME Automation & Digitalisation Facility (ADF), and All Economic Sectors Facility (AES). Through these funds, we were able to provide financial assistance to our SME customers who were struggling to recover from the economic downturn caused by the pandemic.

Additionally, we introduced the SME Smart Eco Financing Program (ECO). This programme caters to the needs of our SME customers who were looking to move towards sustainability. ECO provided financial support to our SME customers who were committed to adopting sustainable and environmentally-friendly practices in their businesses.

Through these efforts, we at BIMB were able to continue supporting our SME customers during a challenging time and help them navigate the uncertainties brought about by the ongoing pandemic.

4 Promoting Financial Inclusion

Through BIMB Investment, we have made significant strides in ESG finance. Recently, they were involved in 12 Sukuk distribution deals on the Joint Lead Manager (JLM) platform, aimed at promoting sustainable investments in the region.

Our efforts have been recognised with the following awards and accolades:

- ✓ Won 4 accolades at the prestigious The Asset Triple A Award ceremony
- ✓ The Best SRI Sukuk award as the Principal Adviser, Lead Arranger, Lead Manager, and Shariah Adviser
- ✓ ESG Asset Manager of the Year for the third time (for BIMB Investment)



5 Case Studies: Our Success Stories

CHE THAQIF BIN CHE MUSTAFHA (SELANGOR)	DALINA BINTI ABDULLAH (KELANTAN)	MOHAMAD IZUAN BIN AMIR RUDIN (SELANGOR)
<p>Che Thaqif is a local business owner in Selangor who offers printing services for various products including shirts, banners, medals, and tote bag.</p> <p>Approved amount: Printing services BBC: RM5,000 To BangKIT: RM15,000</p> <hr/> <p>Income before: RM20,000</p> <hr/> <p>Income after: RM25,000</p>	<p>Dalina is a local businesswoman who sells women clothing and scarf in Kelantan.</p> <p>Approved amount: Selling women clothing BangKIT: RM20,000 To iTEKAD: RM50,000</p> <hr/> <p>Income before: RM30,000</p> <hr/> <p>Income after: RM60,000</p>	<p>Mohamad Izuan is a local businessman who started a business in gym and cleaning services. His office is located in Rawang.</p> <p>Approved amount: Gym and cleaning services iTEKAD: RM50,000 To SME financing: RM190,000</p> <hr/> <p>Income before: Gym: RM5,000 Cleaning services: RM20,000</p> <hr/> <p>Income after: Gym: RM10,000 Cleaning services: RM50,000</p>

6 Overall Performance

Green Financing Portfolio

RM2.9 billion
 Target achieved by September 2022 (RM)

RM4.0 billion
 Target to achieve by the end of 2025 (RM)

VBI FINANCING **35.45%** VBI ASSETS/INVESTMENTS **69.42%** VBI DEPOSIT & IAS **15.28%**

ARE VBI ALIGNED

BIMB Investments's accomplishment in Shariah-ESG space	>RM700 mil Shariah-ESG fund	>RM480 mil Global Equity Shariah-ESG fund	>RM150 mil Global Sukuk Shariah-ESG fund
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Figure stated are BIMB's progress on its products' alignment with VBI requirement from 2017-09/2020

Outlook

In the coming years, BIMB's Commercial Banking and BIMB Investment initiatives will continue prioritising sustainable financing in renewable energy, waste management, and water treatment. Our target is to achieve between 10-15% year-on-year (YoY) growth on the total portfolio value. We also aim to boost our New-to-Bank & New-to-Product assets by diversifying our portfolio, developing innovative solutions, and identifying cross-selling opportunities, with a target YoY growth rate of 5%.

Looking ahead to 2030, our focus will be on mitigating our exposure to high sustainability risk sectors by supporting clients' transition to a low-carbon economy and ESG&S business practices. BIMB will also continue to support Public Infrastructure projects, Social Finance, and Value-based intermediation (VBI) to promote real economic growth and community upward mobility. Expanding our sustainability capabilities into new segments beyond solar power energy will enhance our portfolio on Shariah-ESG products and solutions.

Economic Impact

CUSTOMER EXPERIENCE

We place our customers at the heart of everything we do. A positive customer experience not only reflects well on our treatment of stakeholders, but also has a significant impact on our reputation within the banking industry. It is crucial in building customer loyalty and trust. Furthermore, it presents opportunities to encourage customers to purchase additional products or higher-value products. On the other hand, negative customer experiences can lead to business losses and poor economic performance growth. Therefore, we prioritise the positive customer experience to ensure continuous improvements in our performance.

Our customer-centric approach puts the customer at the centre of all our business decisions and operations. We value our customers' feedback and preferences when it comes to their banking needs, and we strive to make it convenient for them to do business with us through multiple channels. By tailoring our customer experience to each individual's needs and preferences, we aim to provide a seamless and personalised banking experience for all our customers.

Progress in 2022

1 Strengthening Customer Excellence

BIMB developed a proactive service culture and focused on enhancing customer experience. We successfully achieved our customer service benchmark indicators in 2022. Additionally, it developed operational excellence and analytics capabilities through the Data Analytics CoE (DAC), which created solutions to support the business in areas such as organisation, customer segmentation, and customer experience propensity modelling.

2 Be U App – Malaysia's First Islamic Digital Banking Platform

We proudly launched Be U by Bank Islam (Be U), Malaysia's first digital bank of its kind that targets the younger generation. Be U currently provides customers with a zero-balance savings account, known as Be U Qard savings account-i, along with fund transfer capabilities. The app also includes a unique feature called Nest, which allows users to save money for specific goals.

3 Overall Performance

	2022	2021	Growth %
Net Promoter Score (NPS)	71	49	22
Number of Customer Complaints	3,658	4,974	-26.5
Total Number of Customers	>5.7 mil	4.4 mil	29

Outlook

To provide customers with even more convenience and flexibility, BIMB plans to add new features to the Be U app over the next 12 months. These features will be introduced in stages, with the first set being personal financial management tools that allow customers to interact with a personalised financial coach. Another feature, QRPay, will enable customers to make payments easily and securely by scanning a QR code. Finally, Gigs is a basic financial product that will allow customers to invest in various financial instruments, such as stocks and bonds. With these new features, BIMB hopes to offer customers a comprehensive suite of digital banking services catering to their financial needs.



COLLABORATION & PARTNERSHIPS

As a thought leader in the banking industry, BIMB understands the importance of collaboration and partnerships in delivering positive impacts. Collaborations allow us to combine efforts and expertise with other organisations, leading to innovative solutions and creating shared value for our stakeholders. Through partnerships, we can tap into the strengths and resources of others, which can complement our capabilities and help us achieve our sustainability objectives. By forging partnerships with like-minded organisations, we can share knowledge and expertise to drive change towards more sustainable practices in the banking industry.

Progress in 2022

1 Chair of Value-based Intermediation (VBI) Community of Practitioners (CoP)

The VBI CoP is a collaborative platform that enables industry players to work together towards strategically implementing the VBI agenda. Initially, the CoP was founded by five Islamic banks, namely Bank Islam Malaysia Berhad (BIMB or the Group), Bank Muamalat Malaysia Berhad, Agrobank, CIMB Islamic Bank Berhad, and HSBC Amanah Malaysia Berhad. In 2017, the CoP was officially established, and membership was extended to nine Islamic banks.

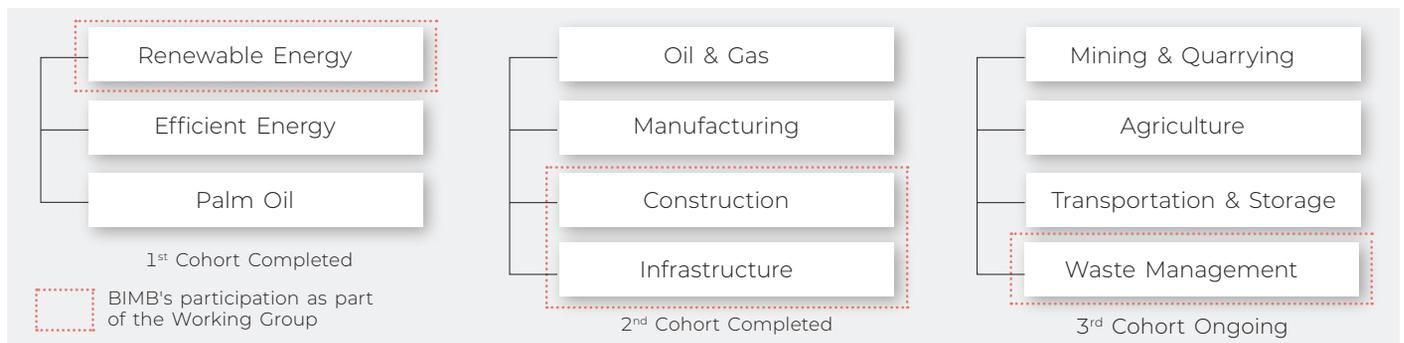
As of 2021, the VBI CoP has grown significantly, with 58 out of 15 Association of Islamic Banking and Financial Institutions Malaysia (AIBIM) member banks being members of the CoP. This growth demonstrates the increasing interest and commitment of the Islamic banking industry towards implementing VBI principles.

2 Leading the Development of VBIAF Sector Guidance

Through VBI CoP, we have been an active proponent and contributor of the Value-based Intermediation Assessment Framework (VBIAF) sector guidance development, from renewable energy to construction and infrastructure in past years.

In 2022, we commenced the development of the Waste Management sector guide as lead Project Manager, together with other member banks in cooperation with AIBIM. We also referred to the renewable energy, construction and infrastructure sector guides in our VBI checklists and internal due diligence processes for ESG and climate risk.

The sector guides provide objective criteria in assessing financing applications at the onboarding and origination stage and provide useful guidance for all banks to utilise in their risk assessment process.



3 Climate Change Principles based Taxonomy (CCPT) Implementation Group

BIMB is a pilot member of Bank Negara Malaysia's (BNM) Implementation Group, as part of the Joint Committee on Climate Change (JC3). Through these initiatives, we actively participate in the development of sustainable banking guidelines.

Environmental Impact

ENERGY AND CLIMATE CHANGE

Climate change is one of the most significant threats facing our society today. The changing weather patterns, rising sea levels, and extreme weather events caused by climate change are already affecting communities worldwide. As a responsible member of society, we at BIMB recognise that we have a role to play in addressing this global issue. Meeting the Paris Agreement is crucial to mitigating the worst effects of climate change. The Paris Agreement sets a target of limiting global temperature rise to well below 2 degrees Celsius above pre-industrial levels, to limit it to 1.5 degrees Celsius. To meet this target, governments, businesses and individuals alike need to come together to significantly reduce carbon emissions and shift towards renewable energy sources.

At BIMB, we have set an ambitious goal to achieve carbon neutral in operational emissions (Scope 1 and 2) by 2030. By collectively reducing consumption, utilising renewable energy and offsetting our carbon emissions, we are able to expand our presence in the wider green economy ecosystem.

To achieve this target, we are implementing a range of measures across our operations, including using renewable energy sources, energy efficiency measures, and adopting low-carbon transport options. We are also working to reduce our carbon footprint by procuring green products and services and engaging with our stakeholders to promote awareness and action on climate change.

Progress in 2022

1 Minimising Fuel Consumption

BIMB's Scope 1 emissions cover its vehicle and genset (generator set) usage, which are significant sources of carbon emissions. To address this issue, BIMB has taken various measures to reduce its fuel consumption and mitigate its impact on the environment.

One such measure was the disposal of the bank's vehicle, which had been in use for several years. This was done as part of the bank's efforts to reduce its carbon footprint and promote sustainable practices in its operations. The disposal of the vehicle has resulted in a significant reduction in fuel consumption, which in turn has reduced the bank's Scope 1 emissions.

Total Fuel Consumption

	2021	2022
Total Fuel Consumption (litres)	2,631.18	2,370.38

2 Lowering Our Energy Usage

In 2022, we opened our first environmentally-friendly branch in Temerloh, Pahang. The newly refurbished Temerloh branch – which is actually the 20th branch out of 135 bank branches nationwide – is also equipped with energy-efficient lighting with motion sensing technology.

Additionally, throughout the year, we continued to track our energy consumption in all our operations. Although there was a small increase in consumption when employees returned to the office, our energy efficiency efforts across our assets balanced this out.

	2021	2022
Total Electricity Consumption (kWh)	12,395,485	12,784,982

Increased consumption due to employees returning to office



3 Transition to Renewable Energy

We are gradually converting our sourced electricity to renewable energy sources, such as solar power. For example, our green branch in Temerloh uses solar energy as a clean, renewable energy source, with the installation of solar panels on the roof.

We spent an additional cost of RM50,000 to install panels for this branch, but in the long term, it is expected to save energy between 20% and 30%.

4 Climate Impact: Supporting On-Ground Environmental Impact

We have committed RM100,000 per annum to the National River Community Programme, which aims to support community engagement in river conservation activities nationwide. The programme includes training and grants for Community-Based Organisations (CBOs) to pursue their own river conservation activities. BIMB will also promote the grant programme through its branches nationwide.

The programme will showcase best practice projects at local branches. It will be implemented in collaboration with the National River Care Fund, which was established in 2015, and the Global Environment Centre's (GEC) community grant scheme. These partners have a proven track record in training and facilitating small grants for the community.

5 Total Carbon Emissions

Our overall consumption and carbon emissions have increased year-on-year, which is largely attributed to the end of COVID-19 restrictions and employees returning to the office.

Total Carbon Emissions (tCO ₂ e)	2021	2022
Scope 1 (fuel) (tonnes)	6.442 CO ₂	5.498 CO ₂
Scope 2 (electricity) (tonnes)	7,251.36 CO ₂	7,479.21 CO ₂

Outlook

As part of our climate action plans, we are committed to starting GHG emission data gathering and reporting in 2023. This will cover Scope 1 and Scope 2 emissions, which include our direct emissions from fuel combustion as well as indirect emissions from purchased electricity.

We will gradually expand our reporting to include Scope 3 emissions, which are indirect emissions from our supply chain and other sources, such as business travel and employee commuting. By measuring and reporting our GHG emissions, we will be better equipped to identify areas where we can reduce our carbon footprint and take targeted actions to achieve our carbon neutral target.

Environmental Impact

ENVIRONMENTAL STEWARDSHIP

We remain steadfast in protecting the environment, and this commitment goes beyond merely complying with regulatory requirements. We strive to be responsible environmental stewards in all aspects of our business operations. By integrating sustainable practices into our day-to-day activities, we continuously identify and adopt new ways to reduce our environmental impact and promote sustainability within the financial industry.

Our commitment to environmental stewardship is not only essential for preserving the environment but also for enhancing our business reputation. By implementing cost-efficient and sustainable practices throughout our operations, we are positioning ourselves as a responsible corporate citizen, building stronger relationships with our stakeholders, and contributing towards building a more sustainable future for all.

Progress in 2022

1 Water Management

Responsible water use is a key aspect of our environmental stewardship efforts, and we have taken various measures to promote sustainable water practices.

In 2022, we implemented water conservation measures in our operations to reduce our water footprint. For example, BIMB's green branch in Temerloh, Pahang, uses a rainwater harvesting system to collect and reuse natural resources to promote the efficient use of water.

	2021	2022
Total Water Consumption (m ³)	68,569.36	180,413.00

Increased consumption due to employees returning to office

2 Waste Management

We are working to reduce the amount of waste we produce by implementing initiatives such as paperless transactions and digital document storage, reducing packaging waste, and encouraging the use of reusable products. Additionally, we strive to continuously reduce our paper consumption by implementing initiatives such as digital document management, paperless transactions, and electronic communications. This includes offering electronic statements and bills to customers, as well as promoting the use of online banking and mobile apps to reduce paper usage.

	2021	2022
Sheets of Paper Used	36,426,600	42,064,650

Increased consumption due to employees returning to office

Outlook

BIMB plans to expand its network by opening five new green branches in 2023. These green branches will be designed and constructed with environmental sustainability, featuring energy-efficient systems, renewable energy sources, and eco-friendly materials.

The opening of these new green branches is part of BIMB's wider efforts to reduce its carbon footprint and promote sustainable practices in its operations. We recognise the importance of environmental sustainability and aim to lead by example in the banking industry by incorporating green practices into its operations and services.



Social Impact

LABOUR STANDARDS AND PRACTICES

Employees are the backbone of BIMB, and it is our corporate duty to take care of their best interests. This starts with ensuring fair remuneration, which is essential in promoting social justice and reducing income inequality. It ensures that employees are compensated adequately for their work, which fosters a sense of loyalty, commitment and dedication to the organisation. Work-life balance is another critical aspect of labour standards and practices that contributes to the sustainability of BIMB. A healthy work-life balance promotes the well-being of employees, reduces burnout, and leads to a more engaged and productive workforce.

A fair and effective system of remuneration and employee benefits not only increases the quality of performance but also enhances employee retention, ultimately leading to our competitiveness as both a business and an employer. By offering a range of remuneration packages and employee benefits, we aim to drive a high-performance culture within the organisation. Staff who feel valued and well-compensated are highly motivated to work, leading to increased job satisfaction and morale. In turn, this positively impacts staff retention, allowing us to keep our highly skilled and experienced workforce.

Employee growth is fostered through empowering and encouraging mutual trust and accountability across all job levels, being clear with expectations from top down to bottom up, practicing clear, concise, regular communication with virtual check-ins, establishing policies and providing infrastructure to support work flexibility, and creating time for team building through non-work interactions such as virtual hangouts and various work-life harmony activities.

Ultimately, our commitment to fair and competitive remuneration and employee benefits demonstrates our dedication to attracting and retaining top talent, which is critical to our ongoing success.

Progress in 2022

1 Fair Remuneration & Benefits

In 2022, we continued to offer a fair and competitive remuneration package to our employees. To ensure fairness in compensation across our workforce, our management board diligently assessed each employee's performance, experience, skills, and job requirements. In addition, we maintained a comprehensive package of perks, such as competitive salaries, ample vacation time, flexible working arrangements, and exclusive discounts on our products and services.

We also provide special benefits to permanent employees compared to temporary employees, such as minimum and maximum salaries, annual increments, bonuses, medical benefits and leave entitlements. We believe in taking good care of our people and ensuring that they are rewarded for their hard work and contributions to the company.

We conducted an annual review of salary upon completion of the yearly appraisal, and our employees were granted a discretionary bonus based on their performance for the year. Additionally, we have taken a pre-emptive review approach towards a certain group of employees who possess scarce talent, are high-performing, and pose a flight risk as part of our retention strategy.

In 2022, we did not impose a specific limit on bonuses as a percentage of base salary for senior executives and other highly paid staff included in the company's remuneration disclosures.



Social Impact

2 Collective Bargaining Agreement

In 2022, we concluded the renewal for our in-house union involving the Executive group of employees in June. We carefully considered the proposal submitted by the union and negotiated better terms based on their request and what is fair. To ensure that we are offering competitive remuneration, we also benchmarked our agreement against other equivalent CAs within the banking industry.

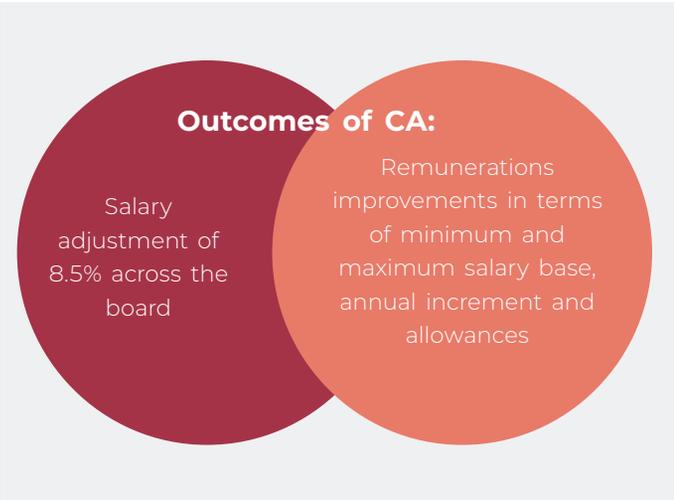
We also want to ensure that our non-unionised employees are well taken care of, and the Scheme of Service for this group was last reviewed in 2019. We are committed to creating a fair and equitable working environment for all our employees, and we will continue to review and improve our compensation and benefits packages to attract and retain top talent.

3 #Flexwork: Better Work-Life Balance

Building on the success of our Flexible Working Arrangement (FWA) policy, we introduced the Flexwork initiative in 2022. #Flexwork empowers our staff to plan their work in a way that increases productivity and creates an agile work environment, while also allowing for greater flexibility and work-life balance.

Through #Flexwork, our employees can choose a work location that best suits their job and schedule, with a minimum of one day of working in the office. This allows them to retain the flexibility of hybrid work mode, working from home or anywhere else, while still maintaining those vital face-to-face connections with colleagues. Although some employees may be required to work from the office based on their work requirements, we still strive to provide as much flexibility as possible.

Furthermore, with #Flexwork, we also allow our employees the flexibility to dress in outfits that best suit their job requirements for the day, whether it's dressing formally or casually. We call this #FlexOOTD, or flexible outfit of the day. This empowers our staff to use their best judgment in dressing appropriately and feeling comfortable while they work.



4 Nurturing a Culture of Innovation

In March 2020, we opened BITIZone@L10, a full floor of co-working and hot desking workspaces located on level 10 at our head office Menara Bank Islam. In BITIZone@L10, our employees have access to a range of facilities, including state-of-the-art workstations, meeting rooms, and breakout spaces.

BITIZone@L10 provides employees with a conducive working environment that promotes collaboration and innovation. It's a versatile, open, and safe space that supports our #Flexwork practice, allowing BITIZENs to change their day-to-day work environment while still maintaining hybrid ways of working mode. This helps to increase opportunities for networking and collaboration among employees, promoting cross-functional teamwork and the sharing of ideas.

Moreover, a café within BITIZone@L10 was inaugurated in August 2022, offering BITIZENs added convenience and flexibility to enjoy food and beverage services while they work throughout the day in the office.

Overall Performance

As of 2022, there were no incidents reported in relation to instances of labour standards non-compliance.

Outlook
In 2023, we will expand our open-concept co-working and hot desking workspaces to more floors within Menara Bank Islam to accommodate a growing number of employees who are embracing #Flexwork practice.



EMPLOYEE WELLBEING, HEALTH AND SAFETY

As employers, we take full responsibility for protecting our employees at work while ensuring their well-being is prioritised. Having robust workplace safety measures is one way to show our employees that we care about them and are willing to invest in their future. It can also help us to improve working relationships with our employees which, in return, increases employee engagement and workplace productivity. Not only is this important for the well-being of employees, but it can also reduce the risk of accidents and injuries in the workplace, which can lead to lower productivity and increased costs for employers.

We adopt a holistic approach to employee wellness by fostering a culture that aligns with our values. By promoting the right culture and values, our employees can contribute to a positive work environment. Our leadership adopts a positive and encouraging tone, and we train our managers in coaching techniques to help employees learn and grow in line with the changes undertaken by the Bank. Health and wellness topics are available as soft skills learning modules on our Learning Management System, allowing our BITIZENs to acquire knowledge that helps them manage their overall wellness and increase their resilience.

Our Approach	Objective
Emotional and Mental Wellness	Build our BITIZENs internal resilience
Physical Wellness	Promote healthier lifestyle practices and nurture personal health responsibility
Spiritual Wellness	Develop a sustainable spiritual health
Financial Wellness	Adapt to the volatile economic situation and improve their financial management skills

Understanding the culture of BIMB is essential for us to develop an effective wellness strategy. Before establishing our wellness blueprint, we delved into the data compiled in our 2019 Employee Survey, which covers the dimensions of engagement, leadership, and communication. We aimed to understand the Bank's current culture and identify factors that may impact our employees' health and well-being.

By collecting data from the mobile app, wellness portal, and employee surveys and feedback, we can identify gaps and determine a better course of action to close them. We innovate and pivot our programme where necessary.

In response to the pandemic outbreak in 2020, we established the Employee Assistance Programme (EAP) to assist employees in addressing challenges that may negatively

impact their job performance and personal well-being. The EAP has become even more critical in ensuring our employees remain resilient, both in their personal and professional lives, as they embrace the new normal and adopt new ways of working.

The Bank also has in place proper governance through the Occupational Safety & Health (OSH) committees at the Head Office as well as at the region level to proactively respond to any issues relating to our staff's well-being. With good workplace safety and health measures in place, we can eliminate the problem at the root. Thus, reducing absenteeism rates at BIMB. Moreover, actively promoting a healthy work culture will attract more talented employees to our company, which will eventually encourage investors and partners to associate with us.

Social Impact

Progress in 2022

1 Bank Islam Live Well Programme in 2022

In 2022, BIMB held a total of 10 activities under its Live Well programme, with a focus on the four key components of human well-being: physical, emotional and mental, financial, and spiritual wellness.

Emotional and Mental Wellness

Emotional and Mental Wellness aims to build BITIZENS' internal resilience through various initiatives. These included a resilience learning module available via the Naluri App, a celebration of World Mental Health Day 2022, and the establishment of a peer-support platform called BITI-Friend.

Financial Wellness

Financial Wellness helps employees adapt to the volatile economy and improve their financial management skills. To achieve this, the bank partnered with Malaysia's *Agensi Kaunseling & Pengurusan Kredit* (AKPK) in all its financial wellness programmes. These programmes focused on achieving financial security, which means having the ability to manage budgetary commitments, meet financial goals, protect against risks, save for contingencies or future needs like college or retirement, and cope with financial shocks and crises.

Spiritual Wellness

Spiritual Wellness promotes employees' spirituality. This was achieved through a series of activities, including talks on Tadabbur Al-Quran and improving mental resilience through spirituality by Malaysian Muslim scholars and speakers. In addition, a renowned Muslim scholar from Australia gave a motivational talk.

Overall, more than 3,000 employees participated in these events, and we received positive feedback on the effectiveness of the programme in enhancing their well-being.

2 Innovative Care Solutions

Efforts to support our employee's well-being, personal and career growth within the BIMB culture will always be a top priority. We went the extra mile this year to advocate the importance of wellness among employees by fostering support groups through the Values Ambassadors network. During the early stages of the post-pandemic era, we collectively emphasised various initiatives to support BITIZENS' health and wellness needs.

What We Did

Partnered with reliable healthcare providers, PMCare and Naluri, to deliver an app that provides employees with healthcare and well-being information.

Impact & Achievements

- 100% of employees provided access to healthcare solutions.

Launched BITI-Friend, a peer support volunteer platform for our valued employees, to enhance emotional and mental health awareness and support system throughout the organisation. This innovative platform equips employees with appropriate strategies, interventions and the confidence to manage mental health problems.

BITIZENS interested in becoming a BITI-Friend are conferred with the Certified Mental Health First Aid accreditation, a patented evidence-based programme developed by Betty Kitchener and Professor Tony Jorm from the University of Melbourne, Australia.

Impact & Achievements

- 14 BITIZENS have completed their first training to become a BITI-Friend



3 Managing Change Fatigue

While there is a high level of top leadership engagement and strong engagement among high performers and identified potentials, there is a challenge for employees at all job levels to understand and accept the bank's five-year business strategy, LEAP25, as well as to adopt change initiatives.

To address this, employees have called for more enabling technology and infrastructure to create a more conducive work environment, as well as recognition beyond pay contributions. One of the main reasons for the limited understanding of how the changes will impact the business and individual roles is due to ongoing change initiatives, which have resulted in change fatigue.

Managing change fatigue is a critical component of BIMB's ongoing change initiatives, which are aimed at achieving LEAP25 goals and strategic transformation objectives in digital, operational, and cultural excellence, now known as CODE S+. These changes continue to challenge the status quo and disrupt traditional ways of working. For example, traditional workstations were not conducive to inculcating a highly collaborative and innovative work culture in BIMB. Therefore, the bank needs to continue to increase the number of digital talents and improve its employees' digital capabilities to meet its business strategies.

4 Health and Safety Initiatives

Throughout 2022, we implemented several health and safety initiatives to strengthen our safety culture. We provided all staff with an Occupational Safety & Health (OSH) e-learning module, which was mandatory annual training. Additionally, we conducted Floor Marshal on-boarding training to ensure that our employees were prepared in case of an emergency.

We also provided training in First Aid Skills, including Emergency Response Training (ERT) with the Fire & Rescue Department of Malaysia, Basic Occupational First Aid (BOFA) Training, and AED & CPR Training for Appointed Floor Marshals and First Aiders from all the Bank's offices and branches. These initiatives were aimed at improving the health and safety of our employees and ensuring that they were equipped to respond to emergencies.

5 Overall Performance

We closely track and monitor the health and safety of our employees. This year, there was a rise in health and safety incidents, which is due to more employees returning to the office after the pandemic.

	2021	2022
Health & Safety Incidents	48	145

Additionally, as a testament to our efforts in managing change fatigue, we have significantly improved our Employee Engagement Index from the previous year.

	2020	2021	2022
Employee Engagement Index	81%	57%	88%

Outlook

Looking ahead to 2023, the Bank Islam Live Well Programme will remain our top priority in ensuring the health, safety and well-being of our employees, as well as supporting them in strengthening their inner resilience. Our continued focus on this programme aligns with our overall wellness strategy, which aims to improve employee engagement, reduce health-related costs and decrease absenteeism over the long term. Through the Bank Islam Live Well Programme, we will continue to offer a range of activities and resources that address physical, emotional, mental, spiritual and financial wellness, in order to help our employees achieve balance in all aspects of their lives.

Social Impact

TALENT AND DEVELOPMENT

One of the biggest resources for BIMB is its people. By recruiting talents with highly desirable skillset and vast experience in the banking field, we can provide ongoing learning exposures and development opportunities for them to grow. Conversely, developing our employees and keeping them engaged in the job tends to lead to innovative business strategies and business growth. If we are unable to retain talents for a long period, it can limit our potential business growth. Thus, BITIZENS at all job levels are encouraged and empowered to learn new things and move to a new role within the Bank regardless of their job levels.

Our overall approach for BITIZENS is to be equipped with digital skills, have a customer-focused mindset and adopt new ways of working to drive performance towards achieving our business goals. We do this by providing appropriate learning and development interventions and tools that are

aligned to our Bank's strategic directions and goals. Through internal talent mobility, professional certifications and Digital Upskilling programmes, we are able to support BITIZENS' growth and development so that they can rise to the challenging demands of the ever-changing business landscape.

In addition, we conduct an annual review of salaries upon completing the yearly appraisals. BIMB employees are granted discretionary bonuses based on their overall performance for the year. To further incorporate sustainability into our approach, we carry out a pre-emptive review of our retention strategy for a selected group of employees who are high performing, have scarce talent, and pose a flight risk. By adopting these measures, we are able to establish consistent systems of fair remuneration and employee benefits that benefit both our employees and our business.

Progress in 2022

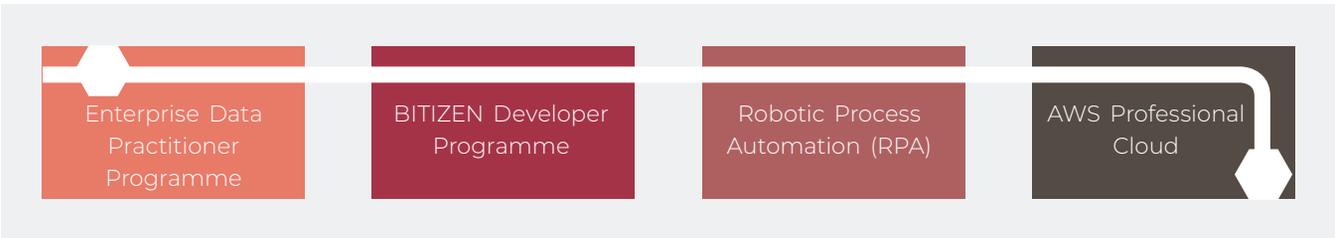
1 Developing A Future-Ready Workforce

In 2022, we rolled out our Future Skills Forecasting Study to identify the skills needed to become future-proof BITIZENS based on our strategic priorities. The study identified over 100 future skills across five broad categories, including Business Management, Digital and Software Development, and Customer Relationship Management, among others.

We then provided upskilling and training programmes to identified talents to prepare them for the roles. As a result, 41 BITIZENS took up future roles in 2021 and 2022, including roles in Centre of Digital Experience, Process Excellence, Environment, Social and Governance, and Business Analytics. By prioritising our employees' future skilling, we are confident in our ability to achieve our business goals and serve our customers better.

2 Building Digital Capabilities

A key milestone this year is the establishment of BIMB's Digital Academy. This is a people-oriented initiative for building our digital and agile capabilities at scale by empowering and upskilling BITIZENS to become a digitally literate workforce. It is a Bank-wide initiative for all BITIZENS at all job levels. Launched in January 2022, we established a one-stop centre for staff to access learning programmes that are grounded in day-to-day application to real-world business challenges, learning pathways to guide their upskilling journey, references to subject matter experts in digital capabilities and updates on the latest information on digital skill courses. The digital upskilling programmes under Digital Academy include:





Objectives of BIMB's Digital Academy

Build digital understanding and drive digital adoption amongst BITIZENS.

Develop, implement and scale up immersive programmes to build on proven skills needed to drive the Bank's digital transformation.

Provide full suite learning programmes that are grounded in day-to-day application to real-world business challenges for inclusivity in learning capabilities for all staff.

Offer programmes in these focus areas: Data Analytics, Robotics Process Automation, Cloud, Artificial Intelligence (AI)/ Machine Learning, Cybersecurity and Data Management, Customer Experience Design, Agile.

3 Digital Young Leader's Programme (YLP)

We launched a special management training programme called the Digital Young Leaders Programme (YLP), which is designed to develop future digital leaders within the Bank. This programme aims to ensure our digital pipeline continues to grow and remains competitive.

As part of this initiative, we partnered with Malaysia's premier digital technology university, the Asia Pacific University of Technology & Innovation (APU), through an industry-academia collaboration. We signed a Memorandum of Understanding (MoU) with APU to identify digital talents and tap into the pool of digital talent available at the university.

Additionally, we also launched the Friday Hangout initiative under YLP. This initiative aims to educate and spread awareness to BITIZENS on a diverse range of topics related to work, life, economy, and many more in a chill out session.

4 Internal Talent Mobility Framework

We successfully revised the policy enforcement in January 2022 that creates an opportunity for employees where they can advance in their career by exploring or transitioning into a completely new role or function within the Bank. The new revision to the internal mobility flow now imposes employees to move to a new role across projects, functions, teams, divisions, locations within the Bank after serving five years in the same role.

For employees in generalist roles, movement to a new role after five years is mandatory. For those in specialist roles, movement to a new role is highly encouraged when there is interest and opportunity to do so. This gives our BITIZENS a greater sense of ownership over their own career path through internal career move and to effectively execute their jobs in the new role.

5 Strategic memorandum of understanding (MOU) with Asia Pacific University of Technology & Innovation (APU)

In July 2022, we reinforced the Bank's digital talent pipeline through several strategic initiatives, which include graduate work placements through talent hiring and internship programmes and BIMB's participation in APU's Industry Advisory Panel (IAP). Through this initiative, we were able to tap into APU's expertise to upskill and reskill BITIZENS' digital capabilities.

Under this collaboration, the Bank aims to take in highly competent, employable, and future-proof professionals from APU to fulfil critical requirements in digital roles. These include IT Architects, Process Consultant, Business Analysts, Organisational Change & Comms, IT Developer, Cloud or Infra Engineer, UI/UX Designer, Data Engineers, Design Thinking and many more.

Social Impact

6 Building a Sustainability Work Culture

To further our sustainability journey, BIMB is committed to raising awareness about ESG and equipping our employees with ESG-related knowledge to integrate it into their day-to-day tasks. To kickstart this effort, the inaugural BIMB Sustainability Workshop was organised in October with the BIMB Sustainability Project Working Team (SPWT) members. The workshop aimed to discuss bank-wide sustainability and ESG matters and formulate action plans across various divisions of the Bank. It was attended by 36 Sustainability Champions from different divisions.

The Bank provided ESG training courses across 16 programs, with a total of 116 learning hours accumulated by 304 staff from Credit Management, Risk Management, and Business divisions. Additionally, six staff members enrolled in ESG certification courses in 2022, with five from the Risk Management division and one from Credit Management division.

To ensure progress in our ESG-related efforts, having the right policies in place is crucial as a demonstration of the Bank's commitment to ESG. In accordance with FTSE4Good indicators, the Bank addressed nine indicators through the following three policies in 2022:

Policy	Indicator Code	Indicators
HRP602.01 Training & Development	SLS26	Amount of time spent on employee development training to enhance knowledge or individual skills, using: <ul style="list-style-type: none"> • Total time as a company <i>i.e.</i>, <i>Delivered more than 264,530 training hours for employees for 2021</i> • Average hours per employee • Average days per employee • Type of Training
	SLS29	Employee personal development training to enhance abilities or individual skills, including: <ul style="list-style-type: none"> • Policy or commitment statement to provide employee personal development training • Detailed description of the personal development training that is provided



Policy	Indicator Code	Indicators
HRP 01 Selection and Recruitment	SHR04	Policy addresses children's rights, other than child labour through: <ul style="list-style-type: none"> Evidence of support for children's rights in company operations or through programmes Policy or commitment statement on children's rights, such as commitment to the Children's Rights and Business Principles
	SHR05	Commitment to local employment and/or sourcing: <ul style="list-style-type: none"> Comment on local employment/sourcing Clear commitment
	SLS16	Company has taken action to improve workforce diversity, equal opportunities, or reduce discrimination, including those based on: <ul style="list-style-type: none"> Addresses non-discrimination/equal opportunity in general disclosures Race Religion Gender Age Disabilities Nationality
	SLS03	In relation to non-discrimination, the company: <ul style="list-style-type: none"> Addresses non-discrimination/equal opportunity in general disclosures Race Religion Gender Age Disabilities Nationality
	SLS11	Policy supporting the community addressing: The employment of under-privileged groups, including those from deprived backgrounds, having poor social status and with no formal education or qualifications
HRP402 Rates of Pay and Annual Increment	SLS08	Policy or statement supporting the right to a minimum or living wage, which: <ul style="list-style-type: none"> Focuses on compliance with minimum wage Commits to exceed minimum wage/meet living wage
	SLS34	In relation to equal pay for equal work, the company: <ul style="list-style-type: none"> Addresses the issue/states it complies with local laws in general disclosures Publishes a Policy/Principles/Code

Social Impact

7 Bank Islam Youth Ambassadorship (BIYA)

The BIYA Programme focuses on enhancing employer branding and contributing to the development of young talent in Malaysia. The programme, which is now in its third year, aims to nurture and mentor young graduates by providing them with the opportunity to build experience and demonstrate their talents in a supportive environment.

The BIYA Programme also facilitates industry-academia engagements that focus on topics relevant to their future careers, such as future trends and future skills for the banking industry, digitalisation and digital banking, digital skills and soft skills.

The programme involves year-round engagements and collaborations with universities and student associations in Malaysia, which includes various programmes such as competitions, hackathons, and talk sessions hosted by subject matter experts and industry professionals from BIMB. We also participated in career fairs and hosted industry visits for university students across Malaysia.

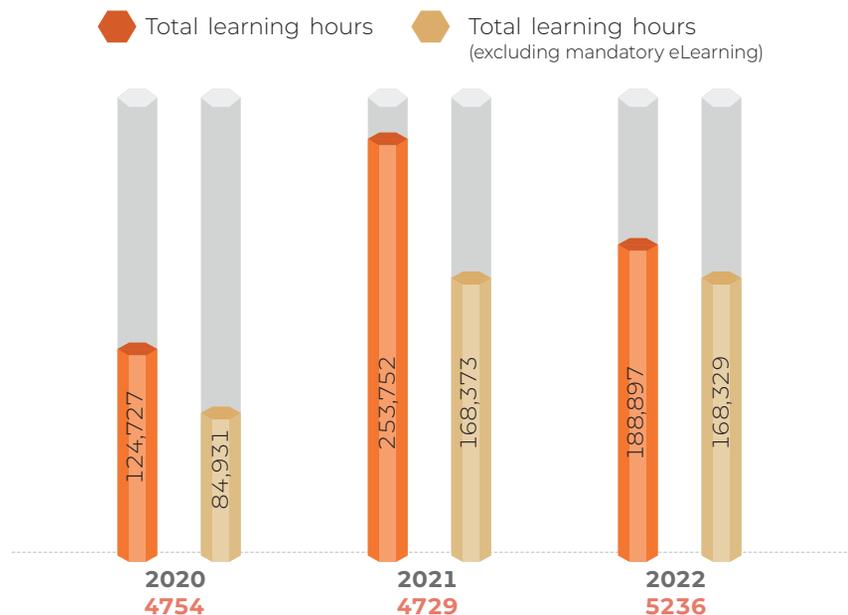
In 2022, the BIYA Programme welcomed **24** ambassadors from **12** universities across Malaysia and the UK.

8 Training in Sustainable Financing

This year, we have launched a new Sustainable Financing training programme for our front-line staff, specifically Relationship Managers and Credit Officers who interact directly with our customers and investors. The programme is designed to equip them with the necessary skills and knowledge in Sustainable Finance, with the aim of guiding our corporate customers and investors in incorporating Environmental, Social and Governance (ESG) factors into their decision-making processes.

The training programme is conducted by the Asian Banking School, with customised modules that are tailored to the roles of Relationship Managers from SME, Commercial, and Corporate Banking, as well as Credit Officers from Credit Management divisions. Upon completion of the programme, our staff will be able to:

- Identify how banks can support the transition towards a sustainable and low carbon economy
- Explain “green” and “sustainable” finance and able to identify key factors that underpin the science of climate change
- Discuss how climate risk impacts the bank and financing customer and relate their role as relationship manager in managing it





9 Building a Culture of Risk and Compliance

We have taken several measures to build a sustainable risk and compliance culture among our employees. One of our key initiatives is an awareness campaign that provides quick refreshers for our first line of defence, keeping them updated on the latest risk and compliance best practices and policies.

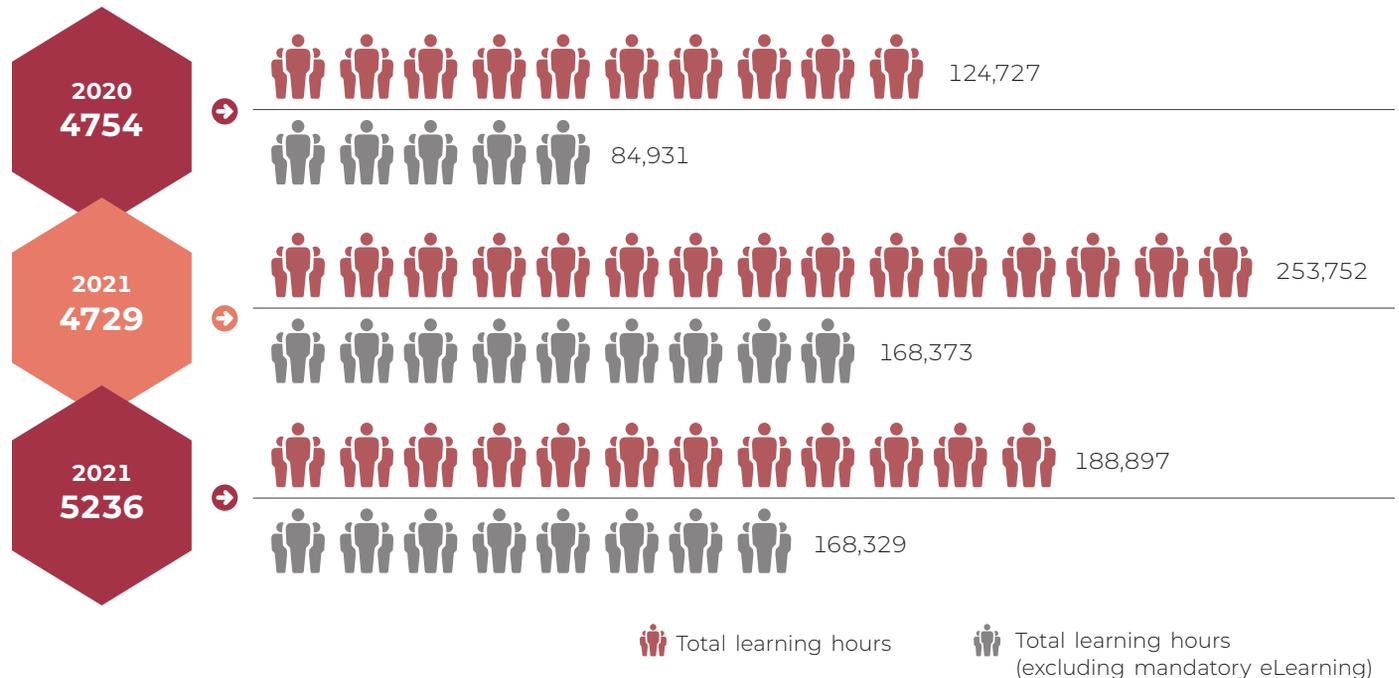
To ensure the effectiveness and sustainability of our risk culture, we established a continuous tracking and monitoring mechanism, empowering our people to drive risk and compliance culture across the organisation by identifying areas for further action. We also empower our network of Business Risk and Compliance Officers to support our employees in embedding the risk and compliance culture, retraining our first line of defence and leading by example.

10 Overall Performance

- RM9.7 million invested in employee training

	2021	2022
Number of Employees Promoted	423	489

Total Learning Hours



Outlook

In 2023, we will continue our commitment to expanding the Future Roles program to encompass a wider range of functions within BIBM. By expanding it to more areas of the bank, we can provide more opportunities for our employees to grow and advance their careers.

Social Impact

DIVERSITY AND INCLUSION

Diversity and inclusion go beyond merely aligning with policies and workplace ethics. It is about representing and valuing the multicultural community we serve in Malaysia. We strive to create a workplace culture where all employees feel valued and appreciated for their hard work, regardless of their religious background, gender, or educational background.

By fostering a diverse and inclusive environment, we can increase employee retention rates and attract a more diverse talent pool. This opens up opportunities to recruit people with different working experiences who can make a positive impact on our financial banking systems. It is essential to create an inclusive workplace culture that ensures our employees are treated fairly, and this can help promote a positive environment for both employees and other associates or customers at BIMB.

Progress in 2022

1 Creating a Safe and Inclusive Workplace

BIMB has established channels for staff to report incidents of harassment. Employees can raise a complaint via the Grievance/Complaint channel as per the process stated in the Bank's Disciplinary Management Policy or through respective Collective Agreements for unionised employees. Any act of harassment or discrimination will be addressed according to the Bank's Disciplinary Management Policy. The GHR (IR) will conduct an inquiry followed by disciplinary action against the perpetrator.

We encourage all employees to utilise the grievance channels to report any misconduct experienced safely. In 2022, we received 3 sexual harassment cases and zero discrimination cases. Decisive actions were taken to resolve the issue and protect the victims.

As of 7th April 2023, we have welcomed a new board member who is a prominent figure with remarkable credentials that has also marked our 30-70 female to male representation ratio at the board level. This achievement is a positive step towards promoting gender diversity and equality in the workplace.

Outlook

BIMB is currently working on a Diversity, Equity and Inclusion policy is expected to be launched in Quarter 3 2023. This policy will outline the bank's commitment to creating a more diverse, equitable and inclusive workplace and will provide guidelines for achieving this goal.

SUSTAINABLE SUPPLY CHAIN

Sustainable supply chain is an important component of BIMB's sustainability agenda and stakeholder value. It involves integrating sustainability principles into the management of the supply chain to contribute to positive social and environmental impacts while creating long-term value for all stakeholders across the value chain.

A sustainable supply chain enables us to reduce our carbon footprint, reduce waste generation, and preserve natural resources. This not only helps to protect the environment but also enhances our reputation as a responsible corporate citizen. In addition, responsible sourcing practices ensure that goods and services are procured ethically and sustainably, taking into account factors such as human rights, fair labour practices, and animal welfare. This helps to promote social responsibility and ensure that our supply chain partners share our values.

Progress in 2022

1 Screening Our Suppliers

BIMB requires all vendors to submit a vendor declaration form as part of its procurement process. This form serves several purposes, including allowing the Bank to conduct market and trade checking of the vendors. This helps to ensure that vendors meet the Bank's standards for quality, sustainability, and ethical conduct.

Additionally, the form confirms the vendor's policy not to offer gratuity, commission, or other forms of unethical or illegal payments. This aligns with our commitment to ethical business practices and to avoiding any potential legal or reputational risks associated with working with vendors who engage in corrupt or unethical behaviour. Overall, the vendor declaration form is an important tool for ensuring that BIMB's supply chain is sustainable, ethical, and aligned with the Bank's values and goals.



COMMUNITY ENRICHMENT

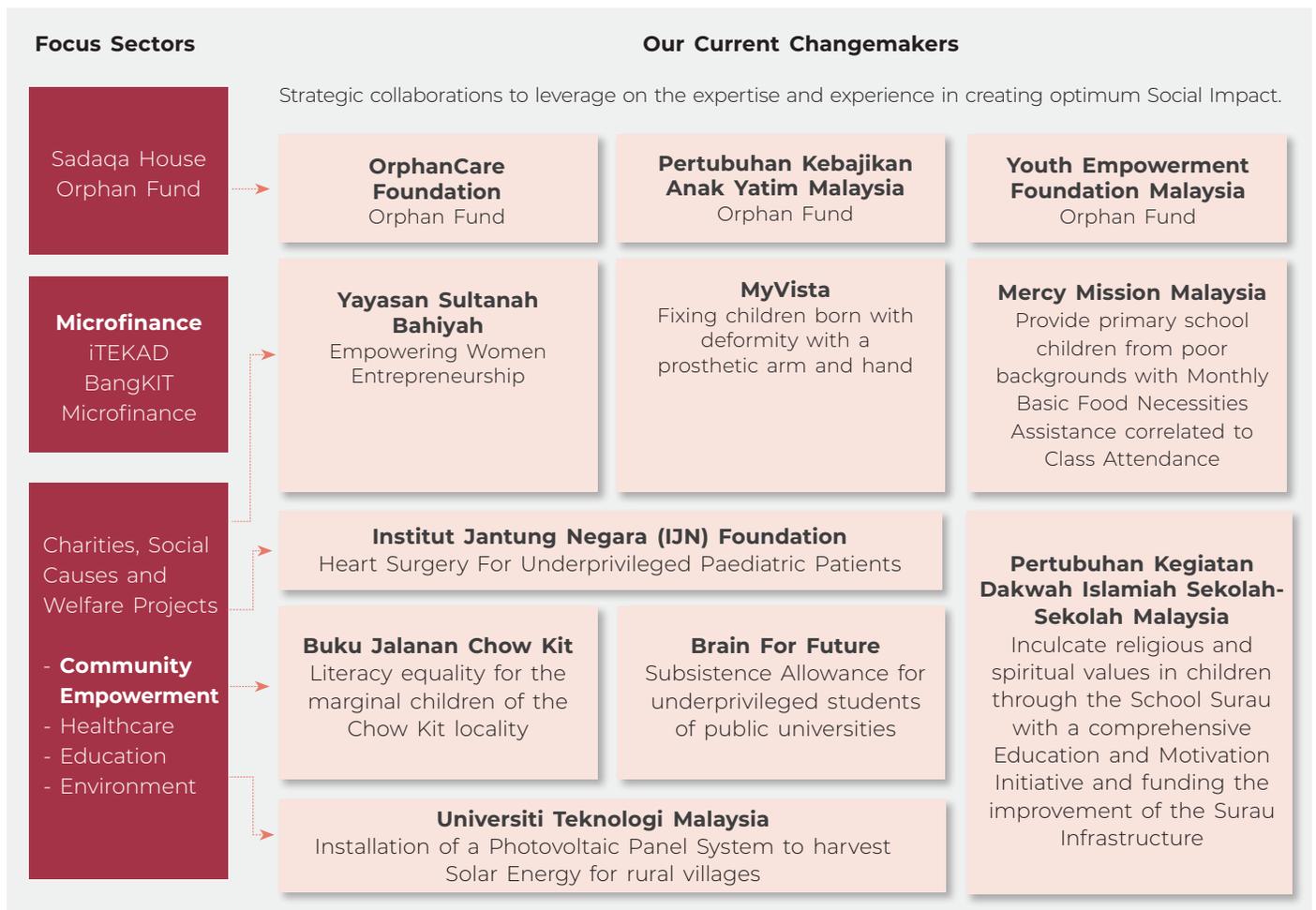
We believe that community enrichment is crucial for driving social and economic progress. Despite ongoing challenges, we recognise the importance of giving back to our communities to promote social welfare and economic growth. Supporting various enrichment programs allows us to foster closer relationships with our customers and promote greater brand awareness among our target market.

We aim to contribute to the long-term growth and sustainability of the communities we serve through our social finance initiatives that promote financial inclusivity and support at-risk communities. By working with our communities, we hope to build stronger relationships based on trust and confidence in our ability to help build resilience.

Since 2018, we have redefined the Islamic financial landscape through Sadaqa House, our Islamic charity crowdfunding platform. Sadaqa House promotes financial inclusivity by offering banking facilities to underbanked segments through our microfinance offering. We also created new avenues for a participatory funding platform that combines Islamic banking with socially responsible solutions for greater social impacts.

Our vision of a charity-centered Sadaqa Fund is the main hub for making a difference through social finance initiatives. Through this approach, we can promote greater inclusivity and sustainability in line with the objectives of Shariah.

At BIMB, we serve the community's financial empowerment agenda in alignment with Maqasid Shariah, creating a multiplier effect that supports orphans as the principal beneficiaries and empowers the community at large.



Social Impact

Progress in 2022

1 Sadaqa House Orphan Fund

BIMB recognises the importance of reaching out to special groups in our community, particularly al-Aytam (the orphans), through our Sadaqa House Orphan Fund. In 2022, we announced our joint aspiration with esteemed changemakers to deliver the End-to-End Care Package, a transformative initiative aimed at creating a 'Desired Future' for orphans. Our Orphan Fund acknowledges that achieving such an ambitious goal requires collective action and collaboration with like-minded organisations who share our common mission. Through public donations raised, BIMB aims to build the Community Economic Empowerment Ecosystem (C3e), which will offer multiple Islamic Social Finance and Financial Inclusion solutions to advance these communities.

We are proud to be partnering with esteemed changemakers who cover every stage of an orphan's life through "From Cradle to Graduation," BIMB's Orphan Fund. We kickstarted this initiative by collaborating with three exceptional changemakers with unique and specialised roles in the upbringing of orphans: the Orphan Care Foundation, Pertubuhan Kebajikan Anak Yatim Malaysia, and the Youth Empowerment Foundation (YEM). Through this partnership, we aim to enhance our efforts in building a stronger, more inclusive society for all.

OrphanCare Foundation	Pertubuhan Kebajikan Anak Yatim Malaysia (PEYATIM)	Youth Empowerment Foundation Malaysia
<ul style="list-style-type: none"> Provide children in institutions and unplanned infants the opportunity to grow in the care of a family. Manage 24/7 baby hatches that increases infant survivability rates in Malaysia. Covers operation costs of birth mother shelters and other services to help de-institutionalisation orphans and re-integration with family. <p>Impact & Achievements</p> <ul style="list-style-type: none"> Fund allocated for 2022: RM70,000 Total commitment until 2025: RM430,000 	<ul style="list-style-type: none"> Provide education scholarships in tertiary studies as well as subsistence allowance for academically-inclined orphans (in collaboration with Youth Empowerment Foundation Malaysia). Repaired and refurbished orphanages, aided by the Orphanages Infrastructure Improvement Grant 2022. Provide additional aid through a structured micro-business entrepreneurship program with our BangKIT Business Grant. Offer financial assistance of RM10,000 per month to help the OrphanCare Foundation manage 24-hours baby hatches nationwide as well as providing shelter and safe space for vulnerable mothers to safely deliver their babies. <p>Impact & Achievements</p> <ol style="list-style-type: none"> Education scholarships for 30 orphans: <ul style="list-style-type: none"> Fund allocated for 2022: RM150,000 Total commitment until 2025: RM500,000 Orphanages Infrastructure Improvement Grant <ul style="list-style-type: none"> Fund allocated for 2022: RM275,000 Total commitment until 2025: RM1,025,000 Beneficiaries: 383 orphans from 11 orphanages 	<ul style="list-style-type: none"> Provide education assistance and intervention programmes for orphans to be enrolled in public universities or technical colleges. Provide allowance subsistence for thirty (30) orphan students through the Sadaqa House. Provide temporary shelter for the orphans. <p>Impact & Achievements</p> <ul style="list-style-type: none"> Fund allocated for 2022: RM291,000 Total commitment until 2025: RM939,000



2 Financial Inclusion for Underserved Businesses

Since 2020, the Bank has ventured into social finance to assist underbanked micro-entrepreneurs to have access to commercial banking facilities to enable better growth for their businesses, by launching two iTEKAD Microfinance programs (iTEKAD Maju and iTEKAD BangKIT).

iTEKAD microfinance is a social finance programme initiated by Bank Negara Malaysia (BNM) to assist low-income microentrepreneurs in improving their financial management and business skills for sustainable income generation. The programme combines social finance instruments such as donations, social impact investment, zakat and cash waqf to fund the provision of business assets, microfinance, and structured financial and business training. Recently, BIMB renamed the program to iTEKAD Maju. The bank collaborates with implementation partners like State Religious Council and change makers to identify potential asnaf and B40 entrepreneurs to participate in the program.

Meanwhile, iTEKAD BangKIT is similar to the iTEKAD microfinance programme by BNM but is an initiative by BIMB.



Features	BangKIT	Maju
Contract	Qard	Tawarruq
Financing amount	Min RM5,000	Min RM20,000
Financing tenure	Min 6 months, max 36 months	Min 12 months, max 60 months
Profit rate	0%	4% p.a. fixed rate

Impact & Achievements:

iTEKAD Programmes	No. of micro-entrepreneurs	Total Contributions (RM)
iTEKAD Maju	192	5,256,000
iTEKAD BangKIT	374	4,634,000
Total	566	9,890,000

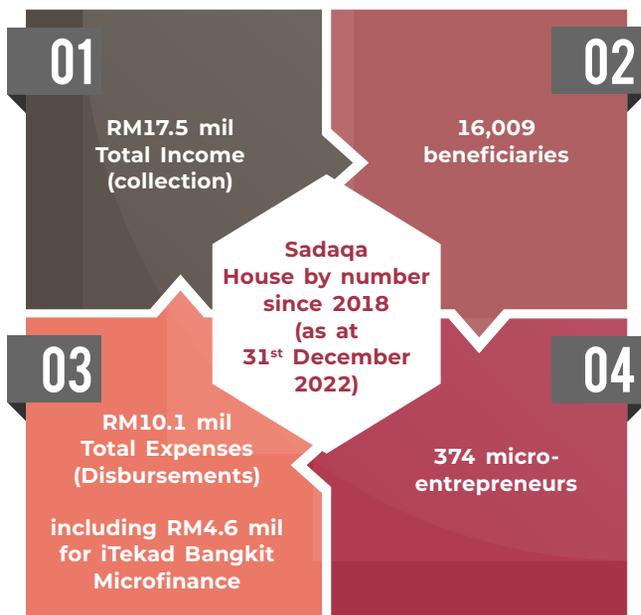
3 Overall Impact & Achievements

In 2022, BIMB is proud to have made significant contributions towards community enrichment. We are immensely proud of the impact that Sadaqa House has had on our community, and we remain committed to upholding our values of social responsibility and community engagement.

Social Impact

Sadaqa House

	2022	Since inception in 2018
Funds collected	RM7.3 million	RM17.5 million
Funds distributed	RM5.1 million	RM10.1 million
Beneficiaries reached	10,545 individuals, institutions and micro-entrepreneurs	16,009 individuals, institutions and micro-entrepreneurs



- Various fresh green produce was harvested including spinach, kailan, water spinach (kangkung) and mustard leaves (sawi).
- All vegetables are organically grown and pesticide-free. Additionally, organic fertilisers/composts were made from food wastes and organic material, such as dried leaves and branches, are found around IIUM.
- Each participant received the proceeds from selling their harvests and a certificate of participation upon completion of the course.

4 YSM Agropreneurship Incubator Project

The project is a collaboration among BIMB, the International Islamic University Malaysia (IIUM), and the Malaysian Institute of Sustainable Agriculture (MISA). It aims to equip participants with a comprehensive and hands-on approach to farming, marketing their produce, and achieving a sustainable income. Ultimately, this initiative aims to improve the livelihoods of participants, their families, and communities, while contributing to the local economy.

Our accomplishments:

- A total of 32 participants took part in the project, including 19 single mothers and 11 B40 IIUM students.
- All participants completed a six month theory and practical organic farming course to ensure excellent harvest quality to be marketed immediately.





5 Hydroponic Project with Jasin Correctional Centre

BIMB has partnered with the Jasin Correctional Centre in Melaka for three consecutive years to empower inmates with additional skills and means to generate income. The project, known as "AMAL untuk Alam," aims to support the livelihoods of inmates once they leave the centre and reintegrate into society.

Our accomplishments:

- More than 160kg of vegetables were harvested during every harvesting season after four to five weeks of planting, which will be commercialised to benefit 600 inmates.
- Various fresh green produce was harvested including Pak Choy, Spinach, eggplant, and Japanese cucumber. All the vegetables are organically grown and pesticide-free.



Outlook

Moving forward, we will focus on building social resilience by "mainstreaming social finance" towards 2026. As part of a four-year commitment from 2022-2025, We are striving to make steady progress towards our Sadaqa House Orphan Fund Change-maker channels.

For the 2040-year mark, BIMB has set a RM1 billion fund target to raise in order to provide zero-cost funding with immense potential to multiple Islamic Social Finance and Financial Inclusion solutions. Aligned with the direction from BNM in Financial Sector Blueprint, we are expecting more involvement and participation among the other banks.



BY THE YEAR 2040

To raise RM1 billion in perpetual funds

To distribute RM3 million every month for the welfare and education of orphans from the return on perpetual fund investment

Orphans shall have equal opportunities to succeed in life

The Fund shall be the catalyst in enabling the Community Economic Empowerment Ecosystem (C3e) for the Advancement of the Community

Good Governance

CORPORATE GOVERNANCE AND BUSINESS ETHICS

Corporate governance and business ethics are essential to maintaining the integrity of our financial systems and to ensure that we are aligned with our values as an Islamic bank. From a business perspective, strong corporate governance practices and ethical operations are key drivers of sustainable growth and long-term success. By adopting best practices in corporate governance, we can ensure that our operations are conducted in a transparent and accountable manner. This helps us to build and maintain trust among our stakeholders, which in turn, creates a positive reputation for BIMB and strengthens our brand. Furthermore, ethical business practices help to prevent the risk of regulatory penalties and legal liabilities, which could damage our financial performance and reputation.

Additionally, our customers and other stakeholders rely on us to act with integrity and to conduct our business operations in a responsible and ethical manner. By doing so, we can ensure that we meet the expectations of our stakeholders and protect their interests. Ultimately, this helps us to build stronger relationships with stakeholders and create long-term value that benefits everyone.

BIMB's financial banking systems are founded on outstanding integrity, as reflected in the Group Anti-Bribery & Corruption Policy (GABCP). This policy enforces a zero-tolerance approach towards all forms of bribery and corruption, including kickbacks or any other types of corruption. All employees are required to adhere to the GABCP standards at both the individual and organisational levels. It is explicitly stated that employees are not allowed to offer any form of value, such as gifts, hospitality, or entertainment, with the purpose of improperly obtaining or retaining a personal or business advantage, unless it is allowed by the policy.

T.R.U.S.T. PRINCIPLES

- Principle 1** **T**op Level Commitment
- Principle 2** **R**isk Management
- Principle 3** **U**ndertake Control Measures
- Principle 4** **S**ystematic Review, Monitoring and Enforcement
- Principle 5** **T**raining and Communication

BIMB has also implemented the T.R.U.S.T. principles under the governance framework, as set out in the Guidelines of Adequate Procedures by the Malaysian government, to further enhance its anti-corruption approach. These principles uphold the highest ethical standards and reflect the bank's commitment to good corporate governance and ethical business practices. The bank's strict adherence to these policies and principles is crucial in maintaining its reputation as a trustworthy and ethical financial institution and ensuring stakeholders' confidence in its operations.

The policy also fulfils the requirements for Adequate Procedures under Principle 2: Risk Assessment following the enforcement of Section 17A of MACC Act 2009 on corporate liability. The policy is reviewed annually through a mandatory CRM review, which assesses and validates the efficiency of the controls to ensure that risk action plans are enforced. As of 2022, BIMB's corruption risk management framework is now referred to as the Group Corruption Risk Management Policy.

For potential corruption cases, BIMB's Integrity & Governance Department (IGD)'s Special Investigation Unit (SIU) investigates the issue and reports their findings to the Group Chief Compliance Officer for approval. The report is then submitted to a Dedicated Independent Non-Executive Director for approval. If needed, the relevant Law Enforcement Agency will be notified.

We believe that promoting ethical business conduct and creating a healthy corporate value of integrity in the banking industry through the TAAT values (Think Customer; Act with Integrity; Advance Beyond and Take Charge) helps enhance the ethical workplace culture throughout the bank's management. This culture of integrity helps BIMB deliver on its promise of "Assuring Trust. Delivering Value" to its stakeholders.



Progress in 2022

1 Strengthening Anti-Corruption in BIMB

We have strong systems and processes in place to protect our business against corruption and bribery. In corruption cases, the SIU is required to investigate and report to the Group Chief Compliance Officer. Then, an Independent Non-Executive Director approves the report. If needed, a follow-up report is sent to the Law Enforcement Agency.

In 2022, we continued to strengthen our processes to maintain our integrity in the banking industry, with the following enhancements made:

Improvement of turnaround time (TAT) for investigation process covering WB, complex and fraud cases.
Continuation of annual CRM review covering high and medium risk stakeholders.
Continuation of integrity communication dissemination (Integrity Bulletin, Integrity Ignition Notes, and Integrity Alerts).
Continuation of integrity engagement and training in collaboration with CAPS including training to Business Associates.
Issuance of the Group Whistleblowing Policy to further enhance the WB channels pursuant to group harmonisation exercise by introducing tiered-based WB disclosure structures at Group and subsidiaries.

2 Building a Culture of Integrity & Ethics

This year, BIMB’s Integrity & Governance Department (IGD) collaborated with the Compliance Academy & Strategy (CAPS) to deliver various training programmes on integrity and ethics. Business Associates within Bank participated in the following events designed to increase their knowledge and awareness on our anti-corruption standards and expectations:



Good Governance

3 Key Milestones in Integrity

We have achieved our key goals set for 2022, demonstrating our continuous improvements in upholding integrity in our financial systems by emphasising on zero-tolerance against corruption and bribery.

Milestones reached:



4 Overall Performance

	2020	2021	2022
Number of Employees Disciplined of Dismissed due to Non-Compliance with Anti-Corruption Policies	0	0	0

Outlook

As we step into 2023, BIMB is dedicated to reinforcing our commitment to integrity, governance, and compliance. Our primary focus for the upcoming year is to strengthen our anti-corruption controls, complete the second and third stages of Anti-Bribery Management System (ABMS) certification, and align our policies on anti-bribery and corruption, gift, and vendor codes of ethics with global and current best practices. We strive to become the first Islamic financial institution to achieve ABMS certification.

Furthermore, we plan to introduce a Conflict of Interest Policy that will provide clear principles and management guidelines for handling conflicts of interest within the bank. This policy will ensure that all employees act with the utmost transparency, fairness, and ethical standards.

To expand our reach and enhance customer communication, we aim to leverage digital platforms such as Indoor Digital Media across all BIMB branches. This will enable us to share information more efficiently, improve customer experience, and boost our digital capabilities.

Finally, we aim to simplify the implementation of our corruption risk assessment procedures through automation of risk documents. This will help us streamline our risk management processes, improve transparency, and enable us to identify and mitigate potential risks effectively. At BIMB, we are excited to embrace these initiatives as we continue to lead the Islamic banking industry with our unwavering commitment to integrity and excellence.



DATA PRIVACY AND SECURITY

The technology used within the banking industry plays a pivotal role in protecting our stakeholders' personal and financial data. That said, we constantly practice due diligence when it comes to dealing with our clients, employees, and their personal information. At BIMB, we strictly comply with regulations that govern the collection, use, and storage of personal data to avoid legal penalties and maintain our standards in Malaysia's banking industry.

As customers are increasingly concerned about how their personal data is collected and used by businesses, BIMB has proven to avoid any sort of data breach that might lead to financial loss, damage to reputation, and legal liability. By safeguarding their financial assets, we are able to maintain the trust and loyalty of our customers. Overall, data privacy and security are important to us because they enable compliance with regulations, protect our customer assets and avoid data breaches.

Progress in 2022

1

Strengthening Governance through Policies and Guidelines

In 2022, we revised and updated our policies on technology risk, cybersecurity risk, and data governance, as well as introduced guidelines on data classification and handling, as well as cybersecurity standards. These measures aim to enhance governance and ensure that data is managed securely.

2

Capacity Building on Data Privacy and Cybersecurity

We launched mandatory e-learning modules on information security for employees and conducted regular security campaigns and classroom awareness sessions to improve employees' understanding of the importance of data privacy and cybersecurity. Mandatory training sessions on data protection awareness were conducted during project kick-offs to ensure that employees understand the risks associated with data privacy and cybersecurity.

3

Nurturing a Culture of Data Privacy and Security

To promote data privacy and security as part of a responsible bank culture, we provided data privacy, information and security management, and data protection training to all new employees. Regular phishing sessions and simulation exercises were also conducted to enhance employees' understanding of data privacy and cybersecurity.

4

Strengthening Our Security Controls

During the year, we improved our security controls testing initiative to detect cyber threats and vulnerabilities. This includes red teaming campaigns, regular vulnerability assessments and penetration testing, compromise assessments, outsourcing due diligences, and data loss prevention control assessments. These measures aim to ensure that our systems and processes are robust and secure against potential cyber-attacks and data leakage.

Outlook

In 2023, the pace of activity in the areas of data privacy and cybersecurity continues to accelerate; data and information protection are vital for all aspects of a bank. As we continue to implement digital programmes that is transforming the way we operate and how people access information and services, we require increasingly robust cyber security measures.

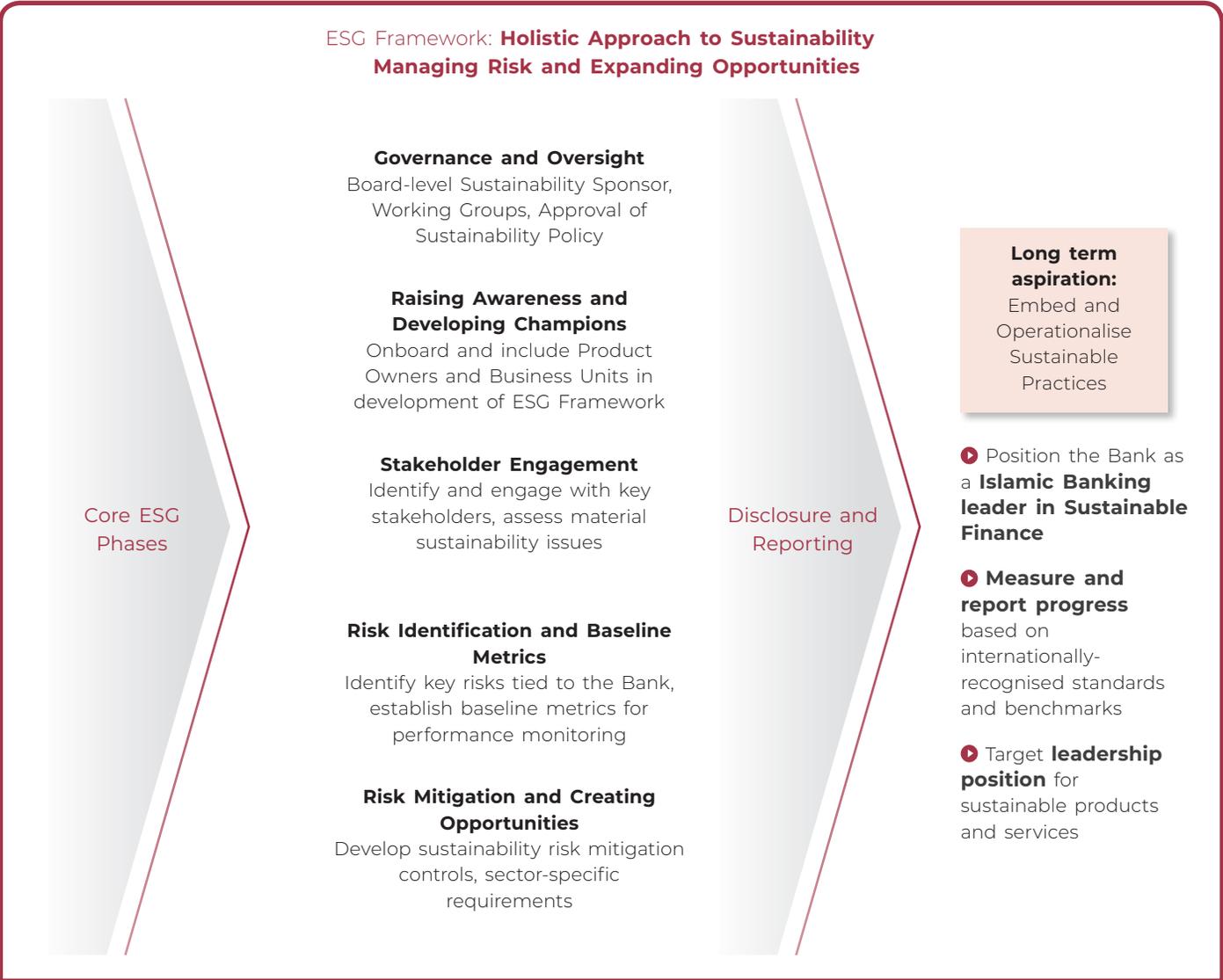
Our Bank-wide strategy for this year is to continue strengthening the security of the Bank's data and information systems. This includes achieving a balance between embracing digital opportunities, including making information more accessible and widely available, and ensuring adequate levels of protection are in place. This strategy demonstrates our commitment to further developing a wide range of responses, from basic cyber hygiene to the most sophisticated defences, which includes building a Zero Trust cybersecurity framework.

Good Governance

RISK MANAGEMENT

The Bank recognises the clear and present threat of the climate emergency and its potential impact on traditional business models, legal and regulatory concerns, and the physical landscape itself. As such, we have taken tangible steps to address potential sustainability risks in our long-term viability against climate change.

Our sustainability risks are guided by BIMB's targeted ESG Framework:



Information presented in the ESG Framework above have not been fully implemented as there is still work in progress being carried out.



We also understand that the activities of our customers - from micro-enterprises to retail consumers and large conglomerates - have major impacts on the environment and society at large, as well as clear and distinct climatic impacts. Hence, our initial step in developing the ESG risk management framework was to devise a system to understand the ESG impacts arising from the provision of credit and a mechanism to integrate this into our credit and risk assessments.

2021: Phase One

We began developing an ESG and climate risk management framework, with an initial focus on climate-related risks across our financing portfolio. The first phase involved conducting a gap analysis of the Bank's existing risk management systems and policies.

2022 and into 2023: Phase Two

We have begun moving into three implementation phases:

- Assessing ESG and climate risks across our non-retail portfolio
- Embedding ESG and climate considerations in our risk assessment of financing customers.
- Conduct scenario analysis and stress testing on our non-retail portfolio

Progress in 2022

1

Converging Shariah Values into ESG Risk Management

BIMB has been an early proponent of sustainability through the implementation of Value-based Intermediation (VBI) principles. Since 2018, our Business Units have been using the VBI checklist to assess Shariah compliance and environmental and social risk factors including environmental impact, employment/equality and corporate governance during the credit evaluation for onboarding of financing and also annual review of the existing financing. It is used as a preliminary guide in the credit assessment and evaluation process, particularly for non-retail financing assets/business portfolio.

The VBI checklist for preliminary financing assessment covers broad compliance on:

- Business Activities Impact not to fall within non-Shariah compliant activities e.g. liquor, gambling, crime, etc.
- Environmental Impact:
 - Environmental protection e.g., waste recycling, renewable energy, replanting/conservation initiatives, "green" procurement etc.
 - Non-environmental hazard e.g. not contributing to hazardous pollution, emissions, degradation etc.
- Employment/Equality:
 - Ethical activities e.g. equal opportunity employer, non-discriminatory, employment policy-local first, employee turnover etc.
 - Not involved in non-ethical activities e.g. adverse labour relations, human trafficking and child labour
- Corporate Governance e.g. no qualifications in accounts, history of legal suits, conduct of existing financing and ethical use of financing.

2

Minimising ESG Risks in Our Portfolio

As the BIMB's ESG Risk Framework is in development, we are currently initiating ESG and climate assessments of business financing applications.

The assessments in the form of onboarding checklists, ESG and climate reviews are to be carried out to determine environmental, social and governance risk related to new and existing customers; which may impact the bank.



Good Governance

Customers that are subjected to the ESG due diligence process are prioritised based on the following factors:

- Exposure to sectors with relatively high environmental or social impact including power generation, mining, oil & gas, forestry, palm oil, heavy manufacturing, water supply, and others deemed high risk at time of customer onboarding.
- High materiality to the Bank in terms of financing exposure (RM value).
- Extreme outliers i.e., companies that score in the top or bottom 10% of customers based on the ESG scoring.
- Companies with known or detected ESG-related controversies or grievances in the last 12 months.

The following is a summary of the key data and metrics used to validate the ESG performance of our business customers:

Entity Information:	
Customer Disclosures:	Sustainability reports, roadmaps, strategy, action plans, ESG-related press releases, media statements, announcements
Main operating locations:	The company's headquarters and main areas of operations i.e., factories, plantations, sites, facilities
Nature of business:	The main and subsidiary economic activities or sectors the company is involved in
Project being financed:	Applicable if the financing is for a specific project by the company i.e., a new manufacturing facility or new development
Controversies and grievances in last 12 months:	Any involvement by the company in issues including environmental, social, or governance-related negative coverage. Information on this is obtained through online searches on specialised ESG news providers, general media, social media, financial news outlets, and others.
Financing Type and Amount:	Overview of the company's financing facilities with BIMB including financing type and RM value.
Overview of ESG risks and controls:	
Governance	
License to operate:	Does the company have the necessary government and/or regulatory approvals required to carry out business activities, especially those related to environmentally and socially sensitive aspects, i.e., plantations, construction, mining, oil & gas, forestry, and others.
ESG Policies:	Does the company have policy commitments to monitor and mitigate ESG-related risks, i.e., safety and health, waste management, biodiversity, community impacts, etc.
Certifications & Standards:	Does the company possess general or industry-specific certifications? Examples include RSPO, CIDB, FSC, PEFC, ISO, OHSAS, etc.
Social	
Health and Safety:	Does the company have systems and controls to ensure workplace safety and health?
Labour:	Does the company have systems and controls to ensure labour standards are upheld i.e., on minimum wages, working hours, no forced, bonded or child labour?
Community Impacts:	Does the company have systems and controls to monitor and mitigate impacts of the operations on nearby communities?



Environmental	
Forest Risk	Does the company have systems and controls to ensure no illegal deforestation takes place in the course of their operations?
Biodiversity Risk	Does the company have systems and controls to ensure biodiversity is protected in areas of their operations?
Waste Management	Does the company have systems and controls to monitor and dispose of waste in accordance with regulatory requirements?
Post-operations remediation	Does the company have systems and controls to ensure their facilities are properly dismantled and no harmful or hazardous waste is left on site post-operations?

In 2022, we have carried out an initial validation of certain financing cases that were deemed material with higher environmental or social risks. The high-risk sectors assessed include:

Sector	Key Highlights
Agriculture (Palm Oil)	Customers involved in agriculture may be involved in specific activities i.e., plantation development or in the entire value chain of palm oil production, including refining and distribution. Companies in the sector are expected to comply to regulatory requirements including MSPO certification.
Oil & Gas	Customers involved in oil & gas include those that are focused on extractive activities, i.e., upstream and those involved in downstream refining and distribution.
Mining	Customers involved in primary extractive mining for minerals on land and in riverine areas where there are potential impacts towards the climate change, local communities and on natural ecosystems.
Heavy manufacturing	Clients involved in heavy manufacturing were chosen based on several material factors including the environmental impact of the manufactured end product and the scale and vicinity of the operations to environmental features including forest, rivers and marine areas, and its impacts to local communities.
Real Estate Development & Construction	Clients involved in real estate or construction were chosen based on the scale of development projects and location of the projects based on their vicinity to environmental features including forest, rivers and marine areas, and its impacts to local communities.
Other Sectors	Various other sectors were selected based on their material value of exposure to BIMB, including education and financial services providers. In general, these customers were assessed for environmental and social impacts internally to their operations and externally in their supply chain and in terms of end consumer dealings.

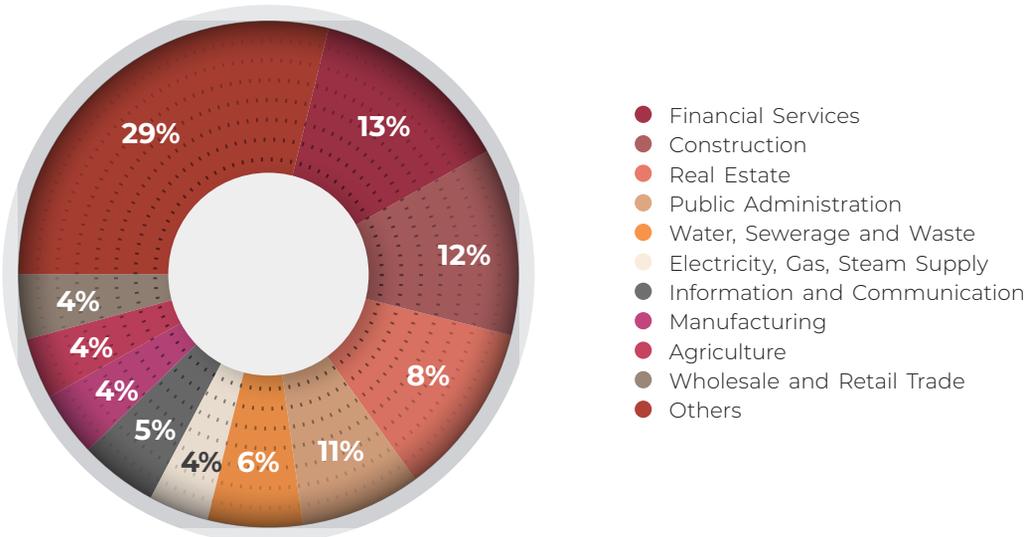
Good Governance

BIMB Sector Exposure

Additionally, we have made significant progress in developing a process to incorporate climate and ESG risks into the credit rating of non-retail customers. We achieve this by assessing environmental, social, and governance risks through an ESG credit impact score.

To determine a customer's credit rating, we consider all relevant credit factors, as well as ESG considerations and sector-specific risk factors. ESG credit impact scores and a customer's CCPT classification are the key drivers that reflect ESG impacts on BIMB's non-retail portfolio.

Having established this framework, BIMB is equipped to integrate ESG and climate performance into our credit risk assessments in the future. However, we will only implement the adjustment process fully when we have access to more accurate data and more comprehensive disclosures from companies. As the bank is in the process of implementing requirements for BNM's Climate Risk Management and Scenario Analysis (CRMSA) Policy Document requirements, we will continue to refine our approach and there might be further changes to our application down the road.



Case Study: ESG Review and Action Plan for the Mining Sector

BIMB conducted a detailed ESG review as part of the financing approval process of a company involved in mining activities in Peninsular Malaysia. As part of the review, requirements as stated in the approved Environmental Impact Assessment were assessed and the company's action plans in terms of complying with environmental and social regulations were reviewed. The company was assessed as having sufficient controls on its health and safety and on-site operational manuals to control the impacts of its activities, and policy commitments endorsed by its senior management to adhere to best practices on environment and safety. As part of the Bank's financing terms, the company was requested to prepare and endorse a sustainability policy approved by the senior management to provide stronger assurance on the company's practices in terms of environmental and social impact.



3 Implementation of BNM's Climate Change Principles-based Taxonomy (CCPT)

The CCPT Classification exercise enables financial institutions to understand the extent of their portfolio exposure to climatic impacts and risks. In line with this, BIMB has obtained an initial view of climatic risk exposure based on the classification guidance of C1 to C5. Per the Guiding Principles, the data is intended to be used to determine areas where opportunities for sustainable financing may arise as well as sectors or market segments that may be risk-weighted in future to manage and mitigate negative climatic impact.

We use a combined methodology using data and references from multiple sources to form a basis for application of the Climate Change Principles-based Taxonomy (CCPT) guidelines.

4 Application of the CCPT Guidance

BIMB recognises the impacts of climate change on the environment and society as well as the importance of ESG-related governance systems to enable businesses to improve on and implement robust systems and controls over their sustainability footprint.

The role of banks in financing businesses and consumers enables them to participate in various economic activities that may impact the environment and society in terms of climate change and sustainability. The implementation of CCPT enables BIMB to obtain an overview of how key financing assets are tied to climate risk and identify opportunities for more sustainable financing channeled towards climate-positive economic activities.

The CCPT details the assessment of existing and prospective customers by applying Guiding Principles (GPs) through dual perspectives. The GPs applied are in accordance with the CCPT Guidance Document and are summarised below.

Overview of Classification Exercise for Companies:

CCPT Classification	C1	C2	C3	C4	C5
	<i>Climate Supporting</i>	<i>Transitioning</i>		<i>Watchlist</i>	
Classification Overview:	Company has ESG policies and action plans and the transaction is climate positive.	Company has implemented ESG-related remedial actions and the transaction is climate positive.	Company has implemented ESG-related remedial actions however, the transaction is climate negative.	Company has not implemented ESG-related policies but the transaction is climate positive.	Company has no significant ESG policies and the transaction is climate negative.
Entity-level ESG Policies and Practices	GP3	GP4	GP4	None	None
Transaction-level ESG Impact	GP1/2	GP1/2	Negative	GP1/2	Negative OR GP5

Good Governance

- **Climate Risks at the Transactional Level** *(Including upon origination and extension of credit)*

In assessing the climate risk of a transaction, BIMB conducts due diligence of the potential use of proceeds of a new or existing financing facility. The use of proceeds may be tied to certain GPs based on the climate impact of the economic activity.

- **Climate Risks at the Entity Level** *(Including an overall assessment of a business customer's sustainability policies, action plans, implementation of sustainability roadmaps, and issues or incidents related to ESG)*

In assessing the climate impact of a business entity, we assess the customer's disclosures including, but not limited to, the following:

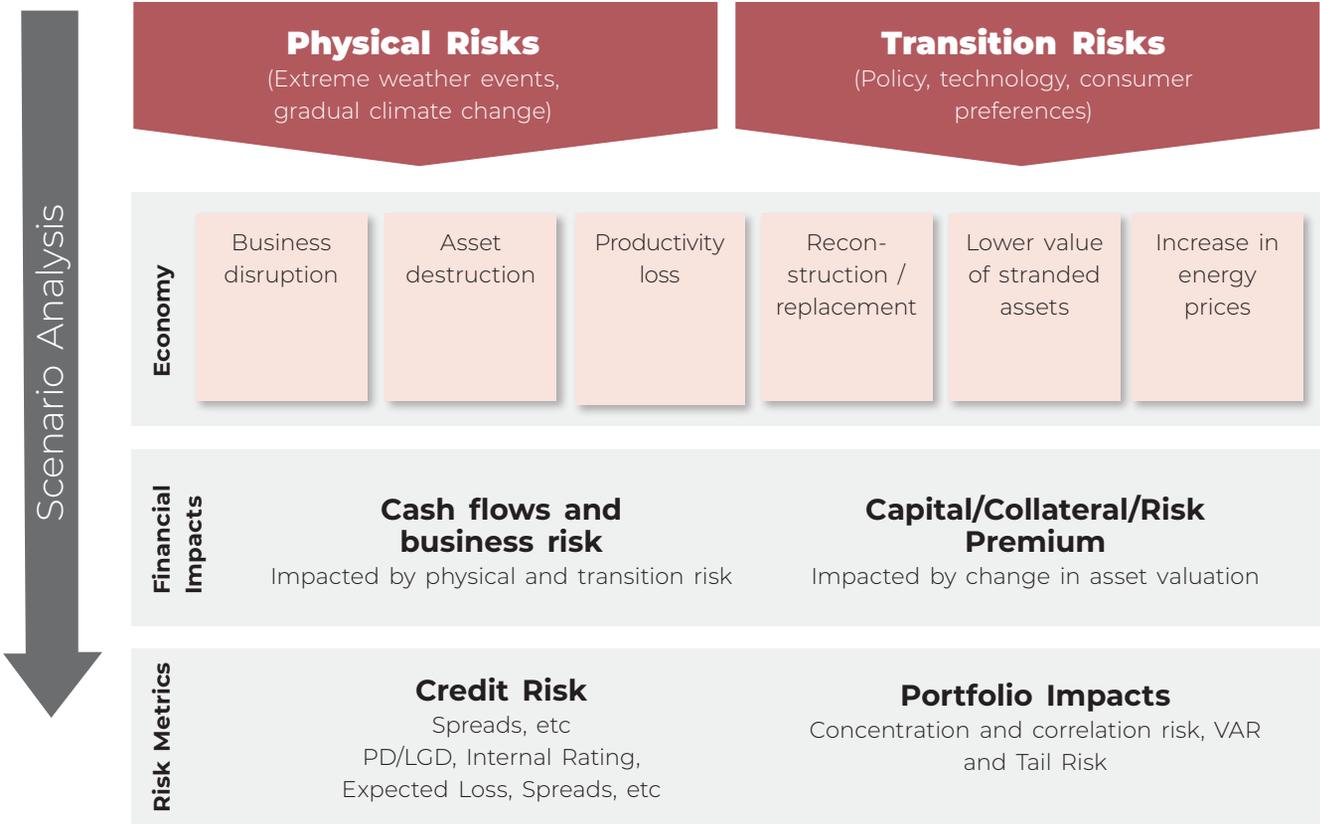
- Sustainability Policies
- Sustainability Roadmaps
- Certification and Third-party Verified Action Plans
- Carbon Emissions Reporting and Reduction Targets
- Grievances and Complaints related to the Entity/ Group

The assessment is conducted based on industry-specific norms and standards, especially pertaining to certification but also including ESG action plans that address the industry-specific impacts of the company's activities.

The assessment enables the Bank to obtain an overview of the climate impacts of the customer in terms of GP1, 2 and 3 and any remedial activities the customer carries out in terms of GP4.

5 Initiating Climate Scenario Analysis & Stress Testing

We are guided by climate scenarios provided by the Network for Greening the Financial System (NGFS) to explore how climate change risks and opportunities may affect our business over time.





Climate stress test results can be used in various ways to manage the Bank's climate risks effectively. These include identifying the source of risks from specific sectors and regions, assessing the application of funds based on stress test results, and encouraging boards to manage climate risks with a long-term strategic approach.

Moreover, climate stress test results can provide valuable insights into a business's vulnerabilities and inform the development of risk management and mitigation strategies. These results can then be incorporated into an institution's risk management and risk appetite processes.

By understanding climate stress test results, BIMB can identify risk exposure and the distribution of risks across industries, which can inform credit risk assessment and determine any additional capital allocation required after Capital Stress Testing.

Outlook

In 2023, we will roll out detailed sector guidelines and assessment criteria for sectors with elevated risk in terms of ESG and climate change. The Bank assesses new financing applications for ESG risks where there are elevated concerns on ESG based on industry-specific context. Key sectors where ESG due diligence would be carried out include large-scale agriculture, oil & gas, forestry, large-scale manufacturing projects, large-scale residential and industrial developments, mining and quarrying, among others.

The following are among the climate and ESG-related data for customers to provide at onboarding and origination:

SME:

Simplified reporting on 6 data points and 4 Yes/No questions.

- Policies
- Monitoring Systems
- Management Systems
- Labour Standards
- Compliance

Commercial:

Expanded reporting on all areas of Environment, Social and Governance.

- ESG Related Governance Structure & Policies
- Climate change management oversight and commitments
- ESG Disclosures and Reporting
- Business Plan/Strategy on reducing emissions
- Sustainability certifications
- Training programmes
- Health & Safety compliance
- Socio-economic benefits sharing
- Labour rights and standards
- Grievance mechanism
- Anti-corruption

Corporate:

Data obtained through referencing published reports (where available) on all areas of Environment, Social and Governance.

Encourage PLC customers to disclose ESG and climate transition plans publicly and align with TCFD Recommendations:

- Climate risk as a material risk area
- Policies and commitments on climate and ESG
- Board & Senior Management roles in managing climate risk and ESG-linked remuneration
- Business Plan/Strategy on reducing emissions
- Low carbon transition plan i.e., net zero target/SBTi
- Environmental manuals/SOP
- Monitor and report on environmental performance
- Third-party verification of ESG-related policies, plans and disclosures
- Sustainability certifications
- Training programmes
- Health & Safety compliance
- Socio-economic benefits sharing
- Labour rights and standards
- Grievance mechanism
- Anti-corruption

Corporate Information

As of 7 April 2023

BOARD OF DIRECTORS

Chairman

TAN SRI DR ISMAIL HAJI BAKAR

Independent Non-Executive Director

Members

- **AZIZAN AHMAD**
Senior Independent Non-Executive Director
- **MOHD YUZAIMI MOHD YUSOFF**
Independent Non-Executive Director
- **MASHITAH HAJI OSMAN**
Independent Non-Executive Director
- **MOHD ASRI AWANG**
Independent Non-Executive Director
- **DATUK BAZLAN OSMAN**
Independent Non-Executive Director
- **NURAINI ISMAIL**
Independent Non-Executive Director
- **DATO' SRI AMRIN AWALUDDIN**
Non-Independent Executive Director
- **DATUK NIK MOHD HASYUDEEN YUSOFF**
Non-Independent Non-Executive Director
- **DATO' PROFESSOR DR NOOR INAYAH YAAKUB**
Independent Non-Executive Director
(Appointed w.e.f. 7 April 2023)
- **MOHAMED RIDZA MOHAMED ABDULLA**
Non-Independent Non-Executive Director
(Retired w.e.f. 1 December 2022)
- **DATO' SRI KHAZALI AHMAD**
Independent Non-Executive Director
(Retired w.e.f. 2 January 2023)

BOARD AUDIT AND EXAMINATION COMMITTEE

Chairman

Datuk Bazlan Osman

Members

- **Nuraini Ismail**
- **Dato' Professor Dr. Noor Inayah Yaakub**
(Appointed w.e.f. 7 April 2023)
- **Mohd Yuzaidi Mohd Yusoff**
(Ceased to be a member w.e.f. 7 April 2023)
- **Mohamed Ridza Mohamed Abdulla**
(Retired w.e.f. 1 December 2022)
- **Dato' Sri Khazali Ahmad**
(Retired w.e.f. 2 January 2023)

BOARD RISK COMMITTEE

Chairman

Azizan Ahmad

Members

- **Mohd Yuzaidi Mohd Yusoff**
- **Mohd Asri Awang**
- **Datuk Nik Mohd Hasyudeen Yusoff**
- **Mashitah Haji Osman**
(Ceased to be a member on 1 February 2023)

BOARD NOMINATION AND REMUNERATION COMMITTEE

Chairman

Azizan Ahmad

(Re-designated as Chairman w.e.f. 2 January 2023)

Members

- **Datuk Nik Mohd Hasyudeen Yusoff**
- **Nuraini Ismail**
- **Dato' Sri Khazali Ahmad**
(Retired w.e.f. 2 January 2023)

BOARD FINANCING REVIEW COMMITTEE

Chairman

Datuk Nik Mohd Hasyudeen Yusoff

Members

- **Azizan Ahmad**
- **Mashitah Haji Osman**
- **Mohd Asri Awang**

BOARD STRATEGIC & SUSTAINABILITY COMMITTEE

Chairman

Mohd Yuzaidi Mohd Yusoff

Members

- **Mashitah Haji Osman**
- **Datuk Nik Mohd Hasyudeen Yusoff**
- **Datuk Bazlan Osman**
(Appointed w.e.f. 1 February 2023)
- **Mohamed Ridza Mohamed Abdulla**
(Retired w.e.f. 1 December 2022)



BOARD INFORMATION TECHNOLOGY COMMITTEE

Chairman

Mohd Yuzaidi Mohd Yusoff

(Re-designated as Chairman w.e.f. 1 February 2023)

Members

- **Datuk Bazlan Osman**
(Appointed w.e.f. 1 February 2023)
- **Dato' Professor Dr. Noor Inayah Yaakub**
Appointed w.e.f. 7 April 2023)
- **Azizan Ahmad**
(Ceased to be a member w.e.f. 7 April 2023)
- **Mohamed Ridza Mohamed Abdulla**
(Retired w.e.f. 1 December 2022)
- **Dato' Sri Khazali Ahmad**
(Retired w.e.f. 2 January 2023)

SHARIAH SUPERVISORY COUNCIL

Chairman

Ir. Dr Muhamad Fuad Abdullah

(Re-designated as Chairman w.e.f. 1 April 2023)

Members

- **Associate Professor Dr Yasmin Hanani Mohd Safian**
- **Professor Dr Asmadi Mohamed Naim**
- **Dr Shamsiah Mohamad**
- **Sahibus Samahah Datu Haji Kipli Haji Yassin**
- **Professor Dato' Dr Ahmad Hidayat Buang**
(Retired w.e.f. 31 March 2023)

CHIEF EXECUTIVE OFFICERS IN THE GROUP

- **Mohd Muazzam Mohamed**
Group Chief Executive Officer
Bank Islam Malaysia Berhad
- **Azdini Nor Azman**
(Appointed w.e.f. 1 March 2023)
Acting Chief Executive Officer
BIMB Investment Management Berhad
- **Kamaruzaman Abdullah**
Chief Executive Officer
BIMB Securities Sdn Bhd
- **Masdayana Md Setamam**
Chief Executive Officer
BIMB Islam Trust Company (Labuan) Ltd

GROUP COMPANY SECRETARY

Maria Mat Said (LS0009400)

(SSM Practicing Certificate No. 202008002449)

AUDITORS

PricewaterhouseCoopers PLT

(LLP0014401-LCA & AF 1146)

Level 10, 1 Sentral

Jalan Rakyat, Kuala Lumpur Sentral

PO Box 10192

50706 Kuala Lumpur

Tel : 03-2173 1188

Fax : 03-2173 1288

REGISTERED OFFICE

Bank Islam Malaysia Berhad

(Registration No. 198301002944 [98127-X])

32nd Floor, Menara Bank Islam

No. 22, Jalan Perak, 50450 Kuala Lumpur

Tel : 03-2707 8000

Web : www.bankislam.com

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd

(Registration No: 199601006647 [378993-D])

11th Floor, Menara Symphony

No. 5, Jalan Prof. Khoo Kay Kim

Seksyen 13

46200 Petaling Jaya

Selangor Darul Ehsan

Tel : 03-7890 4700

Fax : 03-7890 4670

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad

Stock Name : BIMB

Stock Code : 5258

Board Composition

BOARD BALANCE AND COMPOSITION

1  Senior Independent Director

1  Non-Independent Executive Director

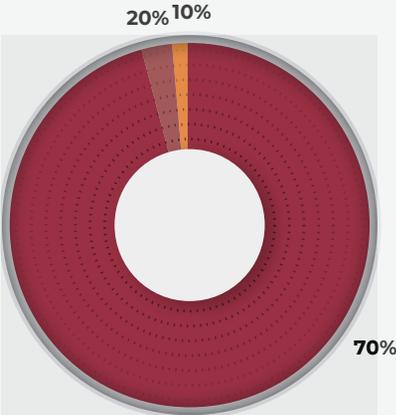
7  Independent Non-Executive Directors

1  Non-Independent Non-Executive Director

GENDER

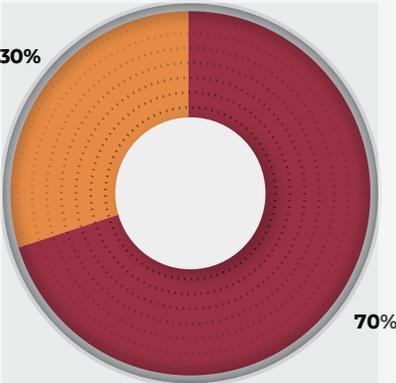
7   **3**
Male & Female

TENURE



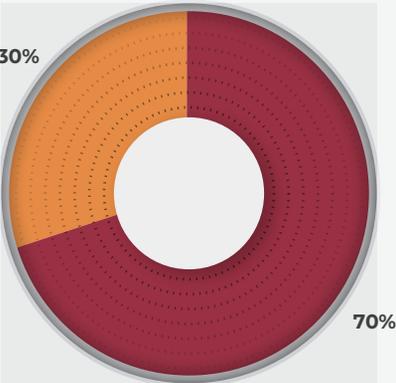
-  < 3 years
-  3 to 6 years
-  6 to 9 years

AGE



-  50 to 60 years old
-  61 to 70 years old

DIVERSITY



-  Male
-  Female



Board of Directors' Profile



**TAN SRI
DR ISMAIL
HAJI BAKAR**
Chairman/
Independent
Non-Executive
Director

Academic and Professional Qualifications

- Bachelor of Economics, B. Econs (Hons) in Applied Economics, University of Malaya
- Diploma in Public Administration, National Institute of Public Administration (INTAN)
- Master of Business Administration, University of Hull, United Kingdom
- PHD, University of Hull, United Kingdom

Areas of Expertise

- Economic and Financial Management

Work Experience & Positions

Present

- Deputy Chairman, Johor Corporation
- Chairman, Kulim (Malaysia) Berhad

Previous

- Chief Secretary to the Government of Malaysia
- Secretary General at the Ministry of Finance
- Secretary General of the Ministry of Agriculture & Agro Based Industry
- Secretary General of the Ministry of Transport
- Director of National Budget, National Budget Office, Treasury, the Ministry of Finance
- Director of National Strategic Unit, Treasury, the Ministry of Finance
- Deputy Secretary General (Policy), the Ministry of Defence
- Senior Advisor to the Executive Director (SEA Group), the World Bank
- Head of Section, Government Procurement, the Ministry of Finance
- Head of Planning, Research and Policy, Government Procurement, the Ministry of Finance
- Principal Assistant Secretary, Economic and International Division (Public Finance Section), the Ministry of Finance
- Assistant Secretary, Economic and International Division (Capital Market, Money Market and Banking Section), the Ministry of Finance
- Assistant Secretary, Economic and International Division (External Trade and Balance and Payment), the Ministry of Finance
- Assistant Director, Anti Narcotic Task Force
- Assistant Secretary, Contract and Supply Division, the Ministry of Finance

Directorship in Other Public Companies

- Kulim (Malaysia) Berhad

Membership of Board Committees in BIMB

- Nil

Meeting Attendance

11 of 12 Board Meetings held in the Financial Year Ended 31 December 2022

Declaration of Interest

He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of BIMB Group and no conflict of interest in BIMB Group.

Age:
63

Gender:
Male

Nationality:
Malaysian

Date of Appointment:
1 August 2020

Board of Directors' Profile



**DATUK NIK
MOHD
HASYUDEEN
YUSOFF**
Non-Independent
Non-Executive
Director

Academic and Professional Qualifications

- Member, Malaysian Institute of Accountants (MIA)
- Fellow, CPA Australia
- Advanced Business Management Program, IMD International, Switzerland
- Bachelor of Business, Curtin University of Technology, Australia

Areas of Expertise

- Accounting

Work Experience & Positions

Present

- Director, Malaysia Professional Accountancy Centre
- Director, the Pyes Sdn Bhd

Previous

- Group Managing Director and Chief Executive Officer, Lembaga Tabung Haji
- Executive Director, Market and Corporate Supervision, Securities Commission Malaysia
- Executive Chairman, Audit Oversight Board, Securities Commission Malaysia
- Chief Executive Officer, Inovastra Sdn Bhd
- Chairman, Khairuddin, Hasyudeen & Razi, Chartered Accountants

Directorship in Other Public Companies

- USAS Berhad
- Petron Malaysia Refining & Marketing Bhd

Membership of Board Committees in BIMB

- Chairman, Board Financing Review Committee
- Member, Board Risk Committee
- Member, Board Nomination and Remuneration Committee
- Member, Board Strategic and Sustainability Committee

Meeting Attendance

12 of 12 Board Meetings held in the Financial Year Ended 31 December 2022

Declaration of Interest

He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of BIMB Group and no conflict of interest in BIMB Group.

Age:
58

Gender:
Male

Nationality:
Malaysian

Date of Appointment:
1 October 2016

**Academic and Professional Qualifications**

- Diploma in Agriculture, Universiti Putra Malaysia

Areas of Expertise

- Banking and Credit Management

Work Experience & PositionsPresent

- Company Director

Previous

- Principal Consultant for School of Credit, Agrobank
- Executive Vice President, President/CEO Office, Agrobank
- Chief Credit Officer, Agrobank
- Chief Commercial Officer, Agrobank
- Executive Vice President, Credit Management Division, Bank Muamalat (M) Berhad
- General Manager, Human Resource Division, Maybank Berhad
- General Manager, Credit Control Division, Maybank Berhad
- Regional Manager, Maybank Berhad
- Credit Manager/Senior Credit Manager, Maybank Berhad
- Credit Officer/Senior Credit Officer, Maybank Berhad

Directorship in Other Public Companies

- Nil

Membership of Board Committees in BIMB

- Chairman, Board Risk Committee
- Chairman, Board Nomination and Remuneration Committee
- Member, Board Financing Review Committee

Meeting Attendance

12 of 12 Board Meetings held in the Financial Year Ended 31 December 2022

Declaration of Interest

He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of BIMB Group and no conflict of interest in BIMB Group.



AZIZAN AHMAD
Independent
Non-Executive
Director/Senior
Independent
Director

Age:
68

Gender:
Male

Nationality:
Malaysian

Date of Appointment:
2 January 2018

Board of Directors' Profile



**MOHD YUZAIDI
MOHD YUSOFF**
Independent
Non-Executive
Director

Academic and Professional Qualifications

- M Sc. Business Administration, San Diego State University, USA
- B Sc. Computer Science, Northern Illinois University, USA

Areas of Expertise

- Digital Economy
- Strategic Planning
- Risk and Quality Management
- Business Process Management

Work Experience & Positions

Present

- Company Director
- Member ICDM

Previous

- Independent Non-Executive Director, Malaysia Digital Economy Corporation Sdn Bhd
- Group Chief Strategy and Corporate Governance Officer, PST Ventures Sdn Bhd
- Co-Founder and Managing Director, Clear Minds Sdn Bhd
- Senior Manager, Accenture

Directorship in Other Public Companies

- Muslim Professionals Forum Berhad
- PADU Corporation
- Petronas Dagangan Berhad
- Prudential Assurance Malaysia Berhad

Membership of Board Committees in BIMB

- Chairman, Board Strategic and Sustainability Committee
- Chairman, Board Information Technology Committee
- Member, Board Risk Committee

Meeting Attendance

12 of 12 Board Meetings held in the Financial Year Ended 31 December 2022

Declaration of Interest

He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of BIMB Group and no conflict of interest in BIMB Group.

Age:
60

Gender:
Male

Nationality:
Malaysian

Date of Appointment:
1 July 2019

**Academic and Professional Qualifications**

- Bachelor of Business Administration (Hons), Universiti Kebangsaan Malaysia
- Master of Business Administration, University College of Wales Aberystwyth, United Kingdom

Areas of Expertise

- Corporate and Corporate Investment Banking

Work Experience & PositionsPresent

- Company Director

Previous

- Chief Operating Officer in Business, Bank Muamalat Malaysia Berhad
- Director/Head, Corporate Investment Banking, Bank Islam Malaysia Berhad
- First Senior Vice President/Senior General Manager, RHB Sakura Merchant Bankers Bhd
- General Manager/Head, Islamic Finance (Islamic Capital Markets), RHB Sakura Merchant Bankers Bhd
- Member of RHB Capital Syariah Council, RHB Sakura Merchant Bankers Bhd
- Unit Head of Institutional and Islamic Financing, Corporate Banking, RHB Sakura Merchant Bankers Bhd
- Officer to Senior Manager, Corporate Banking, RHB Sakura Merchant Bankers Bhd

Directorship in Other Public Companies

- Radiant Globaltech Berhad
- BIMB Investment Management Berhad

Membership of Board Committees in BIMB

- Member, Board Strategic and Sustainability Committee
- Member, Board Financing Review Committee

Meeting Attendance

12 of 12 Board Meetings held in the Financial Year Ended 31 December 2022

Declaration of Interest

She has no conviction for offences within the past five years. She has no family relationship with any director and/or major shareholder of BIMB Group and no conflict of interest in BIMB Group.



**MASHITAH HAJI
OSMAN**
Independent
Non-Executive
Director

Age:
65

Gender:
Female

Nationality:
Malaysian

Date of Appointment:
1 October 2020

Board of Directors' Profile



Academic and Professional Qualifications

- Chartered Institute of Management Accountants, United Kingdom
- Malaysian Institute of Accountants, Malaysia
- Masters in Business Administration, University of Hull, United Kingdom
- Bachelor of Business Administration (Hons), Acadia University, Nova Scotia, Canada

Areas of Expertise

- Accounting

Work Experience & Positions

Present

- Group Managing Director and Chief Executive Officer, Lembaga Tabung Haji

Previous

- Executive Officer, Armed Forces Fund Board
- Executive Director/Group Managing Director, Bousted Holdings Berhad
- Group Managing Director and Executive Director, Media Prima Berhad
- Chief Executive Officer, System Televisyen Malaysia Berhad
- Group Chief Financial Officer, Media Prima Berhad Group
- Chief Financial Officer, Sistem Televisyen Malaysia Berhad
- Chief Operating Officer, Putera Capital Berhad
- Head of Corporate Finance, Malaysia Resources Corporation Berhad

Directorship in Other Public Companies

- Taliworks Corporation Berhad
- TH Plantations Berhad

Membership of Board Committees in BIMB

- Nil

Meeting Attendance

11 of 12 Board Meetings held in the Financial Year Ended 31 December 2022

Declaration of Interest

He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of BIMB Group and no conflict of interest in BIMB Group.

Age:
57

Gender:
Male

Nationality:
Malaysian

Date of Appointment:
10 September 2021

**Academic and Professional Qualifications**

- Fellow of the Association of Chartered Certified Accountants, United Kingdom

Areas of Expertise

- Finance
- Corporate Finance
- Audit and Governance
- Financial Risk Management
- Treasury

Work Experience & PositionsPresent

- Company Director

Previous

- Vice President Treasury, Finance, Petronas
- Senior General Manager, Group Treasury, Petronas
- General Manager, Finance and Accounts Services, Malaysian International Trading Company
- General Manager, Commercial Services, Malaysian International Trading Company
- Senior Manager Finance and Accounts Services, Malaysian International Trading Company
- Manager Value-based Management, Petronas
- Manager Planning and Budgeting, Petronas
- Manager Group Budget, Petronas
- Manager Accounts Services, Petronas
- Senior Executive, Accounts Services, Petronas
- Corporate Planning Executive, Maybank Finance
- Loans Rehabilitation Executive, Bank Bumiputera Berhad
- Corporate Finance Executive, Bumiputera Merchant Bankers
- Audit Team Leader, Azman Wong & Salleh
- Executive, Accountants General Office

Directorship in Other Public Companies

- GDEX Berhad
- MCIS Insurance Berhad

Membership of Board Committees in BMB

- Member, Board Audit and Examination Committee
- Member, Board Nomination and Remuneration Committee

Meeting Attendance

11 of 11 Board Meetings held in the Financial Year Ended 31 December 2022

Declaration of Interest

She has no conviction for offences within the past five years. She has no family relationship with any director and/or major shareholder of BMB Group and no conflict of interest in BMB Group.



NURAINI ISMAIL
Independent
Non-Executive
Director

Age:
60

Gender:
Female

Nationality:
Malaysian

Date of Appointment:
7 January 2022

Board of Directors' Profile



**MOHD ASRI
AWANG**
Independent
Non-Executive
Director

Academic and Professional Qualifications

- BA (Economics), Macquarie University Sydney, Australia

Areas of Expertise

- Treasury, Banking and Enterprise Risk Management

Work Experience & Positions

Present

- Director, BIMB Securities Sdn Bhd

Previous

- Chief Operating Officer, Bank Muamalat Malaysia Berhad
- Chief Risk Officer, Bank Muamalat Malaysia Berhad
- Executive Vice President, Wholesale Banking, Bank Muamalat Malaysia Berhad
- Head, Special Projects, Bank Muamalat Malaysia Berhad
- Chief Executive Officer, Malaysian Rating Corporation Berhad
- Head, Group Corporate Services, Amanah Capital Partners Berhad/MIDF Berhad
- CEO Designate, Malaysian Financial Guarantee Insurance, Amanah Capital Partners Berhad
- General Manager, Treasury and Southern Region, BSN Commercial Bank (M) Berhad
- Chief Executive Officer, Kewangan Bersatu Berhad
- General Manager, Treasury Division, BSN Commercial Bank (M) Berhad
- Vice President/Treasurer, Chase Manhattan Bank, Kuala Lumpur
- Assistant General Manager, Funds Management, Amanah Merchant Bank Berhad
- Senior Manager, Treasury, Amanah Chase Merchant Bank Berhad
- Money Market & Foreign Exchange Trader, Bank Bumiputra Malaysia Berhad

Directorship in Other Public Companies

Nil

Membership of Board Committees in BIMB

- Member, Board Risk Committee
- Member, Board Financing Review Committee

Meeting Attendance

12 of 12 Board Meetings held in the Financial Year Ended 31 December 2022

Declaration of Interest

He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of BIMB Group and no conflict of interest in BIMB Group.

Age:
67

Gender:
Male

Nationality:
Malaysian

Date of Appointment:
1 October 2021

**Academic and Professional Qualifications**

- Fellow, Association of Chartered Certified Accountants (ACCA), United Kingdom
- Chartered Accountant, Malaysian Institute of Accountants (MIA)
- Diploma in Accounting, Polytechnic of North London, United Kingdom

Areas of Expertise

- Finance and Accounting

Work Experience & Positions*Present*

- Ex-Officio, Financial Reporting Foundation
- Director, Malaysia Professional Accountancy Centre
- President, Malaysia Institute of Accountants
- Chair, ACCA Malaysia Advisory Committee

Previous

- Director, Glomac Berhad
- Chairman, GITN Sdn Bhd (wholly-owned subsidiary of Telekom Malaysia Berhad)
- Director, Citibank Berhad
- Board Member, Universiti Utara Malaysia
- Executive Director, Telekom Malaysia Berhad
- Acting Group Chief Executive Officer, Telekom Malaysia Berhad
- Deputy Group Chief Executive Officer, Telekom Malaysia Berhad
- Group Chief Financial Officer, Telekom Malaysia Berhad
- Director, Malaysia Digital Economy Corporation Sdn Bhd
- Director, Labuan Reinsurance (L) Ltd
- Board Commissioner, PT XL Axiata Tbk
- Chief Financial Officer, Celcom Malaysia Berhad
- Senior Vice President, Corporate Finance & Treasury, Celcom Malaysia Berhad
- Director, Nationwide Express Holdings Berhad
- Senior Vice President, Finance and Company Secretary, Kumpulan Fima Berhad
- Manager, Accounting & Financial Control, American Express (M) Sdn Bhd
- Finance at Corporate Office, Kuala Lumpur, Melaka and Singapore, Sime Darby Group
- Auditor, Messrs. Hanafiah Raslan & Mohamad

Directorship in Other Public Companies

- Bursa Malaysia Berhad;
- FIMA Corporation Berhad;
- Syarikat Takaful Malaysia Keluarga Berhad

Membership of Board Committees in BIMB

- Chairman, Board Audit and Examination Committee
- Member, Board Strategic and Sustainability Committee
- Member, Board Information Technology Committee

Meeting Attendance:

11 of 11 Board Meetings held in the Financial Year Ended 31 December 2022

Declaration of Interest

He has no conviction for offences within the past five years. He has no family relationship with any director and/or major shareholder of BIMB Group and no conflict of interest in BIMB Group.



**DATUK BAZLAN
OSMAN**
Independent
Non-Executive
Director

Age:
59

Gender:
Male

Nationality:
Malaysian

Date of Appointment:
7 January 2022

Board of Directors' Profile



**DATO' PROFESSOR
DR NOOR INAYAH
YAAKUB**
Independent
Non-Executive
Director

Academic and Professional Qualifications

- PhD in Law, University of Manchester, United Kingdom
- LLM (Master of Comparative Civil & Banking Law), University of Bristol, United Kingdom
- Bachelor of Shariah Law (Hons) and Bachelor of Law (Hons) Degree, International Islamic University Malaysia
- Matriculation Centre (Law), International Islamic University Malaysia
- Qualified Advocate & Solicitor, High Court of Malaya and Syariah Court
- Syarie Lawyer State of Negeri Sembilan
- Advanced Certificate for Leaders in Education, Innovation and Strategy for the future of Higher Education, School of Executive Education, Cambridge Judge Business School, University of Cambridge

Areas of Expertise

- Legal

Work Experience & Positions

Present

- President & Vice Chancellor, Infrastructure University Kuala Lumpur
- Board of Governance, Kolej Teknologi Islam Antarabangsa, Majlis Agama Pulau Pinang
- Chairman, AmanahRaya Trustee Berhad
- Director, Amanah Raya Berhad

Previous

- Professor of Law, Infrastructure University Kuala Lumpur
- Rector, Academic Institution under Majlis Agama Islam Wilayah Persekutuan (MAIWP)
- Lecturer to Professor, Universiti Kebangsaan Malaysia
- Seconded, ISIS Innovation Centre, University of Oxford
- Main consultant for Waqf land, Housing and Local Government Ministry
- Syura Committee Member, Majlis Agama Islam Pulau Pinang
- Visiting Professor, University of Taylor
- Visiting Scholar, Kyoto University
- Visiting Scholar, University of Andalas
- Professor of Law and Syariah, Putra Business School
- Dean School of Business, Universiti Selangor (UNISEL)
- Professor, Graduate School of Business, Universiti Kebangsaan Malaysia
- Director, Corporate Planning Centre, Universiti Kebangsaan Malaysia

Directorship in Other Public Companies

- Amanah Raya Berhad
- AmanahRaya Trustee Berhad

Membership of Board Committees in BIMB

- Member, Board Audit and Examination Committee
- Member, Board Information Technology Committee

Declaration of Interest

She has no conviction for offences within the past five years. She has no family relationship with any director and/or major shareholder of BIMB Group and no conflict of interest in BIMB Group.

Age:
54

Gender:
Female

Nationality:
Malaysian

Date of Appointment:
7 April 2023



Shariah Supervisory Council's Profile



IR. DR MUHAMAD FUAD ABDULLAH
(Chairman)

Nationality	Malaysian
Age/Gender	70, Male
Date of Appointment	1 April 2023

Qualifications

- Practising Certificate (PEPC), Board of Engineers (BEM)
- Doctor of Philosophy, Muslim Civilization, Aberdeen University, Scotland
- Master's in Electrical Engineering, Southampton University, England
- Bachelor of Shariah, Jordan University, Jordan
- Bachelor of Electrical Engineering, Southampton University, England

Currently

- Chairman, Shariah Advisory Committee, BIMB Securities Sdn Bhd
- Chairman, Board of Directors, Gagasan Nadi Cergas Bhd
- Chairman, Nomination Committee, Gagasan Nadi Cergas Bhd
- Member, Board of Directors, Universiti Tun Abd Razak Sdn Bhd
- Member, Board of Governors, UniRazak
- Member, Audit and Risk Management Committee, Gagasan Nadi Cergas Bhd
- Member, Remuneration Committee, Gagasan Nadi Cergas Bhd
- Member, Shariah Committee, AIA-Public Takaful Berhad

Experience

- Chief Executive Officer, Kausar Corporation Sdn Bhd (2022-2023)
- Managing Director, Five-H Associates Sdn Bhd (2004-2006)
- Chairman, Board of Trustees, Hidayah Centre Foundation (HCF)
- Member, Board of Directors, Medic IG Sdn Bhd (2021-2022)
- Member, Board of Directors, Mesiniaga Berhad (2010-2020)
- Member, Board of Directors, PNB Commercial Sdn Bhd (2017-2020)
- Member, Board of Directors, Universiti Sains Islam Malaysia (USIM) (2016-2020)
- Member, Board of Directors, Institut Kefahaman Islam Malaysia (IKIM) (1998-2019)
- Member, Board of Directors, MIDF Berhad (2003-2016)
- Member, Board of Directors, MIDF Property Berhad (2007-2017)
- Member, Board of Directors, Sime Darby Berhad (2013-2016)
- Member, Board of Directors, Sime Darby Property Berhad
- Member, Board of Directors, Sime Darby Energy Sdn Bhd
- Member, Board of Directors, Sime Darby Utilities Sdn Bhd
- Member, Board of Directors, Island & Peninsula (I&P) Berhad
- Member, Majlis Agama Islam Wilayah Persekutuan (MAIWP) (2012-2015)
- Deputy President, Malaysian Chinese Muslim Association (MACMA) (1998-2013)
- Adviser, Dewan Perniagaan Melayu Malaysia (DPMM) (2014-2017)

Directorship in Other Public Companies

Nil

Bank Islam Malaysia Berhad



PPROFESSOR DR ASMADI MOHAMED NAIM
(Member)

Nationality	Malaysian
Age/Gender	53, Male
Date of Appointment	3 February 2020

Qualifications

- Chartered Islamic Finance Professional
- PhD (Fiqh and Usul Fiqh), International Islamic University Malaysia
- Master's in (Fiqh and Usul Fiqh), International Islamic University Malaysia
- Bachelor of Shariah (Hons) (al-Fiqh wa al-Tasyri'), University of Jordan

Currently

- Vice Chancellor/Chief Executive of Universiti Islam Antarabangsa Sultan Abdul Halim al-Mu'adzam Shah (UniSHAMS) and Professor at the Islamic Business School (IBS), UUM College of Business, Universiti Utara Malaysia (secondment to UniSHAMS)
- Member, Shariah Advisory Council, Securities Commission of Malaysia since 2014
- Chairman, Sun Life Takaful Malaysia Berhad, since 1 April 2021
- Member, Fatwa Committee of Kelantan (Jamaah Ulama Kelantan) since 2018
- Member, Shariah Expert Panel, JAKIM since 2019
- Member, Wakaf Council of Pahang since October 2020
- Member, Lembaga Zakat Negeri Kedah since July 2021
- Member, Royal Commission of Inquiry on TH w.e.f. January 2022 (6 months)

Experience

- Member, Shariah Advisory Council Bank Negara Malaysia (2013-2019)
- Member, Kedah Zakat Council from 2013 to 2015
- Professor, Islamic Business School, Universiti Utara Malaysia, College of Business
- Member, Muamalat Expert Panel JAKIM (2016-2018)
- Board Member, Sintok Agro Sdn Bhd (2018-2019)
- Internal Consultant, Hong Leong Islamic Bank (2008-2010)
- Member, Shariah Council, Hong Leong Islamic Bank (2011-013)
- Grand Council Member, Chartered Institute of Islamic Finance Professional (2018-2020)
- Member of various councils such as the Ministry of Higher Education Committee of Malaysia for Islamic Finance, Takaful and Muamalat Administration Curriculum

Directorship in Other Public Companies

Nil

Shariah Supervisory Council's Profile



ASSOCIATE PROFESSOR DR YASMIN HANANI MOHD SAFIAN
(Member)

Nationality	Malaysian
Age/Gender	46, Female
Date of Appointment	1 April 2015

Qualifications

- Doctor of Philosophy in Islamic Studies, University of Exeter, United Kingdom
- Master's in Islamic Studies, University of Birmingham, United Kingdom
- Bachelor of Shariah Islamiyyah, Al-Azhar University, Egypt

Currently

- Associate Professor, Faculty of Shariah and Law, Universiti Sains Islam Malaysia
- Member, Majlis Agama Islam Selangor (MAIS)
- Member Federal Territories Syarak Consultative Committee
- Member, Economic Development Committee, MAIS
- Deputy Chairman, Dakwah Committee, MAIS
- Board Member, Teraju Ekonomi Asnaf Sdn Bhd
- Member, Shariah Committee Universiti Sains Islam Malaysia
- Member, Shariah Committee Co-op Bank Pertama

Experience

- Chairman, Committee of Non-Government Islamic Organisation, MAIS (2017-2020)
- Member, Aqidah Restriction Committee, MAIS (2017-2020)
- Panel Member, Standards Development Committee on the National Occupational Skill Standard Islamic Banking (2017)
- Member, Shariah Committee Affin Islamic (2011-2015)
- Committee, Malaysian Halal Certification Advisory
- International Professional Halal Trainer for the United States Agency for International Development (USAID)/IHRAM
- Dean, Faculty of Shariah and Law, Universiti Sains Islam Malaysia (2012-2014)
- Deputy Dean, Postgraduate School, Universiti Sains Islam Malaysia (2011-2012)
- Halal Certified Trainer, JAKIM

Directorship in Other Public Companies

Teraju Ekonomi Asnaf Sdn Bhd



DR SHAMSIAH BINTI MOHAMAD
(Member)

Nationality	Malaysian
Age/Gender	56, Female
Date of Appointment	3 February 2020

Qualifications

- Doctor of Philosophy in Foundation of Jurisprudence (Fiqh and Usul Fiqh), University of Jordan
- Master's in Shariah, University of Malaya
- Bachelor of Shariah (First Class Honors), University of Malaya

Currently

- Shariah adviser and Shariah Committee Member of various institutions, including Association of Islamic Banking Institutions Malaysia, Pertubuhan Peladang Kebangsaan, Lembaga Zakat Selangor, Bursa Malaysia, Medic IG Holdings and Syariah Advisory Council Member for Securities Commission Malaysia

Experience

- Senior Researcher, International Shari'ah Research Academy for Islamic Finance
- Associate Professor, Department of Fiqh and Usul, Academy of Islamic Studies, University of Malaya
- Shariah Specialist, Islamic Capital Market Department, Securities Commission, Malaysia
- Member Shariah Advisory Council Bank Negara Malaysia
- Member, Shariah Expert Panel, JAKIM
- Published several books and articles on Islamic Economics, Banking and Finance, Profit on Islamic Jurisprudence, and Pawn Broking in Islam. Her areas of expertise include Islamic Jurisprudence (Shariah) and Islamic Finance

Directorship in Other Public Companies

Nil

**SAHIBUS SAMAHAH DATU HAJI KIPLI HAJI YASSIN**
(Member)

Nationality	Malaysian
Age/Gender	56, Male
Date of Appointment	1 January 2021

Qualifications

- Certificate in Training and Assessment, Australia
- Certificate in Special Islamic Course (Muslim College), London
- Master's in Usuluddin (Islamic Thought), University of Malaya
- Bachelor of Islamic Studies (Usuluddin) (Hons.), University of Malaya

Currently

- State Mufti of Sarawak.
- Member, Majlis Kebangsaan Hal Ehwal Ugama Islam Malaysia
- Member, Muzakarah of the Fatwa Committee, National Council of Islamic Religious Affairs Malaysia
- Member, Fatwa Research and Management Committee, JAKIM
- Member, Board of Control and Licensing for al-Quran Text Printing, Ministry of Home Affairs
- Steering Committee Member, National Human Rights Action Development Plan
- Ex-Officio, Majlis Islam Sarawak
- Member, Board of Baitulmal and Wakaf
- Chairman, Malaysian Shariah Committee of Islamic Accounting Standards
- Member, Baitulmal Finance and Investment Committee, Sarawak Islamic State Council
- Member, Audit Committee in Sarawak Islamic State Council
- Member, Sarawak's Welfare Trust Board
- Member, the Board of Sarawak's Institute of Islamic Skills
- Fellow, Panel Advisor Islamic Information Centre
- Member, National Council for Islamic Affairs Malaysia (MKI)

Experience

- Tutor, Islamic Philosophy, University of Malaya (1992-1993)
- Assistant Secretary, Sarawak Islamic State Council (1993-2006)
- Head, Deputy Director (Human Resources) (2007)
- Deputy Mufti, Sarawak Mufti Office (2007-2008)
- Director, Kipli Yassin Resources (2009-2010)

Directorship in Other Public Companies

Nil

**PROFESSOR DATO' DR. AHMAD HIDAYAT BUANG**
(Chairman, retired w.e.f 31 March 2023)

Nationality	Malaysian
Age/Gender	61, Male
Date of Appointment	1 April 2015

Qualifications

- Doctor of Philosophy (Laws), School of Oriental and African Studies, London University, UK
- Master of Law (LLM), School of Oriental and African Studies SOAS, London University, UK
- Bachelor of Shariah, University Malaya, Kuala Lumpur

Currently

- Professor at Department of Shariah and Law, Academy of Islamic Studies, University of Malaya and also a Senate Member of the University
- Chairman, Shariah Supervisory Council, Amanah Raya Berhad
- The Shariah Lawyer, Federal Territories Shariah Courts

Experience

- Director, Academy of Islamic Studies, University of Malaya (October 2006 to January 2011)
- Deputy Director (Research and Development), Academy of Islamic Studies, University of Malaya in 2006 and Head of the Department of Shariah and Law from 1997 to 1999 and from 2016 to 2019
- Shariah Advisor, CIMB Bank Berhad, OCBC Bank, Commerce Tijari Bank, Amanah Raya Unit Trust Management Sdn. Bhd., ASM MARA Unit Trust Management Berhad, I-Free Capital Pte. Ltd. (Singapore), Bumiputra Commerce Trustee Sdn. Bhd. and Perbadanan Usahawan Nasional Berhad
- Member, Shariah Working Committee of Islamic Banking and Takaful for Bank Negara Malaysia
- Member, Islamic Education Coordination Advisory Council for the Council of Rulers Malaysia

Directorship in Other Public Companies

Nil

Profile of Management Team



**MOHD MUAZZAM
MOHAMED**
Group Chief
Executive Officer
Bank Islam
Malaysia Berhad

Academic and Professional Qualifications

- Bachelor of Accounting, International Islamic University Malaysia
- Oxford Advanced Management & Leadership Programme, Saïd Business School, University of Oxford
- Member of the Malaysian Institute of Accountants
- Member of the Malaysian Institute of Certified Public Accountants
- Member of the Chartered Institute of Islamic Finance Professionals
- Member of the Chartered Institute of Public Finance and Accountancy

Area of Expertise

Finance, Audit and Consulting

Work Experience & Position

Present

- Group Chief Executive Officer, Bank Islam Malaysia Berhad
- President, Association of Islamic Banking and Financial Institutions Malaysia
- Council Member, Malaysian Institute of Certified Public Accountants
- Chairman, Islamic Finance Committee, Malaysian Institute of Accountants
- Director, Islamic Banking & Finance Institute Malaysia
- Director, Financial Industry Collective Outreach

Previous

- Chief Executive Officer, BIMB Holdings Berhad
- Chief Financial Officer, Bank Islam Malaysia Berhad
- Director, BIMB Securities Sdn Bhd
- Director, BIMB Securities (Holdings) Sdn Bhd
- Alternate Director, Amana Bank PLC (Sri Lanka)
- Director, Al-Wakalah Nominees (Tempatan) Sdn Bhd
- Partner, KPMG Malaysia
- Executive Director, KPMG Management Consulting

Directorship in Other Public Companies

Nil

Declaration of Interest

- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2022

Age:
49

Gender:
Male

Nationality:
Malaysian

Date of Appointment:
5 December 2018



MIZAN MASRAM
Group Chief Business Officer –
Retail Banking
 50, Male, Malaysian
 Date of Appointment: 1 January 2020

Qualifications

- Diploma in Business Studies majoring in Business, Association of Business Executives, UK
- Associate Member of the Asian Institute of Chartered Bankers (AICB)
- Chartered Professional in Islamic Finance (CPIF)

Experience

- More than 26 years of experience in the finance industry
- Joined Bank Islam in 2009 as Head, Recovery & Rehabilitation Division before being appointed as Chief Business Officer on 1 January 2020
- Appointed as the Group Chief Business Officer – Retail Banking on 7 February 2022 upon the listing of Bank Islam
- Currently responsible for the overall positioning and strategic formulation of four (4) main business divisions: Consumer Banking Group, Deposit & Cash Management, SME Banking and Wealth Management

Directorship in Other Public Companies

- Nil

Declaration

- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2022



SHARIFAH SARAH
SYED MOHAMED TAHIR
Group Chief Business Officer –
Group Institutional Banking
 41, Female, Malaysian
 Date of Appointment: 7 June 2022

Qualifications

- Master's in Finance & Investment, University of Durham, UK
- Bachelor of Accounting (Honours) Multimedia University, Malaysia

Experience

- Appointed as the Group Chief Business Officer, Wholesale Banking, Bank Islam Malaysia Berhad on 7 June 2022
- Managing Director, Client Coverage, Maybank Investment Bank
- Head of Strategy & Director, Human Capital of Group Global Banking Business, Maybank
- Chief Risk Officer and Head, Strategy & Finance, Maybank Islamic
- Assistant Manager, Global Markets, International Business Group Islamic Banking Division, CIMB Islamic Bank Berhad

Directorship in Other Public Companies

- Non-Executive Director, BIMB Securities Sdn Bhd

Declaration

- She has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- She has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2022



MOHAMED IRAN MORIFF
MOHD SHARIFF
Group Chief Operating Officer
 50, Male, Malaysian
 Date of Appointment: 1 June 2017

Qualifications

- Chartered Professional in Islamic Finance (CPIF)
- Chartered Banker (AICB)
- Association of Chartered Certified Accountants (ACCA)
- Master's in Business Administration, Strathclyde Business School, Glasgow, Scotland, UK
- Bachelor of Accountancy, University of East Anglia, Norwich, UK

Experience

- Started his career at Messrs. PriceWaterhouse, specialising in the audit of banks and financial institutions before furthering his studies and subsequently working in the UK for ten (10) years
- Joined the Consumer Banking Division of Bank Islam in October 2009
- Appointed as the Chief Internal Auditor in May 2014 and as Chief Operating Officer on 1 June 2017
- Appointed as the Group Chief Operating Officer on 1 February 2022 upon the listing of Bank Islam

Directorship in Other Public Companies

- Nil

Declaration

- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2022

Profile of Management Team



NOOR FARILLA ABDULLAH
Group Chief Digital Officer

46, Female, Malaysian
Date of Appointment: 22 January 2019

Qualifications

- Bachelor of Economics, University of Warwick, UK

Experience

- Started her career in a leading global professional services company where she consulted with agencies and organisations involved in the Multimedia Super Corridor implementation
- Has more than 16 years of experience in the financial services industry including with a leading bank, driving work in merger integration, strategy formulation and large system implementation
- Has spent most of her professional career in business transformation, programme management and innovation
- Joined Bank Islam as Chief Strategy Officer on 22 January 2019
- Appointed as the Group Chief Strategy Officer on 8 October 2021 upon the listing of Bank Islam
- Appointed to the current role to spearhead the bank's digital agenda encompassing "run the bank" and "change the bank" initiatives

Directorship in Other Public Companies

- Nil

Declaration

- She has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- She has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2022



AZIZAN ABD AZIZ
Group Chief Financial Officer

46, Male, Malaysian
Date of Appointment: 27 May 2019

Qualifications

- Member of Malaysian Institute of Accountants (Chartered Accountant)
- Fellow of Association of Chartered Certified Accountants (ACCA)
- Chartered Professional in Islamic Finance (CPIF)
- Bachelor of Accounting and Finance, University of Plymouth, UK

Experience

- Was attached with KPMG United Kingdom and Channel Islands as Senior Manager in KPMG's Financial Services Division
- Equity Partner in Deloitte Southeast Asia, leading the M&A Transaction Services practice for Deloitte Malaysia
- Joined Bank Islam on 27 May 2019 as the Chief Financial Officer and also served as the Group Chief Financial Officer for BIMB Holdings Berhad
- Appointed as the Group Chief Financial Officer on 8 October 2021 upon the listing of Bank Islam

Directorship in Other Public Companies

- BIMB Investment Management Berhad

Declaration

- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2022



ISKANDAR SHAH ZULKARNAIN
Group Chief Human Resources Officer

41, Male, Malaysian
Date of Appointment: 14 October 2019

Qualifications

- Master's in Business Administration, Universiti Utara Malaysia
- Bachelor of Information Technology, Multimedia University, Malaysia

Experience

- Over 17 years of experience in managing human resources for corporations and banks
- Was the Director of Human Resources of Al Rajhi Bank Malaysia
- Experienced in strategic human resources management and delivered many key HR projects during his tenures at Al Rajhi, HSBC Amanah, Maybank, Shell and Telekom Malaysia
- Joined Bank Islam on 14 October 2019 as the Chief Human Resources Officer and also served as the Head of Group Human Capital for BIMB Holdings Berhad
- Appointed as the Group Chief Human Resources Officer on 8 October 2021 upon the listing of Bank Islam

Directorship in Other Public Companies

- Nil

Declaration

- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2022

**MARIA MAT SAID**
Group Chief Legal Officer & Company Secretary56, Female, Malaysian
Date of Appointment: 1 August 2005**Qualifications**

- Chartered Professional in Islamic Finance (CPIF)
- Licensed Company Secretary, Companies Commission of Malaysia
- Bachelor of Law, University of Malaya

Experience

- 30 years of experience in the banking industry performing mainly legal functions and 24 years as a company secretary
- Joined Bank Islam in August 2005 and has served the Bank as the Company Secretary since 29 January 2009
- Appointed as the Group Company Secretary of BIMB Holdings Berhad on 31 December 2009 until the transfer of the listing status to Bank Islam on 8 October 2021
- Appointed as the Group Chief Legal Officer & Company Secretary on 8 October 2021 upon the listing of Bank Islam

Directorship in Other Public Companies

- Nil

Declaration

- She has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- She has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2022

**MOHD NAZRI CHIK**
Group Chief Financial Inclusion Officer45, Male, Malaysian
Date of Appointment: 17 January 2011**Qualifications**

- Member of Institute of Corporate Directors Malaysia
- Member of the Chartered Institute of Islamic Finance Professionals (CIIF)
- Certified Shariah Advisor and Auditor
- Certified Professional Shariah Auditor
- Master's in Shariah, University of Malaya

Experience

- 19 years of experience in Shariah management that includes setting up the foundation for mainstreaming social finance in the financial industry
- Joined Bank Islam in June 2004 before leaving in 2009 to join a Dubai company. He rejoined Bank Islam in January 2011 to lead the Shariah Division
- Appointed as Group Chief Financial Inclusion Officer on 1 October 2021

Directorship in Other Public Companies

- Terengganu Incorporated Sdn Bhd
- TEKUN Nasional (Chairman, Shariah Committee)
- Amana Bank PLC, Sri Lanka (Deputy Chairman, Shariah Supervisory Council)
- Perbadanan Kemajuan Iktisad Negeri Kelantan (Member, Shariah Committee)
- Malaysian Centre for Professional Accountancy (Shariah Advisor)

Declaration

- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2022

**ALINA SYLVIA APPOO**
Group Chief Risk Officer49, Female, Malaysian
Date of Appointment: 1 August 2017**Qualifications**

- Certificate in Business and Climate Change: Towards Net Zero Emission, University of Cambridge Institute for Sustainability Leadership
- Certified Professional in Islamic Finance (CPIF)
- Bachelor of Mathematics (Honours), Universiti Sains Malaysia

Experience

- Over 20 years of banking experience in Risk Management in Malaysia and the Asian region
- Held key leadership and management positions in related fields at various local banks prior to joining Bank Islam
- Joined Bank Islam in 2012 as Head of Market & Operational Risk and was appointed as Chief Risk Officer in 1 August 2017
- Appointed as the Group Chief Risk Officer on 8 October 2021 upon the listing of Bank Islam

Directorship in Other Public Companies

- Nil

Declaration

- She has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- She has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2022

Profile of Management Team



AZHAR SYARAWI MOHAMED MOKHTAR

Group Chief Credit Officer

49, Male, Malaysian
Date of Appointment: 6 October 2022

Qualifications

- Certified Credit Professional, Omega
- Certified Trade Professional, Omega
- LLB (Honours), University of Wales Aberystwyth, UK

Experience

- Over 25 years of Banking experience spanning Malaysia, Europe, Middle East and Asia
- Started his banking career in 1997 in various capacities ranging from Relationship Management, Structuring and Origination, Portfolio Management, Recovery, Collections and Restructuring as well as Credit Management
- Joined Bank Islam on 9 May 2022 as Deputy Chief Credit Officer
- Appointed as the Group Chief Credit Officer on the 6 October 2022

Directorship in Other Public Companies

- Nil

Declaration

- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2022



NIK AZMIR NIK ANIS

Group Chief Compliance Officer and Group Chief Integrity & Governance Officer

50, Male, Malaysian
Date of Appointment: 8 November 2013

Qualifications

- Advance Compliance Academy Certification Programme, University of California, Berkeley, USA
- Certified Professional in Anti-Money Laundering/Counter Financing of Terrorism, International Compliance Association, UK
- Certified Professional in Islamic Finance (CPIF)
- Master's in Business Administration, Nottingham Trent University, UK
- Bachelor of Arts (Economics), University of Pittsburgh, USA

Experience

- Over 26 years of banking experience in the areas of Compliance, Integrity & Governance, Anti-Money Laundering, Banking Operations and Operational Risk Management
- Assumed the role of Chief Compliance Officer in Bank Islam on 1 January 2015
- Appointed as the Group Chief Compliance Officer and Group Chief Integrity & Governance Officer on 8 October 2021 upon the listing of Bank Islam

Directorship in Other Public Companies

- Nil

Declaration

- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2022



ANTHONY TAI YU KUN

Group Chief Information Security Officer

46, Male, Malaysian
Date of Appointment: 2 February 2023

Qualifications

- Certified Information Systems Auditor (CISA), ISACA
- Certified Information Systems Security Professional (CISSP), ISC²
- Chartered Accountant (CA), Malaysian Institute of Accountants
- Certified Practising Accountant (CPA), CPA Australia
- Bachelor of Business (Finance and Accounting), University of Technology, Sydney

Experience

- Over 24 years' experience in the field of Information Technology and Information Security focusing on Financial Services
- Equity partner at Deloitte Southeast Asia, leading IT Audit and Assurance, and Extended Enterprise Services practice prior to joining Bank Islam. Assumed various regional and global leadership roles in the firm – with both operational and market facing responsibilities
- Joined Bank Islam in February 2023 and is currently serving at the Bank as the Group Chief Information Security Officer

Directorship in Other Public Companies

- Nil

Declaration

- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2022



SAIFUL ANUAR HAMBALI
Group Chief Shariah Officer

50, Male, Malaysian

Date of Appointment: 1 January 2020

Qualifications

- Certified Shari'a Adviser and Auditor, Accounting and Auditing Organisation for Islamic Financial Institutions, Bahrain
- Certified Shariah Advisor, Association of Shariah Advisors in Islamic Finance, Malaysia
- Chartered Professional in Islamic Finance (CPIF)
- Certified Professional Shariah Auditor, Islamic Banking & Finance Institute Malaysia
- Certificate (Distinction) in Internal Auditing for Financial Institutions, Asian Institute of Chartered Bankers
- Certified Qualification in Islamic Finance, Islamic Banking & Finance Institute Malaysia
- Islamic Financial Planner (IFP), Islamic Banking & Finance Institute Malaysia
- Certificate in Commercial Credit, Moody's Analytics
- Master's in Business Administration (MBA) in Islamic Banking & Finance from International Islamic University Malaysia
- Bachelor of Shariah (Honours) from University of Malaya

Experience

- Over 25 years of experience in the banking and Islamic financial industry
- Appointed as Head of Shariah on 1 January 2020
- Secretary of Shariah Supervisory Council of Bank Islam since 23 January 2017
- Appointed as the Group Chief Shariah Officer on 8 October 2021 upon the listing of Bank Islam

Directorship in Other Public Companies

- Nil

Declaration

- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2022



ZALFITRI ABD MUTALIP
Group Chief Internal Auditor

52, Male, Malaysian

Date of Appointment: 1 June 2017

Qualifications

- Certificate in Internal Auditing for Financial Institutions (CIAFIN)
- Chartered Professional in Islamic Finance (CPIF)
- Bachelor of Science in Business Administration (Finance), Denver University, USA

Experience

- Over 27 years of audit experience in the banking industry
- Started his career in 1994 and has gained extensive audit experience in management, operations and credit involving the branches, regional offices, automobile financing centres and head office departments/divisions including investigation audit
- Joined Bank Islam in October 2007 and has served as the Head of Branch Audit, Head of Head Office Audit and Head of Credit Audit prior to his current appointment
- Assumed the role of Chief Internal Auditor on 1 January 2019
- Appointed as the Group Chief Internal Auditor on 8 October 2021 upon the listing of Bank Islam

Directorship in Other Public Companies

- Nil

Declaration

- He has no conflict of interest or family relationship with any Director and/or major shareholders of the Bank
- He has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by relevant regulatory bodies during the financial year ended 2022

Heads of Subsidiaries' Profile



MASDAYANA MD SETAMAM
**Chief Executive Officer/
 Principal Officer**
 BANK ISLAM TRUST COMPANY
 (LABUAN) LTD.
 41, Female, Malaysian
 Date of Appointment: 13 October 2017

Qualifications

- Master's in Business Administration (Strategic Management), University Technology Malaysia
- Bachelor of Business Administration (International Business), University Malaysia Sabah
- Certified Trust Officer, Labuan Financial Services Authority
- Certified Anti-Money Laundering & Counter Financing of Terrorism Compliance Officer, Asian Institute of Chartered Bankers

Concurrent Roles

- CEO, Bank Islam Trust Company (Labuan) Ltd.
- Head, Labuan Offshore Business, Bank Islam Malaysia Berhad
- Senior Manager, BIBM Offshore Company Management Services

Experience

- Over 17 years of experience in the Labuan Offshore Trust and financial industry spearheading strategic operations, business expansion, business turnaround towards sustainable profitable growth and more. Well-versed in strategic planning, sales, marketing, cash flow management, regulatory compliance, product development, risk management and relationship management coupled with a vast network of high-net-worth clients.

Declaration

- Does not have and conflict of interest or any family relationship with any other Director and/or major shareholders of the Bank
- Has not been convicted of any offence within the past five years nor has she been imposed any public sanction or penalty by any relevant regulatory bodies during the financial year ended 2022



KAMARUZAMAN ABDULLAH
**Chief Executive Officer/
 Executive Director**
 BIBM SECURITIES SDN BHD
 57, Male, Malaysian
 Date of Appointment: 12 November 2020

Qualifications

- Association of Chartered Certified Accountants (ACCA) Emile Woolf College, London, UK

Concurrent Roles

- Chief Executive Officer/Executive Director, BIBM Securities Sdn Bhd

Experience

- Head of Dealing, BIBM Securities Sdn Bhd
- Head of Equity Market Dealing, MIDF Amanah Investment Bank Berhad
- Head of Dealing, Maybank Investment Berhad
- Manager, Mayban Securities Sdn Bhd
- Fund Manager, Abrar Unit Trust Management Berhad
- Research Analyst, UMBC Securities (later known as Sime Securities)
- Assistant Accountant, Wayss & Freytag
- Corporate Banking Executive, Bank of Commerce (M) Berhad (now known as CIMB Bank)
- Internal Auditor, Mayban Finance Bhd.

Directorship in Other Public Companies

- Nil

Declaration

- Does not have and conflict of interest or any family relationship with any other Director and/or major shareholders of the Bank
- Has not been convicted of any offence within the past five (5) years nor has he been imposed any public sanction or penalty by any relevant regulatory bodies during the financial year ended 2022



AZDINI BINTI NOR AZMAN
Acting Chief Executive Officer
 BIBM INVESTMENT MANAGEMENT
 BERHAD
 48, Female, Malaysian
 Date of Appointment: 1 March 2023

Qualifications

- Bachelor of Commerce (Finance), University of Otago, New Zealand
- Chartered Professional in Islamic Finance (CPIF)
- CMSRL (Module 9 & 10), Securities Commission
- Investor Protection Professional Certification (IPPC)
- PPKM Dealers' License, Financial Market Association Malaysia.

Concurrent Roles

- Executive Director, BIBM Investment Management Berhad since 2015

Experience

- Appointed as the Acting Chief Executive Officer of BIBM Investment Management Berhad on 1 March 2023
- Has an extensive experience of 26 years in the financial industry.
- Prior to joining BIBM Investment, Azdini was the Head of Wholesale Banking at Hong Leong Islamic Bank Berhad
- Azdini has worked with various organisations including Asian Islamic Investment Management Sdn Bhd, Bank Muamalat Malaysia Berhad, CFC Seymour Limited, Bank Islam Malaysia Berhad, MIDF Amanah Investment Bank Bhd and Amanah Short Deposits Berhad

Directorship in Other Public Companies

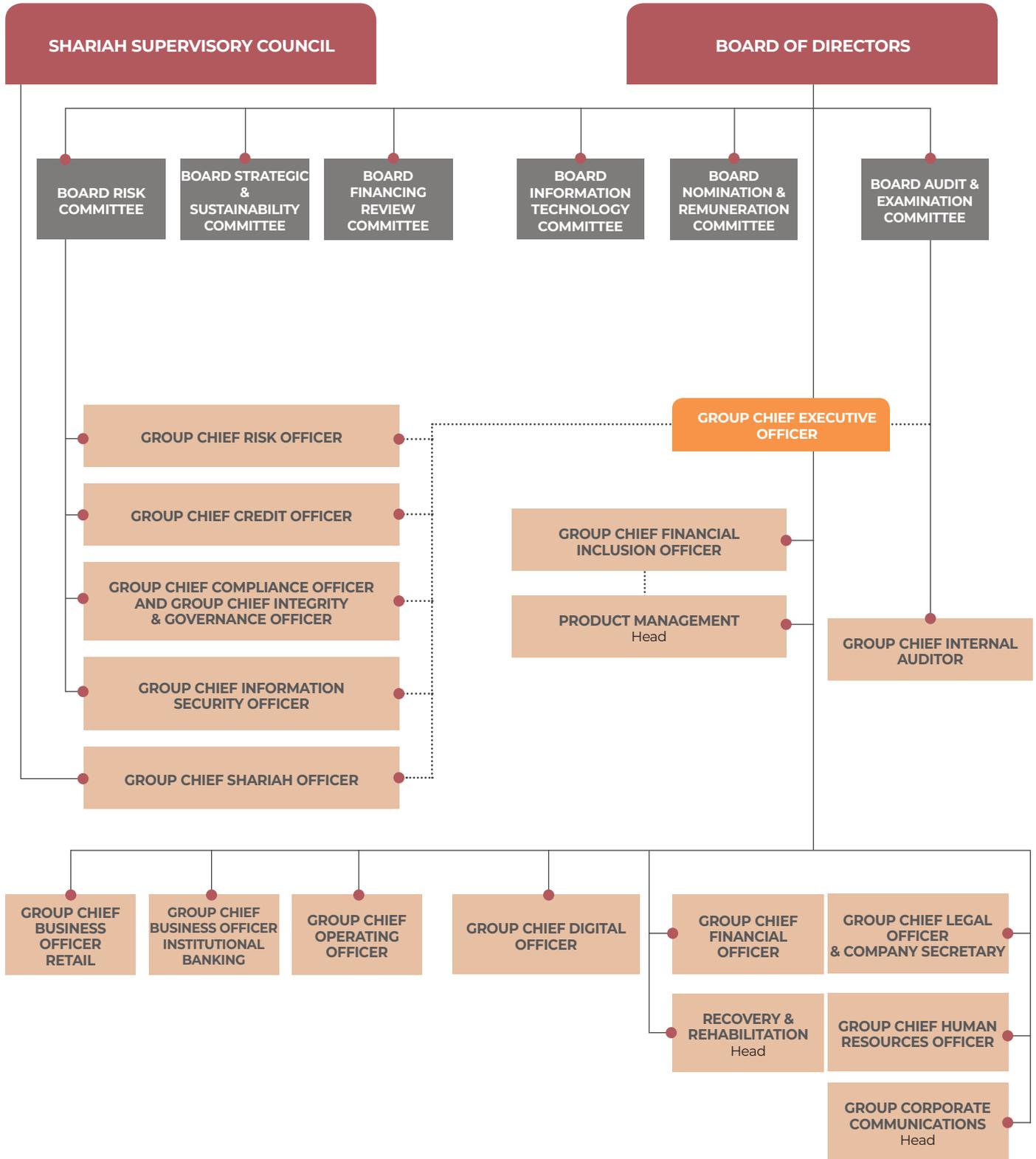
- Nil

Declaration

- Does not have any conflict of interest or any family relationship with any other Director and/or major shareholders of the Bank
- Has not been convicted of any offence within the past five (5) years nor has she been imposed any public sanction or penalty by any relevant regulatory bodies during the financial year ended 2022



Organisation Structure



Corporate Governance Overview Statement

GOVERNANCE, ETHICS AND INTEGRITY

Corporate integrity is vital in strengthening the Group's competitiveness by aligning our commercial goals with honesty and transparency in undertaking our business activities.

Good governance ensures sustainable long-term performance, creates long-term economic value and growth of the Group.

Good corporate governance practices are imperative as they outline the Group's ethical beliefs and provide a working roadmap for our objectives and activities. In short, good corporate governance is key to the Group value-creation and business excellence. It affects and influences every aspect of our daily operations and management. This is to ensure that the Group's competitive edge remains undiminished.

A framework of ethics underpins our corporate behaviour and further defines our ability to be a resilient and sustainable organisation.

The Group's ethical culture is led by the tone at the top, embraced by and cascaded through the Group, guided by the Board that is committed to value-creating governance. The Board takes ownership of its role in establishing a healthy corporate culture that embeds ethical conduct throughout the organisation.

Good governance is a critical component of strong financial institutions. As a listed financial institution, BIMB's corporate governance practices are regulated by the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia), the Bank Negara Malaysia's Policy Document on Corporate Governance (BNM CG Policy) and the Malaysian Code on Corporate Governance (MCCG).

We are driven by our responsibility to shareholders and are committed to high standards of integrity, accountability and ethics in the conduct of our business and operations.

Our business strategies and policies are formulated to steer us into demonstrating responsible, transparent, inclusive and ethical conduct in all our dealings.

The Group therefore operates within a clearly defined governance model approved by the Board. It provides the Group with a clear governance structure that guides the governance practices and authority of decision-making across the Group.

The financial year under review saw the global economic landscape experienced a slow-paced recovery with high inflation and increased cost of living following the impact of the COVID-19 pandemic. Against this challenging economic backdrop and operating environment, the Board has been resolute in ensuring our fundamentals remain strong, growing our business and maintaining a steady performance.

We are pleased to present this Corporate Governance Overview Statement (CG Statement) for the financial year ended 31 December 2022. The CG Statement has made reference to the three (3) key Corporate Governance Principles in the MCCG.

This CG Statement is to be read together with the Corporate Governance Report (CG Report) published on BIMB's website at www.bankislam.com.

APPLICATION OF THE PRACTICES ESPOUSED BY THE MCCG

BIMB has adopted and applied all Practices as recommended by the MCCG except for two (2) Practices set out below:

- (1) Practice 8.2 – The board discloses on a named basis the top five (5) senior management's remuneration component including salary, bonus, benefits in-kind and other emoluments in bands of RM50,000; and
- (2) Practice 8.3 – Step Up – Companies are encouraged to fully disclose the detailed remuneration of each member of senior management on a named basis.

CORPORATE GOVERNANCE FRAMEWORK

As a listed financial institution, BIMB's corporate governance practices are regulated by the MMLR of Bursa Malaysia, the BNM CG Policy and the MCCG. The Board ensures that the Group complies with the exceptional standards set by our regulators by having in place a Group-wide Governance Framework which sets the minimum standards and practices that need to be observed.

Accordingly, the Group operates within a clearly defined governance model that is approved by the Board. This model provides the Group with a clear governance structure which guides the governance practices and authority of decision-making across the Group.

In the boardroom, the Board embraces transparency and accountability and promotes these critical components of governance throughout the Group.

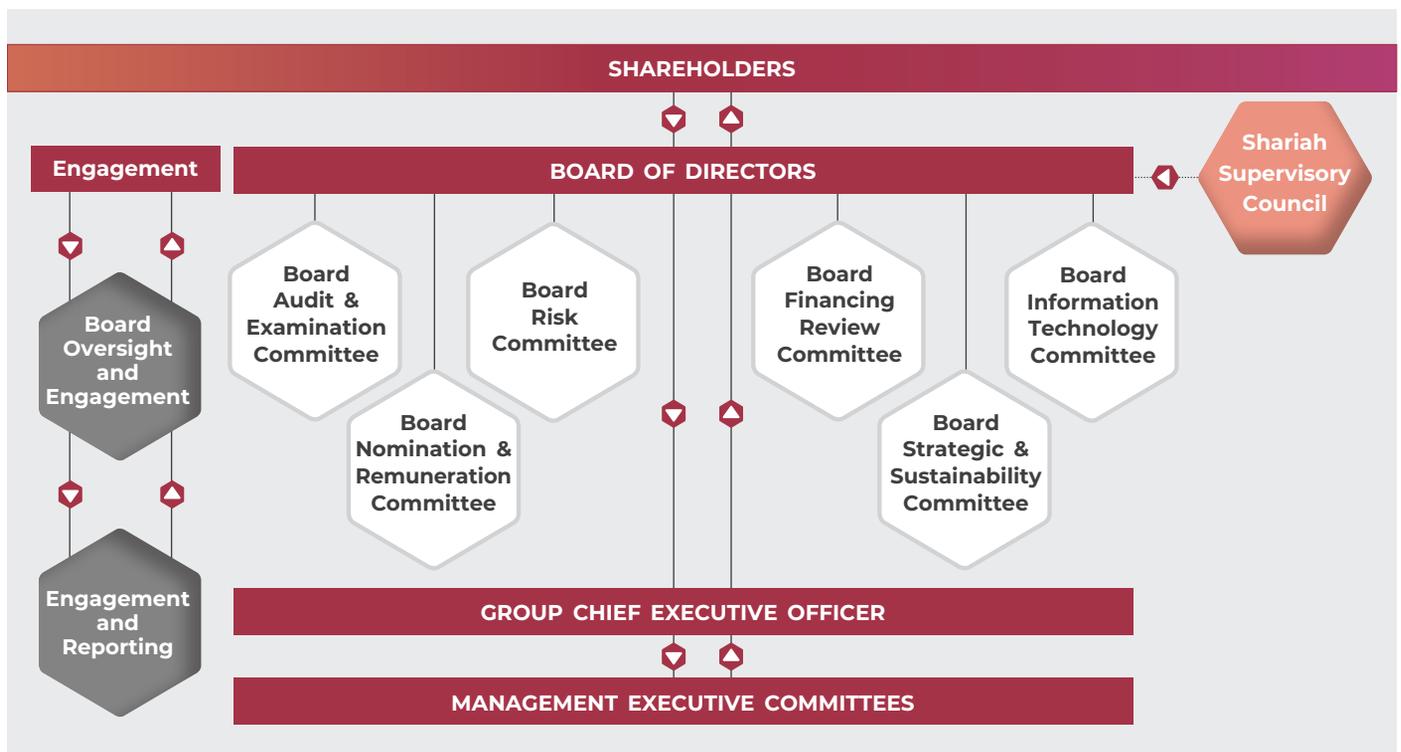
Ethical, experienced and effective leadership underpins the Board's commitment to promote value-creating governance through a deliberate and structured approach that embeds good business practices, robust institutional governance, risk and compliance frameworks.

BIMB's governance structure and practices create value for all its stakeholders by:

- ✓ accentuating greater transparency, accountability and responsibility
- ✓ securing the integrity and quality of financial reporting
- ✓ inculcating ethical business conduct and desired behaviours based on our core values

Through the framework, the Board, without abdicating its governance responsibilities, exercises collective oversight of the Board Committees and Management notwithstanding the delegation of these responsibilities. There is clear division of responsibilities between the leadership of the Board and the executive leadership of BIMB.

The table below illustrates BIMB's governance structure, an overview of the Board, Board Committees and Management Executive Committees:



Corporate Governance Overview Statement

HOW THE BOARD OPERATES

PRINCIPLE

A

BOARD LEADERSHIP AND EFFECTIVENESS

Board Leadership

The Board is collectively responsible for the overall leadership of the Group and for promoting its long-term sustainability and success within a framework of prudent and effective controls.

The Board sets the strategic direction of the Group, approves the strategy and takes appropriate action to ensure that the Group is suitably resourced to achieve its strategic aspirations. The Board considers the impact of its decisions and its responsibilities to all of the Group's stakeholders.

In setting the strategic direction of the Group, determining its objectives and policies for sustainable long-term value, the Board ensures effective leadership through oversight on Management and robust monitoring of the Group's performance activities.

The Board safeguards shareholder value-creation and plays a critical role in creating and maintaining the right tone at the top.

Prudent and effective controls make it possible for the Board to assess and manage emerging risks and opportunities continuously and consistently to ensure long-term sustainable development and growth.

The balance on the Board with the presence of majority Independent Non-Executive Directors (NEDs) with diversity in their areas of expertise and gender ensures that no individual or small group of Directors is able to dominate the decision-making process and that the interests of shareholders are protected.

All Board members are consistently and regularly reminded of their fiduciary duties and responsibilities, to act at all times in the best interest of BIMB. The Board considers each Director to be independent in character and judgement in the discharge of their fiduciary duties. Accordingly, Directors exercise unfettered and independent judgement at all times, irrespective of status and always in the best interest of the Company.

The Directors are therefore aware of their collective and individual responsibilities to all shareholders for the manner in which the affairs of the Company are managed and operated. The Board is satisfied that it has fulfilled these duties and obligations during the financial year under review.

The Board works with Management to promote long-term sustainable success for the Group by striving to generate value for all our stakeholders. This is carried out by exercising good business judgement when developing strategy, delivering objectives and managing the risks faced by the Group.

Paramount to the Board's oversight role and responsibility is its commitment to the Group's long-term strategy and agenda for the integration of sustainability into the Group's strategy, governance and decision-making. Together with Management, the Board takes responsibility for the governance of sustainability in the Group. This is important to the Board given the increasing impact of sustainability on the ability of the Group to create sustainable value and to maintain the confidence of its stakeholders.

The Board Charter

The Board Charter is a comprehensive document for Directors on matters relating to the Board and its processes, as well as the roles and responsibilities of the Board and the individual Directors. It outlines high-level duties of the Board, matters that are specifically reserved for the Board and those which the Board may delegate to the Board Committees, the Group CEO and Management. The Board Charter is reviewed and updated periodically to align with recommended best practices, to reflect changes to the policies and processes as well as amendments to rules and regulations.

The Terms of Reference (TORs) of the Board Committees describe the purpose, scope and authority of the respective Committees.

The Board Charter and the TORs of the Board and Board Committees are available on BIMB's website, at www.bankislam.com.



Principal Roles and Responsibilities of the Board

The Board is entrusted with the responsibility of promoting the success of the Group by directing and supervising the Group's affairs in a responsible manner. All Directors have a duty to act in good faith and in the best interest of the Company.

In discharging its functions, the main roles and responsibilities of the Board are as follows:



Oversee the implementation of BIMB's governance framework, risk and internal control framework, and periodically review whether these remain appropriate and relevant



Promote a sound corporate culture within the Group which reinforces high level of integrity and ethical practices, prudent and professional behaviour and cultivate a transparent culture towards anti-bribery and corruption



Oversee BIMB's compliance with any regulatory requirements as imposed by the relevant regulatory authorities



Promote sustainability through appropriate environmental, social and governance considerations in the Group's business strategies



Ensure that there is an appropriate succession plan for members of the Board and the Senior Management.

MATTERS RESERVED FOR THE DECISION OF THE BOARD

The Board discharges some of its responsibilities and delegates certain responsibilities to its Committees to assist in carrying out its function of ensuring independent oversight and stewardship. The Board also delegates authority for the operational management of the Group's business to the Group CEO for further delegation by him in respect of matters that are necessary for the effective day-to-day running and management of the Company's business. The Board holds the Group CEO accountable in discharging the delegated responsibilities.

The Board Charter and the TORs of the Board and Board Committees prescribe that the following matters are specifically reserved for the Board:

- ✓ Strategic policy matters;
- ✓ Financial results and declaration of dividends;
- ✓ Significant operating and credit policies;
- ✓ Risk appetite setting;
- ✓ Capital management plan;
- ✓ Authority limits;
- ✓ Any corporate exercise which involves acquisition or divestment or strategic interest;
- ✓ Major acquisition of capital expenditure;
- ✓ Appointment and remuneration of Directors,
- ✓ Appointment and remuneration of Shariah Supervisory Council (SSC) members,
- ✓ Appointment and remuneration of Group CEO and key Senior Management officers;
- ✓ Entry into any related party transaction; and
- ✓ Any new outsourcing proposals.

Board Balance and Composition

The Board comprises ten (10) Directors as of the date of this Statement.

The composition of the Board exceeds the requirements of Paragraph 15.02 of the MMLR of Bursa Malaysia as more than one-third of its members are Independent NEDs.

Corporate Governance Overview Statement

BIMB has a diverse Board in terms of gender, skillset and experience. There are eight (8) Independent Directors, (including the Chairman) and two (2) Non-Independent Directors. Three (3) Independent Directors are women. The appointment of the Independent Directors is in line with the requirements of the BNM CG Policy. They play a significant role in bringing objectivity and scrutiny to the Board's deliberations and decision-making.

The Board's composition is testament to the view that a board's make-up should support objective and independent deliberation, review and decision-making.

The composition brings together relevant business and industry experience required to oversee the range of operations of the Group. All Board members are persons of high integrity and calibre with diverse professional backgrounds. They contribute a vast spectrum of skills, knowledge and experience that provide effective governance and oversight of the Group. The Board is of the view that diversity adds value to the discussion and deliberation of the Group business operations and challenges.

The profile of each member of the Board is set out on pages 157 to 166 of this Integrated Annual Report.

Board Committees

In delegating authority to Board Committees, the Board does not abdicate its responsibility and exercises collective oversight at all times. The Board ensures that its delegation does not hinder its ability to discharge its functions. The Board sets out clearly the duties and responsibilities in the TORs of the respective Board Committees. The functions and TORs of the Board Committees as well as authority by the Board to these Committees are periodically reviewed to ensure that they remain relevant and up-to-date. The most recent review of the TORs took place in January 2023.

A description of the roles and responsibilities of the Board, Board Committees and Management as well as decisions reserved for the Board are set out in the Board Charter.

The six (6) Board Committees are as follows:

- ✔ **BAEC** : Board Audit and Examination Committee
- ✔ **BRC** : Board Risk Committee
- ✔ **BNRC** : Board Nomination and Remuneration Committee
- ✔ **BFRC** : Board Financing Review Committee
- ✔ **BSSC** : Board Strategic and Sustainability Committee
- ✔ **BITC** : Board Information Technology Committee

The activities of the BAEC, BRC, BNRC, BFRC, BSSC and BITC during the financial year under review are set out in the CG Report.

Separate Roles of Chairman and Group CEO

An effective Board is critical to the long-term prospects and strategic goals of the Company.

The Board practices a clear demarcation of duties and responsibilities between the Chairman and the Group CEO to ensure a balance of power and authority in the Board. The positions of the Chairman and the Group CEO are held by two (2) different individuals. The Board is helmed by Tan Sri Dr. Ismail Haji Bakar who is an Independent NED. The Board delegates responsibility for the overall business and day-to-day management of BIMB to the Group CEO, Mohd Muazzam Mohamed. This segregation ensures a marked distinction between the Chairman's responsibility to manage the orderly conduct and smooth function of the Board, and the Group CEO's responsibility to manage the Company's business.

In line with MCCG 2021, the Chairman does not sit on any Board Committee.

A short summary of their distinct roles and division of responsibilities is set out below:

The Chairman is primarily responsible for the stewardship and smooth functioning of the Board and the fulfilment of its obligations to BIMB. In fulfilling this role, the Chairman:

- ✔ Ensures appropriate procedures are in place to govern the Board's operation, decisions are taken on a sound and well-informed basis including discussions on all strategic and critical issues;
- ✔ Leads the Board to achieve the key objectives;
- ✔ Encourages healthy discussion and ensure that dissenting views can be freely expressed and discussed; and
- ✔ Leads efforts to address the Board's development needs.

Key roles and responsibilities of the Group CEO include:

- ✔ Developing, formulating, implementing and overseeing BIMB's long-term strategy, strategic direction, corporate policies and business plan;
- ✔ Ensuring that the Board's decisions are implemented and the Board's decisions are responded to;



- ✓ Ensuring that the Board is fully informed of all important aspects of BIMB's operations and sufficient information is provided to the Board members; and
- ✓ Providing strong leadership and effectively communicating BIMB's vision and management strategies to the employees.

Key roles and responsibilities of the Senior Independent Non-Executive Director include:

- ✓ Providing a sounding board for the Chairman;
- ✓ Acting as an intermediary for other Directors when necessary and specifically serves as the principal conduit between the Independent NEDs and the Chairman on sensitive issues;
- ✓ Promoting high standards of corporate governance and ensuring that the Company's obligations to shareholders are understood and complied with;
- ✓ Ensuring the composition of the Board with regard to the number of Independent Directors adheres to the relevant requirements and regulations;
- ✓ Being available for confidential discussions with other NEDs who may have concerns which they believe have not been properly considered by the Board as a whole; and
- ✓ Being available to shareholders and other stakeholders if they have any concerns which are unable to be resolved through the normal channels of Chairman, Group Chief Executive Officer and Group Chief Financial Officer, or if contact through these channels are deemed inappropriate.

Separation of Powers between the Board and Management

The Group CEO is assisted by the various executive management committees in managing the business on a day-to-day basis, with whom he consults regularly. These committees report their performance and strategic Key Performance Indicators (KPIs) regularly to the Group CEO. The committees ensure that effective systems, controls and resources are in place to execute business strategies and decisions taken by the Board and the Group CEO.

The responsibilities of Senior Management include:

- ✓ implementing the business and risk strategies, remuneration and other policies in accordance with the direction given by the Board;

- ✓ establishing a management structure that promotes accountability and transparency throughout the financial institution's operations and preserving the effectiveness and independence of control functions;
- ✓ promoting, together with the Board, a sound corporate culture within the BIMB which reinforces ethical, prudent and professional behaviour;
- ✓ addressing actual or suspected breaches of regulatory requirements or internal policies in a timely and appropriate manner; and
- ✓ regularly updating the Board with the material information the Board needs to perform its oversight responsibilities, particularly on matters relating to:
 - (i) the performance, financial condition and operating environment of the Bank;
 - (ii) internal control failures, including breaches of risk limits; and
 - (iii) legal and regulatory obligations, including supervisory concerns and the remedial actions taken to address them.

Board Diversity

The Board believes that a truly diverse and inclusive Board will leverage differences in thought, perspective, knowledge, skill, industry experience, age and gender, all of which will ensure that BIMB retains its competitive advantage.

The Group is cognisant of the value arising from having a diverse Board composition as it is a crucial component in influencing how the Board functions and the dynamics between its members.

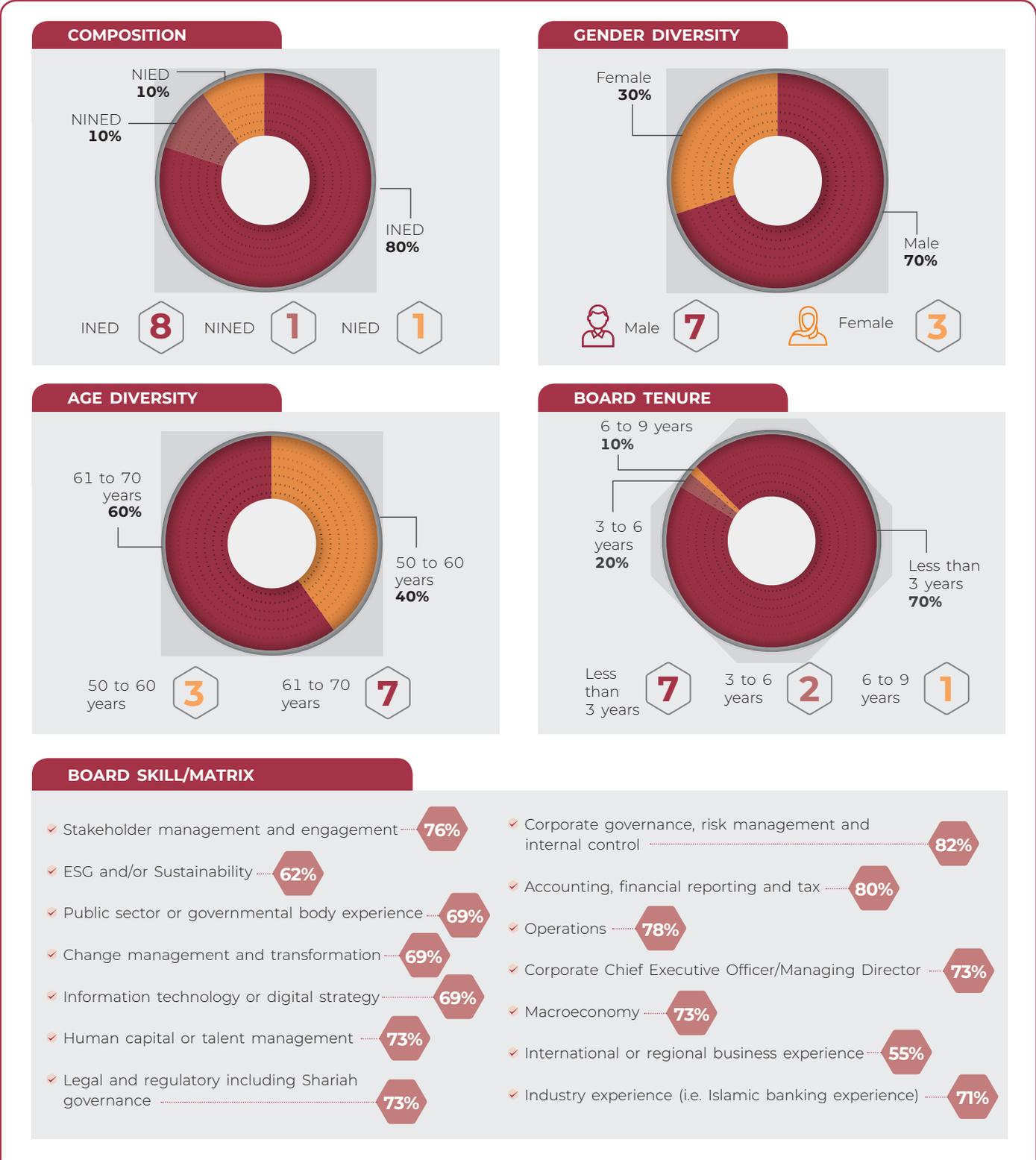
Diversity is also important to ensure the Company remains relevant, resilient and sustainable in the rapidly transforming and evolving business environment.

The Board has presently three (3) women Directors or 30% of the total Board composition. The Board believes that women directors could add value to Board discussions, through their unique aspects, approaches and ideas to help the Group succeed. The Board will continue to ensure the diversity in gender to be upheld by ensuring minimum 30% women directors in the Board.

The BNRC is empowered to review and evaluate the composition and performance of the Board annually, as well as assessing qualified candidates to occupy Board positions.

Corporate Governance Overview Statement

The following diagram provides an overview of the Board Diversity in terms of independence, gender, age, tenure, skillsets and composition:





THE BOARD'S 2022 ACTIVITIES AND KEY FOCUS AREAS

As a listed financial institution operating in a challenging and constantly evolving business environment, we strive to ensure our governance framework remains resilient, relevant and is applied consistently across our operating networks.

The evolving environment coupled with the continued presence of the COVID-19 pandemic within our operating environment, led the Board to continue placing added focus on efforts to strengthen our sustainability practices and our approach to sustainability matters.

As such, the Board continued its oversight of the Management by embracing the highest standards of corporate governance and giving consideration to ESG related matters to support the Board's agenda to take the Group's business forward.

The diagram below shows the key areas of focus for the Board which appear as items on the Board's agenda at the respective meetings throughout the financial year under review.

A

Risk Management & Compliance

- ✓ Group Risk Appetite Statement Policy 2022
- ✓ Risk management related policies, credit policies and other significant operational policies which include review of Stress Testing Policy and Authority Limit Policy
- ✓ Review the implementation of Internal Capital Adequacy Assessment Process (ICAAP)
- ✓ Response to 2021 Bank Negara Malaysia's Composite Risk Rating (CRR)
- ✓ Risk Management and Credit Management Dashboard
- ✓ Compliance related policies which include Group Compliance Policy, Group Compliance Risk Assessment Policy, Group Anti-Bribery Policy, Group Corruption Risk Management Policy and Group AML/CFT Policy
- ✓ Rectification Plan for Shariah Non-Compliance events

B

Strategy, Financials and Business Performance

- ✓ Strategic Direction, Business Plan, Budget 2022 and Financial Projection
- ✓ Corporate Scorecard FY2022 and Performance Appraisal FY2021
- ✓ Audited financial statements for the financial year ended 31 December 2022 as well as the quarterly and half yearly unaudited interim financial statements
- ✓ Forecast for the financial year ending 31 December 2022
- ✓ BIMB's business performance based on the financial reports presented to the Board
- ✓ Dividend Re-Investment Plan and Dividend Payment
- ✓ Re-appointment of external auditors for the Group
- ✓ Digitalisation initiatives
- ✓ Proposals for new and review of products and services to ensure BIMB's offering remains relevant and competitive
- ✓ Outsourcing related proposals and Outsourcing Plan for 2022
- ✓ iTEKAD and BangKIT micro finance programmes
- ✓ Quarterly Analysis Review on BIMB's Results
- ✓ Technology Risk and Cyber Resilience Policy
- ✓ Engagement sessions with regulators i.e., BNM, SC and others
- ✓ Business strategy of various sectors within the Group Budget and Business Plan for FY2022
- ✓ Contents of Annual Report 2021
- ✓ Proposed ESG plan and initiatives
- ✓ Board off-site session discussed the challenges and opportunities for the Group
- ✓ Related Party Transactions

Corporate Governance Overview Statement

C

Human Capital & CSR

- ✓ Continuous Development plan and succession plan
- ✓ Recruitment and Appointment of new Heads of Division for key positions
- ✓ Renewal of contract of service of Senior Management and their remuneration
- ✓ Performance review of Corporate KPIs for 2021
- ✓ Annual reward for Senior Management based on their performance and KPIs Career Transition Scheme
- ✓ PEMULIH, Targeted Repayment Assistance, URUS and Prihatin Flood Relief Programme

D

Governance

- ✓ Harmonisation of Group Governance practices to ensure alignment of governance practices within the Group
- ✓ Board Succession Plan for the Group to ensure an effective board is in place to support the Group strategic direction
- ✓ Harmonisation of Remuneration for Directors and SSC members of the Group
- ✓ Review of Nominee Directors and Principal Officers in BIMB subsidiaries in line with the harmonisation of group governance
- ✓ Board Evaluation and SSC Evaluation for 2021
- ✓ Review of Board Charter and TORs of the Board and Board Committees to incorporate the Group oversight function as well as the requirements of Bursa Malaysia and recommendations of the MCCG 2021
- ✓ Corporate Governance Disclosure in BIMB Integrated Annual Report 2021
- ✓ Gap Analysis on the status of compliance with the MCCG 2021 recommendations
- ✓ Appointment of two (2) new Independent NEDs to fill vacancies following the retirement and demise of existing Directors
- ✓ Review of the Board Committees' composition
- ✓ Review of Approval Authority Limits for Financing Committees

Board Independence

The Board recognises the important contributions that Independent NEDs make to good corporate governance.

The Independent NEDs play a significant role in bringing objectivity and scrutiny to the Board's deliberations and decision-making. Their roles are also particularly critical for related party transactions as these require independent judgement and objective impartiality to protect the interest of minority shareholders.

As of the date of this Statement all Independent NEDs satisfy the following criteria:

- ✓ independent from Management and free from any business or other relationship which could interfere with independent judgement or the ability to act in the best interest of the Company;
- ✓ not involved in the day-to-day operations of the Company;

- ✓ declare their interests in any possible conflict of interest in any matter tabled prior to the commencement of Board meetings. In a situation where there is a conflict of interest, Directors are required to recuse themselves and abstain from deliberation and decision-making;
- ✓ tenure of not more than nine (9) years;
- ✓ not involved in any significant business or contractual relationship with a value of above RM10 million.

Under the Amendments to the MMLR of Bursa Malaysia (effected on 19 January 2022), the limit on the tenure of an independent director is twelve (12) years.

As stipulated under the Board Charter, an Independent NED is subject to a maximum tenure of nine (9) years. An Independent NED who has served for nine (9) years, may, subject to the shareholder and BNM's approval, continue to serve the Bank in the capacity of an Independent NED. In any event, no Independent NED will continue to serve the Board for more than twelve (12) years.



An Independent NED is obliged to notify the BNRC of any change in circumstances that may affect his/her independence status. Once the notification is given, the Board reviews and determines the Independent NED's independence status based on the recommendations of the BNRC.

During the financial year under review, all Independent NEDs declared and affirmed their independence. All Independent NEDs have also passed the annual 'independence' assessment and Fit & Proper requirement to ensure there is no possible or potential conflict of interest.

Additionally, all Independent NEDs have an ongoing obligation to inform the Board of any circumstances which could impair their independence.

Board Appointment Process

BIMB practices a formal and transparent process on the appointment of new Directors. In its selection of suitable candidates, the BNRC is delegated in developing and deliberating selection criteria based on competencies and attributes required in accordance with BIMB's Policy on Fit and Proper Criteria for Key Responsible Persons, BNM CG Policy, MMLR of Bursa Malaysia, MCCG and BNM's Policy Document on Fit and Proper Policy.

Directors are selected based on their individual merits and experience. The current Board composition consists of individuals of diverse backgrounds with good corporate leadership experience, expertise and skills. This is important to ensure diversity of views, which facilitates effective decision-making and constructive Board deliberation during its meetings.

In considering new appointments to the Board, the Board, through the BNRC, takes into account the skills, experience and expertise required to advance the strategic direction of the Company. The BNRC also ensures that the Board has the right balance of skills, experience, independence and business knowledge necessary to discharge its responsibilities in keeping with the highest standards of governance while providing meaningful contributions to the business of the Company.

Once a potential candidate has been shortlisted for recommendation, the Company Secretary will conduct comprehensive background checks, including checks on financial and character integrity. The Company Secretary will also arrange for the BNRC to meet with the candidates to enable the BNRC to make its assessment and subsequently makes its recommendation to the Board.

Following selection by the Board, an application for the proposed appointment as a Director is submitted to BNM for approval and the term of the appointment shall be as specified by BNM.

Directors' Re-Appointment and Re-Election

The BNRC is responsible for assessing the performance of Directors whose current term of appointment as approved by BNM is due to expire and for forwarding its recommendation to the Board for the decision to submit the application to BNM on the proposed re-appointment of the respective Directors.

In accordance with Article 133 of BIMB's Constitution, one-third of the Directors of the Company for the time being shall retire by rotation at an Annual General Meeting (AGM) of the Company provided always that all Directors shall retire once every three (3) years but shall be eligible for re-election at the AGM. A Director retiring at the AGM shall retain office until the closing of the meeting whether adjourned or not.

Pursuant to Article 142 of BIMB's Constitution, Directors appointed to fill a casual vacancy or as an addition to the Board of Directors, shall hold office only until the conclusion of the next AGM and shall be eligible for re-election.

The Board at its meeting held on 29 March 2023, endorsed the recommendation of the BNRC for the following Directors to be considered for re-election pursuant to Article 133 of BIMB's Constitution at the Company's forthcoming AGM. The Directors named below have given their consent for re-election at the AGM.

Article 133

- i. Tan Sri Dr. Ismail Haji Bakar
- ii. Encik Azizan Ahmad
- iii. Puan Mashitah Haji Osman

Article 142

- i. Dato' Professor Dr. Noor Inayah Yaakub

Corporate Governance Overview Statement

Succession Planning

The Board, through the BNRC, has oversight of the succession planning for the Board, Board Committees and Senior Management. Under its TOR, BNRC is to ensure that all candidates appointed to these positions are of sufficient calibre and competence. In this respect, the factors considered by the BNRC include the candidates' profiles, achievements, personalities and suitability for the respective positions. The Board has a Board Succession Planning Framework in place, in ensuring the identification and selection of new NEDs in the event of an opening on the Board, whether such opening exists by reason of an anticipated retirement, an unanticipated departure, the expansion of the size of the Board, or otherwise. The structured succession plan addresses the composition and effectiveness of the Board. In addition to the succession plan for Directors, the BNRC also reviews the succession planning for the Senior Management of the Company.

Board Meetings, Attendance and Access of Information

The Board meets at least six (6) times a year with additional meetings convened as and when necessary. The Board also considers and approves matters via circular resolutions. All Directors' written resolutions passed by the Board are tabled at the next Board meeting for notification.

The calendar of meetings of the Board and Board Committees are drawn up at the end of the previous financial year to enable the members of the Board to meet the time commitment for the meetings.

The Board practices robust and vigorous deliberations at Board and Board Committee meetings to ensure that opportunities are given to all Directors to participate and contribute to the decision-making process as well as to make certain that the process of constructive and healthy dialogue is achieved.

The respective Chairmen of the Board Committees also update the Board on the proceedings of their committee meetings.

The Chairman of the SSC attends the Board meeting as a permanent invitee to facilitate and assist the Board when deliberating issues relating to Shariah.

The Group CEO attends the Board meeting as a permanent invitee. If required, relevant members of the Senior Management and external advisers are also invited to attend

the Board meeting to report and apprise the Board on matters pertinent to their areas of responsibility.

All proceedings of the Board are duly recorded in the minutes of meeting. The minutes of Board meetings accurately reflect the deliberations and decisions of the Board, including any dissenting views and if any Director had abstained from voting or deliberating on a particular matter. The signed minutes of each Board meeting are properly kept by the Company Secretary.

At all meetings, the Board practices a strong culture of open debate and raises challenging questions. The agenda for Board and Board Committee meetings is finalised on consultation between the Chairman of the Board and respective Committees.

Board meetings are convened immediately following the finalisation of the Company's quarterly and final results for the Board to review and approve prior to announcement to Bursa Malaysia.

Board members have access to Board papers through a collaborative software which allows the Directors to access, read and review Board papers and confer with each other and the Company Secretary electronically.

Presentations to the Board are delivered in a manner that ensures clear and adequate understanding of the subject matter. Management will take the Board through the Board paper for a more detailed explanation.

The Directors may seek independent professional advice at the Group's expense in furtherance of their duties.

Directors have direct access to the Management and have unrestricted access to any information relating to the Group to enable them to discharge their duties.

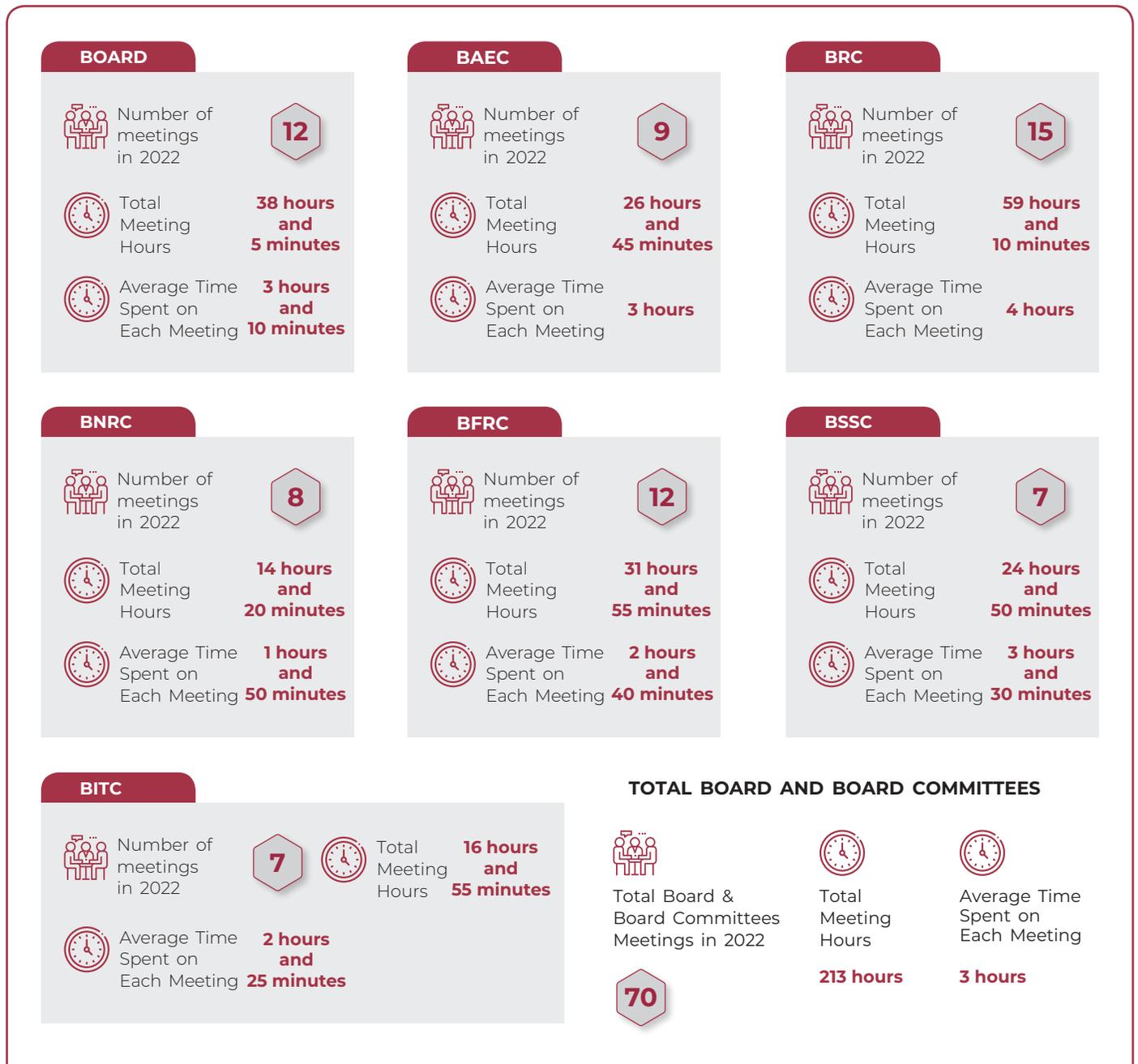
Directors are expected to attend at least 75% of total Board meetings in any applicable financial year and must not appoint another person to attend/participate in a Board meeting on his/her behalf.

The Directors' commitment in carrying out their duties and responsibilities is reflected by their attendance at the meetings of the Board and Board Committees. The Board is satisfied that each Director has devoted sufficient time to effectively discharge his/her responsibilities. In addition, to ensure the Directors will remain committed and be able to provide sufficient focus on their responsibilities, their involvement in



other External Professional Commitments are limited to not more than ten (10). External professional commitments are defined as holding directorship or any position (executive or non-executive) in organisations other than BIMB. The above limit is subject to the maximum number of directorships in listed companies must not be more than five (5).

Directors must immediately declare if they have any interest in any transaction or any possible or potential conflict on matters put forth for deliberation and approval at a Board meeting that are to be entered directly or indirectly with the Company. They must disclose the extent and nature of their interest at the Board meeting or as soon as practicable after they become aware of the conflict of interest. They must abstain from deliberation, participating and voting on the matter to allow unbiased and free discussion and decision-making.



Corporate Governance Overview Statement

Qualified and Competent Company Secretary

The Company Secretary of BIMB is qualified to act as company secretary under Section 235 of the Companies Act 2016 (CA 2016). The Company Secretary, Maria Mat Said, acts as advisor to the Board, particularly with regard to BIMB's Constitution and its compliance with regulatory requirements, codes and legislations.

All Directors have unrestricted access to the advice and services of the Company Secretary to facilitate the discharge of their duties.

The Company Secretary constantly keeps herself abreast of evolving regulatory changes and developments in corporate governance through continuous training. She is a Chartered Professional in Islamic Finance (CPIF). The Board is satisfied with the performance and support rendered by the Company Secretary to the Board in discharging her functions in the financial year under review. This is reflected in the outcome of the 2022 BEE.

The list of trainings attended by the Company Secretary during the financial year under review is set out in the CG Report.

On-Going Professional Development for Directors

The Board recognises the importance of ensuring that Directors are continuously being developed to acquire or enhance the requisite knowledge and skills to discharge their duties effectively.

For newly appointed Directors, the Company Secretary will organise a Board induction programme where the new Directors are briefed on the governance requirements, which include among others, their disclosure obligations as Directors, the Board Charter, Code of Ethics, Constitution of the Company, the Group's corporate structure and Schedule of Matters Reserved for the Board. Apart from governance, the induction programme also covers briefing by the respective Senior Management on BIMB's business directions, the risk management and compliance framework, BIMB's operations and includes branch visitation.

Newly appointed Directors will be required to attend the Mandatory Accreditation Programme (MAP) accredited by the Institute of Corporate Directors of Malaysia (ICDM) and the Financial Institutions Directors' Education (FIDE) Programme accredited by the ICLF Leadership and Governance Centre (ICLIF), Islamic Finance for Board of Directors under the International Shari'ah Research Academy (ISRA).

For continuous development, Directors are required to fulfil the Individual Development Plan (IDP) of the Directors. Under the IDP, Directors are required to attend technical and leadership programmes, to further enhance their business acumen and professionalism which will enable them to be more effective in discharging their duties to the Group. Areas covered included corporate governance, leadership, ESG, anti-money laundering, IT/digital/technology, relevant industry updates and global business developments.

For the FY2022, all Directors have fulfilled their mandatory Development Programme as well as their IDP. Detailed information on the training programmes attended by individual Directors during the financial year under review is provided in the CG Report.

Board Effectiveness Evaluation

The Board Effectiveness Evaluation (BEE) is to evaluate the performance of Board/Board Committees/ members of the Board as well as identifying any gaps or areas of improvement, where required.

The Board conducts the annual self-evaluation to reflect on its performance for the financial year under review. As set out in the Board Charter of the Company, the Board members are assessed to ensure the current boardroom combined skillset and expertise are balanced and are able to steer the Group's sustainable journey and the agenda.

Under the purview of the BNRC, a formal evaluation was undertaken to assess the effectiveness of the Board and Board Committees as a whole, contribution of each individual Directors and the independence of Independent NEDs.



During the FY2022, BIMB engaged an external consultant to undertake the BEE to evaluate its Board and Committees' overall performance. The assessment criteria in the Assessment Forms are tailored to the specific needs and nuance of BIMB, having taken into account the relevant regulatory provisions as well as emerging and leading practices. The will be undertaken on annual basis via self-evaluation coordinated by the Company Secretary and once every three (3) years by an external independent party.

The questionnaires comprised the Board and Board Committee Effectiveness Assessments, Directors' Self and Peer Assessments, Fit and Proper Assessment, Independence Assessment on Independent Directors, Board Skills Matrix and interview insights by the Board and selected Senior Management personnel.

The external consultant conducted analyses based on the self and peer questionnaire completed by eleven Directors and interview insights by the Board and selected Senior Management personnel.

BIMB's overall score was 80% out of 100%. A particular highlight for BIMB was boardroom dynamics and cohesion, whereby the Board was noted to work collectively as a tightknit group of professionals who exuded enthusiasm and mutual understanding. It is also worth noting that the dynamic working relationship between BIMB's Board and Management is also a key strength of BIMB, whilst the Company Secretary was commended for providing good support to the Board.

Meanwhile, rigour of strategic parleys, boardroom composition and diversity, succession planning and talent management, information flow to the Board Committees and Board, and boardroom administration represents key improvement markers that warranted further inquest.

Our Sustainability Commitment

Our Sustainability Report 2022 articulates our commitment to improving the Group's sustainability practices ensuring that we are more competitive, more resilient and adaptable to change amid the unprecedented challenges of COVID-19. The Report sets out in detail the scope of our sustainability reporting and sustainability framework that addresses stakeholder expectations across various sustainability issues and business segments.

The Board acknowledges that the Group's long-term success and continued relevance are dependent on the prosperity and trust of the communities where the Group serves and the environment that we operate.

As a financial institution, BIMB has implemented a sustainable governance structure to provide oversight and strategic direction over the Group's sustainable finance initiatives.

While the ESG Risk Framework allows the effective identification, management and monitoring of ESG risks across the Group's businesses, the Framework is part of an overall sustainability plan and the roadmap that guides our actions as a financial institution in implementing sustainable finance.

The Board Risk Committee and Management Risk Control Committee provide oversight and strategic direction on the Group's ESG Risk Framework that focuses on how BIMB manages and mitigates key ESG risks and impacts including climate change, environmental and social risks across its portfolios.

During the financial year under review, the Group made further enhancements to the governance structure to ensure that implementation of our sustainability commitments are carried out efficiently across the various business segments.

The Sustainability Report can be found from pages 108 to 153 of this Integrated Annual Report.

Directors' Indemnity

BIMB provides and maintains indemnification for its Directors throughout the financial year under review as allowed under the Companies Act 2016 to the extent it is insurable under the Directors' and Officers' Liability Insurance (D&O) incurred by them in discharging their duties while holding office as Directors and Officers of BIMB.

Corporate Governance Overview Statement

Directors' Remuneration

BIMB's remuneration package promotes the achievement of strategic objectives within the ambient of BIMB's cultural components, risk appetite and regulatory compliance.

The remuneration structure allows BIMB to attract, motivate and retain high-calibre talent. The design of our fees architecture complies with regulatory requirements and embraces market practices and trends.

The Board has established a formal and transparent Directors' Remuneration Framework comprising Directors' fees, sitting fees and benefits-in-kind. A review of the Directors' remuneration is carried out every three (3) years to ensure that it remains relevant and competitive with the industry. The remuneration framework for BIMB's NEDs is as follows:

TOTAL AMOUNT OF DIRECTORS' FEES (PER ANNUM) (RM)					
	BOARD	BRC	BAEC	BNRC	BFRC
Chairman	144,000.00	90,000.00	48,000.00	18,000.00	24,000.00
Member	72,000.00	72,000.00	36,000.00	12,000.00	18,000.00
SITTING FEES (PER MEETING) (RM)					
	Chairman	Member			
	5,000.00	3,000.00			
OTHER EMOLUMENTS (PER ANNUM) (RM)					
	Allowance	Medical	Leave Passage		
Chairman	120,000.00	18,000.00	30,000.00		
Member	24,000.00*	18,000.00	25,000.00		

*only for Senior INED



Details of Directors' annual remuneration during the financial year under review are as follows:

No.	Name Of Director	Monthly Allowance	Other Emoluments ⁶	Benefit-In-Kind ⁷	Total
1.	Tan Sri Dr Ismail Bakar (Chairman)	144,000.00	180,000.00	80,000.00	404,000.00
2.	Encik Azizan Ahmad	216,000.00	197,000.00	75,000.00	488,000.00
3.	Encik Mohamed Ridza Mohamed Abdulla ¹	99,000.00	131,000.00	104,782.40	334,782.40
4.	Datuk Nik Mohd Hasyudeen Yusoff	156,000.00	189,000.00	100,000.00	445,000.00
5.	Dato' Sri Khazali Ahmad ²	126,000.00	124,000.00	82,390.00	332,390.00
6.	Encik Mohd Yuzaidi Mohd Yusoff	180,000.00	167,000.00	64,344.55	411,344.55
7.	Puan Mashitah Haji Osman	144,000.00	141,000.00	65,000.00	350,000.00
8.	Dato' Sri Amrin Awaluddin	-	36,000.00	25,000.00	61,000.00
9.	Encik Mohd Asri Awang	144,000.00	120,000.00	35,000.00	299,000.00
10.	Datuk Bazlan Osman ³	120,000.00	81,000.00	25,000.00	226,000.00
11.	Puan Nuraini Ismail ⁴	108,000.00	63,000.00	25,000.00	196,000.00
12.	Lembaga Tabung Haji ⁵	72,000.00	-	-	72,000.00
TOTAL		1,509,000.00	1,429,000.00	681,516.95	3,619,516.95

1. Retired as a Non-Independent NED on 1 December 2022

2. Retired as an Independent NED on 2 January 2023

3. Appointed as an Independent NED on 7 January 2022

4. Appointed as an Independent NED on 7 January 2022

5. Dato' Sri Amrin monthly allowance from January to December 2022 amounting to RM72,000 was paid to Lembaga Tabung Haji

6. Other Emoluments include Sitting Fees and Vehicle Allowance for Chairman

7. Benefits-in-kind include token of appreciation, leave passage and farewell gift.

Remuneration Policy for Senior Management Team (SMTs) and Material Risk Takers (MRTs)

The Board is of the view that the disclosure of the remuneration of the top five (5) Senior Management on a named basis in bands of RM 50,000 as required under Practice 8.3 Step Up of the MCCG is not in the best interest of BIMB given the competitive market for talent in the industry.

The top five (5) Senior Management's annual remuneration is disclosed, as follows:

Range of remuneration (RM)	Senior Management (C-Suite)
RM1,300,000 – RM1,350,000	1
RM1,350,001 – RM1,400,000	-
RM1,400,001 – RM1,450,000	1
RM1,450,001 – RM1,500,000	1
RM1,500,001 – RM1,550,000	-
RM1,550,001 – RM1,600,000	-
RM1,600,001 – RM1,650,000	-
RM1,650,001 – RM1,700,000	1
RM1,700,001 and above	1
Total	5

The adoption of the remuneration policy for SMTs/MRTs within BIMB promotes transparent and fair remuneration framework. The Policy sets forth appropriate governance around the total rewards of BIMB's SMTs/MRTs for their contributions to BIMB, taking into account their roles and responsibilities from the perspective of performance excellence, risk management, compliance and sustainability.

Corporate Governance Overview Statement

Components of Remuneration

Remuneration Component	Approach
 Base Salary	Basic wage paid to an employee as a guarantee for service/work rendered to the company.
 Fixed Allowance(s)	Guaranteed cash paid under various classifications to compensate for miscellaneous job-related expenses.
 Benefits	Non-wage remuneration provided in addition to other cash compensation.
 Variable Pay	Annual non-guaranteed, performance-based cash payments/bonus and profit-sharing awards.
 Long-Term Incentive	Rewards system designed to enhance individual long-term performance by providing rewards tied to BIMB's annual performance and/or growth.

Deferred Cash Mechanism & Pool Setting Approach

Mechanism	Approach
 Total Cash Benchmark	Variable Pay in the form of Performance Bonus or equivalent Short-Term Incentive may be awarded to BIMB's SMTs/MRTs as compensation for driving superior performance throughout the performance year or term of employment (Full-Term Contract or otherwise gainfully employed).
 Determination of Amount Deferred	The deferment of payment of a portion of variable pay will be adopted in view of managing any financial risk associated with SMTs/MRTs compensation, while adhering to necessary compliance with legislations set forth by BNM.
 Pool Setting Approach	Funding of the BIMB's determined Variable Pay and the subsequent Cash Deferral for the SMTs/MRTs, where applicable, is simulated taking into account market competitiveness, funding rates and overall affordability.

Mandatory deferral – Bonuses (short-term incentives) can be deferred over time subject to forfeiture or adjustment.

Bonus Malus – Refers to the part of the deferred bonus that has not yet been paid out and can be 'reclaimed' because, for example, an acquisition's due diligence is not carried out thoroughly.

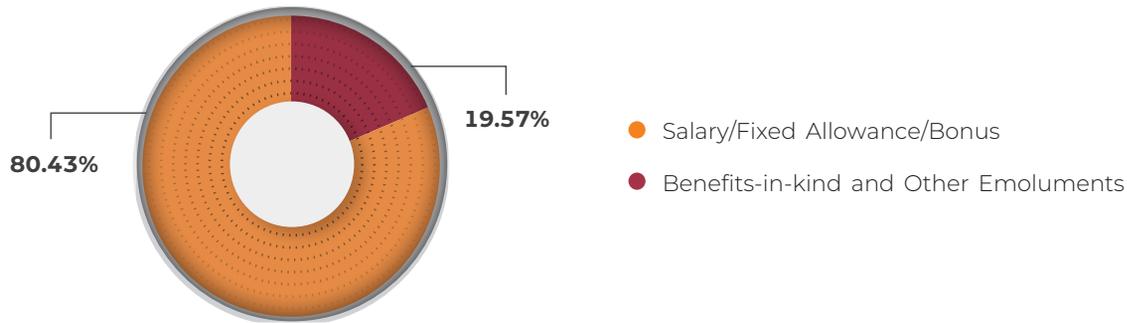
Clawback – This is applied to a bonus that has already been paid out. It can be reclaimed by the employer in, for example, cases of gross negligence or non-compliance.

The breakdown of the total amount of remuneration awards in respect of the SMTs and MRTs (including the Group CEO) in 2022 is as follows:

Element	No. of SMTs and RMTs	Total Amount
Salary/Fixed Allowance/Bonus	5	RM7,366,852 million
Benefits-in-kind and Other Emoluments	5	RM1,792,133 million
TOTAL		RM9,158,985 million



Percentage Fixed vs Percentage Variable



PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT

The Board is responsible for determining both the nature and extent of the Group's risk management and internal control framework to ensure the Group remains resilient and sustainable. The BAEC and the BRC assist the Board in discharging its duties.

Financial Reporting

Financial procedures and standards have been put in place to assist the Board in discharging its duty of ensuring the Company maintains adequate and accurate records for purposes of timely reporting of its financial statements.

For the financial year under review, no accounting irregularities were reported by either internal or external auditors.

Accountability and Audit

The Board is committed to provide a fair and objective assessment of the financial position and prospects of BIMB in the quarterly financial results, annual financial statements, Annual reports and all other reports or statements to shareholders, investors and other applicable regulatory authorities.

Board Audit and Examination Committee (BAEC)

The BAEC comprises three (3) members all of whom are Independent NEDs. The Chairman of the BAEC is not Chairman of the Board. None of the BAEC members is a former key audit partner.

The BAEC provides sound advice to the Board on financial reporting, internal audits and the state of the Group's risk and internal control environment.

The BAEC also assists the Board in overseeing the Group's external and internal audit functions and the relevant procedures to ensure compliance with the MMLR of Bursa Malaysia.

The key activities and focus areas during the financial year under review are set out in the BAEC Report on pages 202 to 207 of this Integrated Annual Report.

Risk Management and Internal Control

The Board assumes responsibility for the effective management of risks across the Group, determining its risk appetite as well as ensuring the implementation of adequate and appropriate internal controls throughout the Group. In the discharge of this responsibility, the Board reviews its risk management and internal control procedures to ensure a sound system of risk management and internal control to safeguard shareholders' investments and the assets of the Group.

Whilst it is not possible to completely eliminate risks of failure in achieving the Group's objectives, the system of internal control is designed to mitigate these risks by identifying, managing and controlling risks, including operational risks.

The Board confirms that it has monitored the Group's risk management and internal control system and that there is a process in place to identify, evaluate and manage significant risks faced by the Group.

Corporate Governance Overview Statement

Board Risk Committee (BRC)

The BRC and the Management Risk Control Committee (MRCC) are responsible for ensuring the adequacy and effectiveness of the Group's risk management framework and policies. The BRC comprises four (4) members, three (3) of whom are Independent NEDs.

The BRC assists the Board in managing the expectations on risk management as set out by BNM and oversees the Management activities in managing the various risks the Group is subjected to and ensuring the effectiveness of the risk management process. The key activities of the BRC during the financial year under review are set out in the CG Report.

The Statement on Risk Management and Internal Control which provides an overview of the Group's risk management and internal control framework can be found on pages 208 to 221 of this Integrated Annual Report.



PRINCIPLE

C

BOARD INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIPS WITH STAKEHOLDERS

Communication with Stakeholders

The dissemination of timely and accurate information is important for shareholders and investors to enable them to make informed decisions about BIMB. The Board values the importance of effective communication with BIMB's shareholders and other stakeholders including the general public. The Board is aware that communication is effectively carried out through various mechanisms such as the publication of Financial Report, Annual Report, CG Report, Sustainability Report, media briefings, conferences and analyst briefings among others.

The Group has in place a dedicated Investors Relations function to ensure stakeholders can reach out for information anytime and from anywhere.

BIMB actively updates its corporate website with the latest information on the corporate and business aspects of the Group. This helps to promote accessibility of information to BIMB's shareholders and other stakeholders.

Annual General Meeting (AGM)

The AGM is the principal forum of open dialogue with shareholders. The notice and agenda of our first AGM (following the listing of BIMB) together with Forms of Proxy were circulated to shareholders on 25 April 2022, which was twenty-eight (28) days before the 39th AGM (AGM) held on 23 May 2022 well in advance of the twenty-one (21)-day requirement under the CA 2016 and the MMLR of Bursa Malaysia. Each item of ordinary business included in the notice of the AGM was accompanied by an explanatory statement on the effects of the proposed resolution.

All eleven (11) Directors attended and participated in the AGM which was conducted online using an Online Meeting Platform provided by the Boardroom Share Registrars Sdn Bhd. The Group CEO, Company Secretary, Group Chief Financial Officer, Group Signing Partner of Messrs PricewaterhouseCoopers, the External Audit Partner, the Poll Administrator and Scrutineer also attended and participated in the virtual AGM together with the Senior Management.

The proceedings of the AGM included the presentation by the Group on the business performance and prospects of the Group for the FY2022, a presentation of the detailed responses to questions raised by the Minority Shareholders' Watch Group (MSWG) prior to the AGM and a Q&A session during which the Chairman invited the shareholders to use the query box facility to submit questions (real time) during the meeting, before presenting the resolutions and putting them forward for voting.

The Minutes of the AGM which were duly confirmed and signed by the Chairman of the AGM, together with the Group CEO's presentation materials, MSWG's Q&A and Key Matters Discussed, were posted on BIMB's corporate website at www.bankislam.com within thirty (30) business days from the date of the AGM.

THE SHARIAH SUPERVISORY COUNCIL (SSC)

The SSC of BIMB is responsible for overseeing all Shariah matters of BIMB and primarily to ensure that the Shariah rulings relating to Islamic banking products and services comply with Shariah and resolutions by the relevant Shariah authorities. SSC acts as an advisor on Shariah matters to all business and support units within BIMB in carrying out their Islamic financial activities.



Composition

The SSC of BIMB consists of six (6) members during the financial year under review up to 31 December 2022, in compliance with the requirement of paragraph 13.2 of the Shariah Governance Policy Document (SGPD) which requires an Islamic financial institution to have at least five (5) members.

Members of the SSC have diverse backgrounds, experience and knowledge. Each SSC member is an expert in his/her respective specialised field such as Islamic law, Islamic banking, capital market, takaful, waqf, zakat, fatwa, halal industry etc. Their qualification in Islamic jurisprudence (usul al-fiqh) and Islamic commercial laws (fiqh al-mu'amalat), expertise and vast experience in the academia as well as in the industry support the depth and breadth of the SSC deliberations on Shariah related matters.

Duties and Responsibilities

In addition to the Board's oversight accountability on Shariah compliance, the SSC was established to perform an oversight role on all Shariah matters and to advise BIMB in ensuring its business affairs and activities comply with Shariah. The SSC's primary duties and responsibilities are outlined in the Charter and Terms of Reference which are available on www.bankislam.com.

Authority

The SSC has the authority to do the following:

- ✓ Decide on Shariah related matters referred to the SSC by taking into consideration of the published rulings of the Shariah Advisory Council (SAC) of BNM. In the event where the decision given by the SSC is different from the ruling given by the SAC, the rulings of the SAC shall prevail. However, the SSC is allowed to adopt a more stringent Shariah decision;
- ✓ Decide on Shariah related matters referred to the SSC without undue influence that would hamper the SSC from exercising objective judgment in deliberating issues brought before it;
- ✓ Ensure that decisions made by the SSC are duly observed and implemented by BIMB. Decisions made by the SSC should not be set aside or modified without its consent;

- ✓ Access to accurate, timely and complete information from the Management including but not limited to all relevant records, transactions, or manuals as required by the SSC in performing its duties. If the information provided is insufficient, the SSC may request for additional information which shall be duly provided by BIMB; and
- ✓ Inform the Board of any case that the SSC has reason to believe that BIMB has been carrying on Shariah non-compliant activities and to recommend suitable measures to rectify the situation. In cases where Shariah non-compliant activities are not effectively or adequately addressed or no rectification measures are made by BIMB, the SSC shall inform BNM of the fact. In this case, the SSC will not be regarded as breaching the confidentiality and secrecy code if the confidential information is disclosed to BNM in good faith.

Code of Conduct

In accordance with its Code of Conduct, SSC members are expected to possess good character, competence, diligence and capability of making sound judgment. To ensure the quality and consistency of the decisions, the SSC has formulated the Methodology and Means of Decision Making to arrive to a decision on a given issue by applying the usul fiqh discipline and making reference to Shariah standards, fatwa and resolutions of Shariah authority councils and fiqh academies. It also enables the SSC and BIMB to review previous decisions at the request of BIMB or on its own initiative.

Responsibilities of BIMB Towards Shariah Compliance

The Management works with the SSC to ensure that all business activities, products, services and operations of BIMB are in compliance with Shariah rules and principles. While the SSC is responsible for forming and expressing decisions on BIMB's compliance with Shariah, the ultimate responsibility for compliance rests with the Management. Therefore, it is the responsibility of BIMB to perform including but not limited to the following:

- ✓ establish a management structure and reporting arrangement that provides a clear scope of accountability between the business lines and the internal control functions that are involved in managing Shariah non-compliance risks, including the accountability of the senior officer leading Shariah related functions;
- ✓ implement effective Shariah governance policies, procedures and practices;

Corporate Governance Overview Statement

- ✔ implement the rulings of the SAC of BNM and the decision or advice of the SSC;
- ✔ implement an effective communication policy that supports a sound understanding of Shariah matters across BIMB;
- ✔ conduct regular assessment to evaluate the quality of operational support provided to the SSC and address any inadequacies arising thereof; and
- ✔ report to the Board and SSC on a timely basis any potential or actual Shariah non-compliance events.

Appointment and Re-Appointment of Members

The Board, on the recommendation of the BNRC, decides on the appointment and re-appointment of the SSC members, subject to BNM's written approval. The Board ensures that the SSC members have the necessary credibility, integrity and calibre and the required skills and knowledge.

The appointment and re-appointment of the SSC members is subject to the Fit and Proper Criteria adopted by BIMB as required by paragraph 12 of the SGPD and Fit and Proper policy document issued by BNM.

SSC Meetings

Summary of SSC meetings attendance and time spent in 2022 are set out below:

- ✔ Number of Meeting held in 2022: **9**
- ✔ Meeting attendance:

Member	Meeting Attendance	%
Professor Dato' Dr. Ahmad Hidayat Buang (Chairman)	9/9	100%
Associate Professor Dr. Yasmin Hanani Mohd Safian	9/9	100%
Professor Dr. Asmadi Mohamed Naim	9/9	100%
Dr. Shamsiah Mohamad	9/9	100%
Sahibus Samahah Datu Haji Kipli Haji Yassin	9/9	100%
Ir. Dr. Muhammad Fuad bin Abdullah	6/7	86%

- ✔ Total Meeting Hours: **32 hours**
- ✔ Average Time Spent of Each Meeting: **3 hours and 36 minutes**

All SSC members have complied with the attendance requirement under the BNM Shariah Governance Framework of not less than 75%.

Nine (9) meetings were held during the financial year ended 31 December 2022, in compliance with the requirement of paragraph 11.2 of the SGPD that requires the meeting to be held at least once in every two (2) months. The meetings are also attended by one (1) Director, the Group CEO, the Group Chief Financial Officer, the Group Chief Internal Auditor, the Group Chief Compliance Officer, the Group Chief Financial Inclusion Officer, Head of Operational Risk and Head of Product Management as permanent invitees. Their presence at the meetings improves the quality of engagement between the Board and Management members with SSC members and increases their appreciation towards Shariah deliberations and decisions. However, the Board members' presence does not affect the independent deliberation by the SSC members in their informed decision-making. The Board receives regular updates on significant matters deliberated during the SSC meetings and minutes of the SSC meetings are circulated to the Board for notification.



Training

In line with Section 6 of the SSC Charter, SSC members undergo continuous training to keep abreast with the development in the banking industry and enhance their skills and knowledge in discharging their responsibilities effectively.

During the financial year under review, three (3) SSC members participated in the Certified Shariah Advisor program (CSA) awarded by the Association of Shariah Advisors in Islamic Finance Malaysia (ASAS). The certification is commissioned by BNM to motivate professionalism among Shariah advisors. This initiative by ASAS was mentioned in the Malaysian Financial Blueprint 2011-2020 under Agenda 3.2 to develop Malaysia as a/the reference centre for Islamic financial transactions.

Trainings attended by the SSC members in 2022 are as follows:

Name of SSC Members	Organisers	Training Programme
Professor Dato' Dr. Ahmad Hidayat Buang	BIMB	<ol style="list-style-type: none"> Economic Update for The Board of Directors – Economy In 2022: Light at The End of The Tunnel? ESG Phase 2 Project Update for the Board of Directors
Associate Professor Dr. Yasmin Hanani Mohd Safian	BIMB ISRA KLIFF Bank Rakyat	<ol style="list-style-type: none"> Directors' Training – Islamic Finance: What is Next? Muzakarah Cendekiawan Syariah Nusantara KLIFF Muzakarah Penasihat Syariah Kewangan Islam 2022 4th Islamic Shariah Scholars Roundtable (iSHAR2022)
Professor Dr. Asmadi Mohamed Naim	BIMB	<ol style="list-style-type: none"> Economic Update for The Board of Directors – Economy In 2022: Light at The End of The Tunnel? Directors' Out of Box Session – Fundamental Disruption of Asset Management and Securities Directors' Training – Update on AML/CFT Legal and Regulatory Development: National and International Perspective
Dr. Shamsiah Mohamad	BIMB KLIFF ASAS	<ol style="list-style-type: none"> Economic Update for The Board of Directors – Economy In 2022: Light at The End of The Tunnel? Directors' Training – Islamic Finance: What is Next? Directors' Out of Box Session – Fundamental Disruption of Asset Management and Securities KLIFF Muzakarah Penasihat Syariah Kewangan Islam 2022 ESG Phase 2 Project Update for the Board of Directors CSA Module: Legal Documentation for Islamic Financial and Capital Market Services CSA Module: Critical Analysis of Contemporary Resolutions in Islamic Finance CSA Module: Takaful CSA Module: Corporate and Shariah Governance

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Name of SSC Members	Organisers	Training Programme
Sahibus Samahah Datu Haji Kipli Haji Yassin	ASAS	<ol style="list-style-type: none"> 1. CSA Module: Introduction to Commercial Law 2. CSA Module: Legal & Regulatory Framework of Islamic Banking and Finance 3. CSA Module: Corporate Shariah Governance 4. CSA Module: Legal Documentation for Islamic Financial and Capital 5. CSA Module: Jami' Fiqh
	BIMB	<ol style="list-style-type: none"> 6. Economic Update for The Board of Directors – Economy In 2022: Light at The End of The Tunnel? 7. Directors' Training – Islamic Finance: What is Next?
	KLIFF	<ol style="list-style-type: none"> 8. KLIFF Muzakarah Penasihat Syariah Kewangan Islam 2022
Ir. Dr. Muhammad Fuad Abdullah	BIMB	<ol style="list-style-type: none"> 1. Directors' Out of Box Session – Fundamental Disruption of Asset Management and Securities 2. Directors' Training – Islamic Finance: What is Next?
	ISRA	<ol style="list-style-type: none"> 3. Muzakarah Ahli Majlis Penasihat Syariah Institusi Kewangan Di Malaysia Kali Ke-16
	KLIFF	<ol style="list-style-type: none"> 4. KLIFF Muzakarah Penasihat Syariah Kewangan Islam 2022
	ASAS	<ol style="list-style-type: none"> 5. CSA Module: Islamic Banking Products & Services 6. CSA Module: Takaful

Remuneration

The remuneration structure for the SSC members is sufficient to attract, retain and remunerate them for their contribution to BIMB. The remuneration structure takes into consideration the relevant factors which include the function, workload, responsibilities and time spent for the preparation of the SSC meetings. A higher rate (premium) is given to the Chairman of the SSC in view of his additional role in guiding and managing the SSC. The remuneration includes monthly fees, meeting allowances and other benefits such as training fund. The remuneration of the SSC is reviewed once every three (3) years.

SSC Evaluation

In line with paragraph 9.6 of the SGPD and Section 7 of the SSC Charter, SSC evaluation is carried out annually to assess the performance and effectiveness of the SSC members whether they deliver and support a sound Shariah governance system. This includes the SSC Peer Evaluation, SSC Collective Assessment and Internal Evaluation by the appointed management members being permanent invitees to the SSC meeting.

The assessment looks into among others, at aspects such as SSC composition, meeting operations, training adequacy, accessibility, understanding of roles and responsibilities, interaction, productivity and quality in contribution, etc.

The results of the assessments are tabled and reviewed in the BNRC meeting prior to deliberation in the Board meeting.



Additional Compliance Information

1. SHARE BUYBACKS

BIMB did not purchase any of its own shares during the financial year ended 31 December 2022.

2. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

BIMB did not issue any Options, Warrants or Convertible Securities in respect of the financial year ended 31 December 2022.

3. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR)

BIMB did not sponsor any ADR or GDR programme in the financial year ended 31 December 2022.

4. LIST OF PROPERTIES

The list of BIMB's properties is set out on page 446 of the Annual Report.

5. MATERIAL CONTRACTS INVOLVING DIRECTORS, CHIEF EXECUTIVE OFFICER AND MAJOR SHAREHOLDERS

There was no material contract entered into by BIMB or its subsidiary companies involving Directors, Chief Executive Officer and/or major shareholders' interest was still subsisting at the end of the financial year or entered into since the end of the previous financial year.

6. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There was no public sanctions and/or penalties imposed on the Company or its subsidiaries, Directors or Management arising from any significant breach of rules/guidelines/legislations by the relevant regulatory bodies during the financial year under review.

7. UTILISATION OF PROCEEDS RAISED FROM CORPORATE PROPOSALS

Net proceeds raised from the DRP (after deducting estimated expenses of the DRP) during FY2022 were utilised for the purpose of funding the continuing growth and expansion of the BIMB Group.

Board Audit & Examination Committee (BAEC) Report



Datuk Bazlan Osman
Independent Non-Executive Director

Members

Nuraini Ismail

Independent Non-Executive Director

Dato' Professor Dr. Noor Inayah Yaakub

Independent Non-Executive Director
Appointed w.e.f. 7 April 2023

Mohd Yuzaidi Mohd Yusoff

Independent Non-Executive Director
Ceased to be a member w.e.f. 7 April 2023

Dato' Sri Khazali Ahmad

Independent Non-Executive Director
Retired w.e.f. 2 January 2023

Mohamed Ridza Mohamed Abdulla

Non-Independent Non-Executive Director
Retired w.e.f. 1 December 2022

MEMBERSHIP

In 2022, the BAEC was chaired by Datuk Bazlan Osman who was appointed on 7 January 2022. During the period under review, two (2) members of the BAEC retired, namely, Mohamed Ridza Mohamed Abdulla and Dato' Sri Khazali Ahmad on 1 December 2022 and 2 January 2023, respectively. Following the said retirement, the BAEC was left with three (3) members, all of whom are Independent Non-Executive Directors. The said composition complies with the Main Market Listing Requirements (MMLR) of Bursa Malaysia Securities Berhad (Bursa Malaysia) which prescribes the BAEC must consist of at least three (3) members. In fact, the said composition of 100% Independent Non-Executive Directors in the BAEC is in line with Malaysian Code on Corporate Governance (MCCG) 2021.

On 7 April 2023, Dato' Professor Dr. Noor Inayah Yaakub was appointed as a new member of the BAEC. She replaced Mohd Yuzaidi Mohd Yusoff. With the said changes in the BAEC, its composition remains with three (3) Independent Non-Executive members.

Roles and Responsibilities

The BAEC is committed to carry out its functions in ensuring that the Group has in place an internal control system that is effective and transparent. The BAEC also independently monitors the performance of the internal and external audit functions.

The BAEC plays a key role in supporting the Board's functions. With the composition of 100% Independent Non-Executive Directors in the BAEC, the BAEC is positioned to challenge the Management's process of internal controls and financial reporting within the Group. It oversees the internal auditors and External Auditors of the Group and provides an independent judgement on their effectiveness.

The BAEC is a committee that has been delegated by the Board and has express authority to look into any matters that fall within the scope of its mandate. It has full access to the Management. In the discharge of its functions, the BAEC has complete and unrestricted access to information and may seek independent professional advice as and when necessary.



The detailed roles and responsibilities of the BAEC are set out in its Terms of Reference, which was last reviewed on 30 January 2023 and is available on BIMB's website at www.bankislam.com.

The BAEC of BIMB, consisting of 100% Independent Non-Executive Directors with diversity of skills and gender is equipped to fulfil its responsibilities in order to effectively ensure sound corporate governance procedures and in providing an independent oversight of the Group's financial reporting and internal control system. This report gives readers a glimpse into the BAEC's activities during the financial year under review.

MEETINGS

During the financial year under review, nine (9) BAEC meetings were held. This satisfied the BAEC Terms of Reference, which requires the BAEC to meet at least four (4) times a year.

The Group Chief Executive Officer (GCEO), the Group Chief Internal Auditor (GCIA), the Group Chief Compliance Officer / Group Chief Integrity & Governance Officer, the Group Chief Operating Officer, the Group Chief Human Resources Officer and the Group Chief Legal Officer & Company Secretary who is also the Secretary to the BAEC, attends the BAEC meetings. In addition to that, the Group Chief Financial Officer and any other Management representatives were invited to the meetings, where required, to present and facilitate the deliberation on any specific issues arising from the relevant reports presented. The attendance of the said Management representatives as permanent invitees at the BAEC meetings allows the BAEC to rigorously challenge the Management on BIMB's process and procedures on internal controls and financial reporting. This further facilitates a strong collaboration and synergy between the BAEC and the Management in ensuring an effective internal control system and financial reporting.

The External Auditors were also invited to the meeting to present the audited financial statements, the half-yearly unaudited financial reports, the Management Letters, the Audit Plan and other relevant matters. During the financial year 2022, the BAEC had two (2) private sessions with the External Auditors without the presence of the Management to review the scope and adequacy of BIMB's audit process, the annual financial statements and their audit findings.

All BAEC members have given their full commitment to the meetings held in 2022 as indicated in the full meeting attendance record as follows:

Name	Meeting Attendance	%
Datuk Bazlan Osman Independent Non-Executive Director/Chairman	9/9	100
Mohd Yuzaidi Mohd Yusoff Independent Non-Executive Director <i>Ceased to be a member w.e.f. 7 April 2023</i>	9/9	100
Nuraini Ismail Independent Non-Executive Director	9/9	100
Dato' Sri Khazali Ahmad Independent Non-Executive Director <i>Retired w.e.f. 2 January 2023</i>	9/9	100
Mohamed Ridza Mohamed Abdulla Non-Independent Non-Executive Director <i>Retired w.e.f. 1 December 2022</i>	8/8	100



Total meeting hours spent during FY2022

26 hours and 45 minutes



Average meeting hours spent in each meeting within FY2022

2 hours and 58 minutes

Board Audit & Examination Committee (BAEC) Report

THE BAEC ACTIVITIES IN 2022

Areas of Focus	Matters Considered
Internal Audit	<ul style="list-style-type: none"> ✓ Reviewed and approved the 2023 Internal Audit Plan and Budget which includes the scope, procedures and frequency as well as adequacy and competency of internal audit resources. ✓ Reviewed and approved the review of the Internal Audit Charter. ✓ Deliberated on 97 Internal Audit Reports on the Head Office, Subsidiaries, Regional Offices, the branches (including limited operational review) as well as Ar-Rahnu and Bureau de Change outlets and identified critical units of BIMB, which amongst others focused on the effectiveness and adequacy of governance, risk management and internal control. ✓ Deliberated on 15 Internal Audit Reports on Information System Audit which assessed the adequacy of the information system controls, security including cybersecurity and the necessary back-up systems to cover for contingencies or disaster. ✓ Deliberated on nine (9) Shariah Audit Reports on compliance with Shariah rulings. ✓ Reviewed the progress of rectification efforts on unresolved audit findings to ensure appropriate corrective actions were taken by the Management in a timely manner to address control weaknesses, policies and other areas identified by the Internal Auditors and other control functions. ✓ Reviewed the performance and achievements of the Internal Audit Division for FY2021 and the first half of FY2022. ✓ Reviewed 22 investigation reports by Group Internal Audit Division covering cases of staff negligence and potential disclosure of customers' information. ✓ Reviewed the report by Group Internal Audit Division on verification of non-audit services fees incurred by External Auditors. ✓ Reviewed and noted the Management Audit Committee's minutes of meeting. ✓ Reviewed and approved the proposed divisional scorecard for FY2022 of Group Internal Audit Division.
External Audit	<ul style="list-style-type: none"> ✓ Reviewed and deliberated on the External Auditors' 2022 audit plan encompassing the audit approach, the areas of audit emphasis and audit fees. ✓ Reviewed and deliberated on the External Auditors reports on: <ul style="list-style-type: none"> (i) the audited financial statements for the financial year ended 31 December 2021, which include the key focus area of the audit and internal control matters, on 27 January 2022; (ii) Transparency Report which revealed how the Assurance Practice of the External Auditors places audit quality at the center of everything it does; and (iii) limited review of the unaudited financial statements for the financial period ended 30 September 2022, on 25 October 2022. ✓ Evaluated the independence and objectivity of the External Auditors by reviewing the fees and the list of non-audit services provided by the External Auditors. ✓ Reviewed and recommended to the Board the re-appointment of the External Auditors. The BAEC's evaluation was based on the performance, independence and suitability of the External Auditors. It also covers the assessment on the External Auditor's ability in meeting BIMB's requirements, business insights and ideas, service efficiency and effectiveness as well as value management.
Financial Reporting	<ul style="list-style-type: none"> ✓ Reviewed and recommended to the Board the audited financial statements for the financial year ended 31 December 2021; ✓ Reviewed the unaudited quarterly and half yearly financial result of BIMB and the Group; ✓ Recommended to the Board the proposed interim dividend for the nine (9) months ended 30 September 2022 upon being satisfied with the solvency test, and the Dividend Reinvestment Plan.
Related Party Transaction	<ul style="list-style-type: none"> ✓ Reviewed related party transactions as disclosed in the financial statements.



Areas of Focus	Matters Considered
Integrity & Governance	<ul style="list-style-type: none"> ✓ Reviewed and deliberated on the updates on Corruption Risk Management Report and approved the implementation of divisional Corruption Risk Management as well as the risk action plan once in every two (2) months. ✓ Reviewed and approved the implementation of Corruption Risk Management Review Plan on 2 December 2022. ✓ Reviewed and deliberated on the Integrity & Governance Department Reports, which include reports on the investigation of fraud cases and whistleblowing cases. ✓ Reviewed and deliberated on the development of BIMB's Organisational Anti-Corruption Plan (OACP). ✓ Reviewed the status of the implementation of Adequate Procedures to protect BIMB from Corporate Liability under Section 17A of MACC Act 2009 (Amendment 2018). ✓ Reviewed the status of the implementation of ISO 37001: 2016 Anti-Bribery Management System in BIMB. ✓ Reviewed and recommended to the Board on the structure of the Whistleblowing Disclosure in BIMB.
Corporate Secretarial	<ul style="list-style-type: none"> ✓ Reviewed the governance compliance status of BIMB and its Tier 1 subsidiaries pursuant to the relevant laws and guidelines.

TRAINING AND DEVELOPMENT

There is diversity in the BAEC composition as all members have a wide range of relevant skills, knowledge and industry experience in discharging their duties. Their areas of expertise include, amongst others, accounting, finance, economy and legal. They are financially literate and able to understand, analyse and challenge the Management on matters deliberated in the meetings including the financial reporting process. The BAEC members have demonstrated their commitment to update their knowledge and enhance their skills through appropriate continuing education programmes to ensure they will be equipped to discharge their responsibilities. During the year, the BAEC members have attended several seminars and training conferences to keep abreast with the latest developments. Details of the seminars and training programmes attended by each Director in 2022 can be found in the CG Report.

PERFORMANCE REVIEW OF THE BAEC

Based on the annual evaluation on the effectiveness of the Board, its Committees and the members of the Board, the Board is satisfied with the performance of the BAEC and its members. The BAEC has discharged its duties in accordance with its Terms of Reference and in line with the requirements of MCCG, BNM CG Policy and MMLR. The results of the annual evaluation on the BAEC for the financial year 2022 can be found in the CG Report.

RELATIONSHIP WITH EXTERNAL AUDITORS

The Board maintains a transparent and professional relationship with the External Auditors through the BAEC. The BAEC reviews and assesses the suitability, objectivity and independence of the External Auditors annually. The appointment or re-appointment of the External Auditors is carried out in accordance with the requirements set out by BIMB to ensure the independence and objectivity of the External Auditors as statutory auditors are not compromised.

The External Auditors also provide non-audit services to BIMB. For any engagement of the External Auditors to perform non-audit services, the BAEC must be satisfied that the External Auditors are suitable, independent and objective in the provision of such services. There is no element of conflict of interest and the fees chargeable are within the allowable threshold set.

The BAEC was satisfied with the quality of audit, performance, competency and the resources provided to BIMB by the External Auditors during the financial year under review. The BAEC was also satisfied that the provision of non-audit services to BIMB by the External Auditors did not impair their objectivity and independence as External Auditors of BIMB.

The amount of audit fees and non-audit fees paid by BIMB and the Group can be found on page 317 of Note 31 of the Financial Statements.

Board Audit & Examination Committee (BAEC) Report

INTERNAL AUDIT FUNCTION

BIMB has an in-house internal audit function which is performed by the Group Internal Audit Division (GIAD). The GIAD undertakes the audit on entities within BIMB, its subsidiaries and related parties of BIMB. During the financial year under review, the audited entities include BIMB Investment Management Berhad, BIMB Securities Sdn Bhd, Bank Islam Labuan Offshore Branch, BIMB Securities (Holdings) Sdn Bhd, Syarikat Al-Ijarah Sdn Bhd, Bank Islam Trust Company (Labuan) Ltd, BIMBSEC Nominees (Tempatan) Sdn Bhd and BIMBSEC Nominees (Asing) Sdn Bhd.

Based on the External Quality Assessment Review (QAR) engagement conducted in November 2021, the GIAD was assessed as “Generally Conforms” to the Institute of Internal Auditors’ International Standard for the Professional Practice of Internal Auditing (IPPF/Standard).

The GIAD is primarily responsible to undertake regular and systematic reviews in conformance with the Institute of Internal Auditors’ International Professional Practices Framework and the Internal Audit Charter to provide reasonable assurance that the risk management process, internal controls and governance practices of BIMB and its Group are operating satisfactorily and effectively and are in line with the Group’s goals and objectives. In view of the implementation of the movement control order, some of the audit works were performed offsite.

Responsibility, Scope and Methodology

The BAEC oversees the performance and effectiveness of the Internal Audit function based on the approved key performance indicators, assesses the competency and experience of the Internal Audit staff as well as the adequacy of resources so that the Internal Audit function can be performed effectively. The BAEC also ensures that the Internal Audit staff have the authority to discharge their role objectively and independently, free from any relationship or conflict of interest.

To reflect the independence of Internal Audit, the GCIA reports functionally to the Board through the BAEC and administratively to the GCEO. Zalfitri Abd Mutalip is the GCIA of BIMB. He holds a degree in Bachelor of Science in Business Administration (Finance), a Certificate in Internal Auditing for Financial Institution (CIAFIN) and is a Chartered Professional in Islamic Finance (CPIF). He has extensive experience in auditing in the financial industry and has helmed the GIAD of BIMB since 2017.

The GCIA works closely with the BAEC where there were numerous engagement sessions with the BAEC. This has facilitated the GCIA to focus on key issues on internal control within the Group.

The annual audit plan is reviewed and approved by the BAEC prior to the beginning of each financial year. The audit plan adopts a risk-based approach in determining the auditable units and frequency of the audits which focussed on the following three (3) components:

- i. Impact and likelihood of the inherent risk;
- ii. Known quality of respective controls or risk mitigants in place; and
- iii. The existence of effective risk transfer and loss impact reduction practices in minimising potential losses from negligence or fraud.

The GIAD adopts the standards and principles outlined in the Internal Control Framework of Committee of Sponsoring Organisation of the Treadway Commission (COSO) and the objectives set by the Institute of Internal Auditors’ International Professional Practices Framework which comprises the core principle for the Professional Practice of Internal Auditing, the definition of Internal Auditing and Code of Ethics.

The results of the audit conducted, including its risks, root-cause and recommendations are reported to the BAEC on a regular basis. Resolution of the audit findings and recommendations are performed by the Management and closely observed by the Management Audit Committee (MAC) whose members comprised by the Senior Management members. In addition to that, Shariah audit reports including their findings, risks, root-cause and recommendations are notified and deliberated at the Shariah Supervisory Council (SSC) meetings.

Resources

The overall costs incurred to maintain the internal audit function in the Group for the Financial Year 2022 was approximately RM8.6 million (FY2021: RM7.9 million), consists mainly of salaries and other audit related expenditures. As at 31 December 2022, the GIAD has a staff strength of 43 auditors, all of whom are equipped with the relevant experience and qualifications. 31 out of 39 auditors who joined the GIAD before 2018 had obtained the required certification, namely, Certification for Bank Auditors (CBA)/ Certified Information System Auditor (CISA) and/or CIAFIN.

The GIAD is committed to provide an independent, objective assurance and advisory services that will add value and improve the Group’s operations.



GIAD Activities in 2022

- ✓ Prepare the Audit Plan and Budget for approval of the BAEC. The Audit Plan was developed based on assessment of the significant potential risk exposure of the auditable areas;
- ✓ Provide independent assessment and objective assurance on the adequacy and effectiveness of internal controls implemented to mitigate the risk exposures. Prepare audit report consisting of observations, improvement opportunities, root-cause, management responses which include the corrective actions by the respective stakeholders, deadline for resolution and person responsible for implementation of corrective actions;
- ✓ Follow-up on the Management corrective actions on audit issues raised by the GIAD. Determine whether corrective actions taken have generally achieved the desired results to mitigate the risk exposures;
- ✓ Report to the BAEC, the final audit report highlighting the audit plan coverage, audit scope and risks covered, audit rating, significant audit findings, findings escalated for Management's immediate action, root-cause and status of corrective actions. A total of 137 audits (against the approved audit plan of 133) were conducted for the Group in FY2022;
- ✓ Report to the BAEC the adequacy, reliability, integrity and compliance of:
 - risk management, internal controls and governance processes;
 - Information Technology, stress testing procedures and practices and the back-up system to cover for contingencies and disaster;
 - Regulatory reporting, accounting records, financial reports and management information;
- ✓ Review compliance with relevant legal, regulatory and internal policies as well as compliance with Shariah rules and principles as determined by the SSC and Shariah Compliance Policy.
- ✓ Provide independent assessment on the effectiveness of the Business Continuity Plan/ Disaster Recovery Plan to ensure resumption of business activities is not hampered.
- ✓ Review, update and enhance the Internal Audit Charter by incorporating among others, additional scope and responsibilities of GCIA and GIAD related to Authority; Independence & Objectivity; Scope of Internal Audit Activities; Responsibility; and Quality Assurance and Improvement Program.
- ✓ Address the concern on GIAD's readiness, i.e., competency and capabilities of IT auditors in assessing Cloud based system and vendor.

This statement is made in accordance with the resolution of the Board dated 19 April 2023.

Statement on Risk Management and Internal Control



INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors (Board) is pleased to provide the following Risk Management and Internal Control Statement (the “Statement”) which outlines the nature and scope of risk management and internal controls of the Group during the financial year ended 31 December 2022.

This Statement has been prepared in line with the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

The Board is committed and acknowledges its responsibility to oversee the system of risk management and internal controls within the Group, including reviewing the adequacy, integrity and effectiveness to safeguard shareholders' investments and the Group's assets. BIMB has established a Group Harmonisation Committee that has carried out the initiatives to streamline and strengthen the group governance practices including the risk management and internal controls within the Group. Such initiatives enable BIMB to have an oversight of the subsidiaries within the Group.

The Board has received assurance from BIMB's GCEO and the Group Chief Financial Officer that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, during the financial year under review and up to the date of this Statement.

Taking into consideration assurances from the Management and the input from the relevant assurance providers, the Board is of the view that the systems of risk management and internal control are performing satisfactorily and are adequate to safeguard the shareholders' investments, customers' interest and the Group's assets. The Group will continue to implement new measures to strengthen its internal control and risk management environment.



BOARD RESPONSIBILITY

The Board affirms its overall responsibility and oversight in establishing a sound risk management and internal control system in the Group as well as reviewing its adequacy, integrity and effectiveness. Such a system is designed to manage the Group's risk appetite within the established risk tolerance set by the Board and the Management, minimising the risk of failure rather than total elimination of risks to achieve the Group's business objectives. Acknowledging that the system only provides reasonable and not absolute assurance against the occurrence of any material misstatement, loss or fraud, controls and processes have been put in place to contain the limitations inherent in the system such as human error and potential impact of external events beyond the Management's control.

The Board constantly keeps abreast with developments in areas of risk and governance. The Board is assisted by the Board Risk Committee (BRC) which has been delegated with primary oversight responsibilities on the Group's risk management and internal control systems. The Board is also supported by the Board Audit & Examination Committee (BAEC) which provides independent oversight of the Group's reporting process and internal control systems that facilitates appropriate checks and balances within the Group. Periodic summary reports are provided by the Committees to keep the Board informed of their work, key deliberations and decisions on delegated matters.

The Board is of the view that the internal control framework that has been instituted throughout BIMB is sufficient to safeguard the shareholder's investment, customers' interest and BIMB's assets. The governance structure established further ensures that there is effective oversight of risks and internal controls in the Group at all levels. The Board remains responsible for the governance of risk and internal control as well as all actions of the Board Committees with regard to the execution of the delegated oversight responsibilities. Reviews are continuously carried out to ensure effectiveness of the system. The Group regularly reviews and improves all controls, processes and response plan arising from the challenges of the economic uncertainties, evolving regulatory landscape, political instability and post COVID-19 pandemic impact as well as other emerging risk that may arise.

The Group has established processes to ensure the adequacy and integrity of its internal control system and manage the existing and potential risks with control and governance processes.

MANAGEMENT RESPONSIBILITY

The Management is accountable to the Board and is overall responsible for the effective implementation of the Board's policies and procedures on risk management and internal control. This is done by identifying and evaluating the risks faced by the Group and designing, operating and monitoring the risk management and internal control system to mitigate and control risks for consideration by the Board. This includes taking appropriate and timely corrective actions as required. The Management has assured the Board that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management framework and internal control systems adopted by the Group.

Statement on Risk Management and Internal Control

The Management's responsibilities in respect of risk management and internal control include:

- a) Monitoring and assessing the overall risk profile of the Group including emerging risks such as credit risk, market risk, liquidity risk, operational risk, Shariah non-compliance risk, regulatory/ compliance risk, contagion risk, IT & cyber risk, and sustainability risk (including climate-related risk);
- b) Reviewing and recommending to the BRC relevant policies, guidelines, and procedures to manage risks in accordance with the Group's strategic vision and overall risk appetite;
- c) Designing, implementing and monitoring the effective implementation of risk management and internal control system;
- d) Reporting in a timely manner to the Board on any material changes to the risks together with the corrective and mitigation actions taken.

RISK MANAGEMENT

The Board recognises that sound risk management and internal control forms an integral part of the Group's business operations and decision-making process and are critical in ensuring the Group's success and sustainable growth.

The Enterprise Risk Management (ERM) Framework is the foundation of the control mechanisms within the Group. It consists of an ongoing process to identify, assess, measure, manage, control and report material risks affecting the achievement of the Group's strategic business objectives.

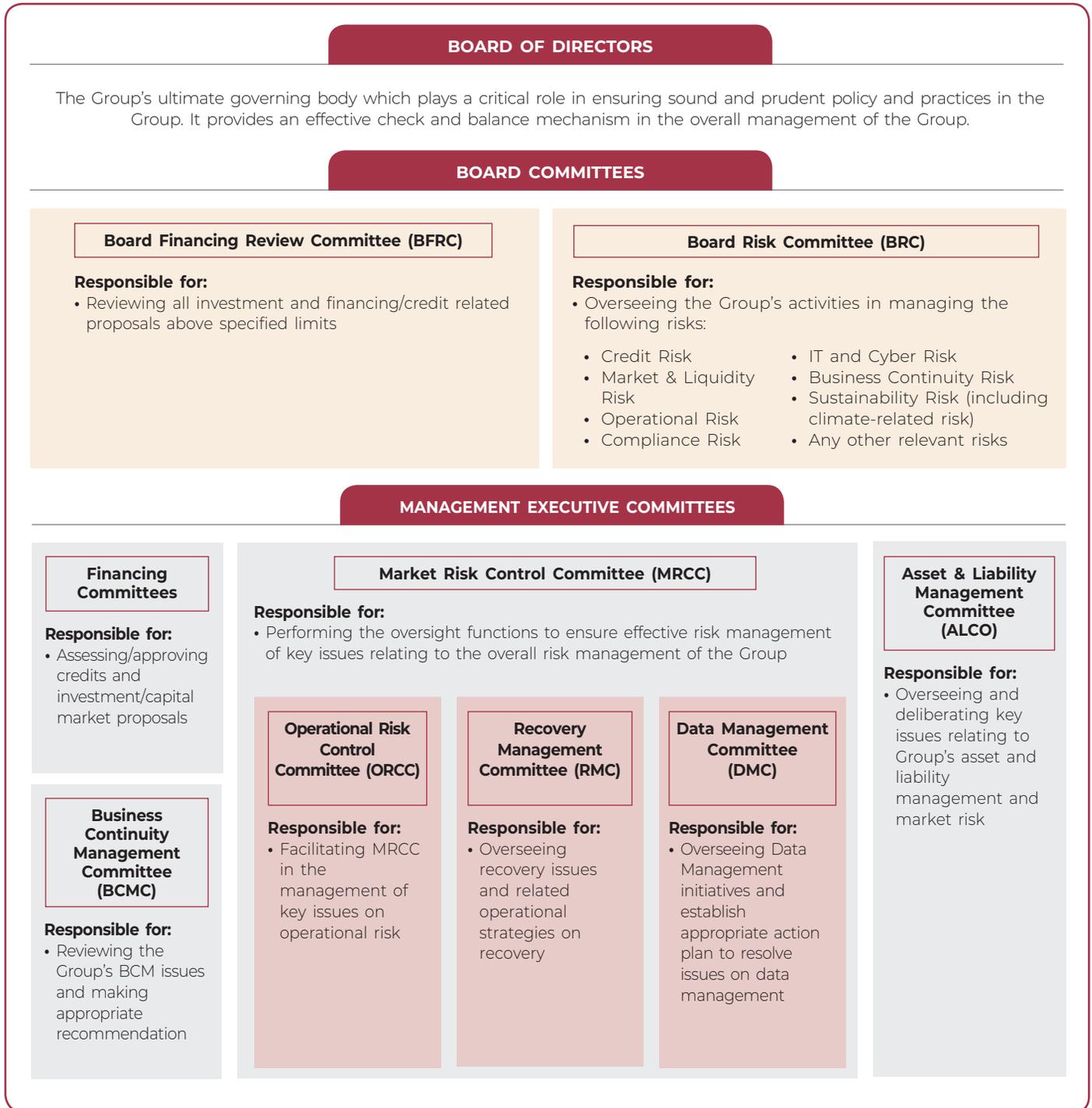
The key elements of the internal control system which is guided by the Group's ERM framework consists of the following:





Risk Governance

The Group's risk governance provides a formal transparent and effective governance structure that promotes the active involvement of the Board and Senior Management in the risk management process to ensure a uniform view of risks across the Group. The following Risk Committees have been established to facilitate the implementation of the Risk Management Framework.



Statement on Risk Management and Internal Control

The Group’s risk governance approach is premised on the 3-Lines of Defence Approach by placing accountability and ownership of risks to where they arise while maintaining the level of independence among risk taking units, risk control units and independent assurance unit in managing risk. The 3-Lines of Defence is used in implementing the ERM Framework and providing risk management accountability across the Group.

THREE LINES OF DEFENCE APPROACH



* Consists of Group Risk Management Division (including Shariah Risk Management), Group Credit Management Division, Group Compliance Division (including Shariah Compliance) and Group Information Security & Governance Division (ISGD).

Risk Appetite

The risk appetite defines the levels of risk that the Group is willing to assume within its risk capacity. It is a critical component of the Group’s ERM Framework, which enables the Board and Management at all levels to communicate, understand and assess the types and levels of risks that the Group is willing to accept in pursuit of its strategic and business goals while taking into consideration the constraints under a stressed environment. The Group’s risk appetite has been integrated into its Corporate Direction and Business Plan and remains dynamic and responsive to the changing external and internal drivers such as the business and market conditions. It is determined based on the following elements:

01	02	03
<p>Risk Capacity</p> <ul style="list-style-type: none"> • What is the maximum limit of risk the Group can withstand without causing its failure? 	<p>Risk Tolerance</p> <ul style="list-style-type: none"> • How much risk is the Group prepared to take per risk type or business unit? 	<p>Risk Appetite</p> <ul style="list-style-type: none"> • What level of risk is deemed acceptable by the Board in pursuing its strategy?

The Group takes steps to ensure that trigger levels, limit structures and delegated authorities are re-aligned and potential risk appetite implications are considered in all major resource allocation decisions. In setting the risk appetite of the Group and to enhance the Group’s risk adjusted returns, the discussion of risks is from the point of view of optimising the Group’s risk-return profile instead of ‘loss minimising’.

Guided by these principles, our risk appetite is articulated through a set of Risk Appetite Statements across the Group to ultimately balance the strategic objectives of the Group.



Risk Management Process

A standard risk management process has been adopted by the Group to ensure that Group-wide risks are properly identified and managed across all products and activities undertaken in a structured, systematic and consistent manner. The risk management process is as follows:



Under this approach, active involvement of the Board, Senior Management and staff of all levels are required in the risk management process to ensure a uniform view of risks across the Group.

Risk Culture

Risk culture is a vital component in strengthening risk governance and forms a fundamental principle of strong risk management. It is key to the long-term effectiveness of the Group's risk management strategy. As encapsulated in the Group's Risk Management Tagline, "Managing Risk is Everyone's Business", building a strong risk culture is the responsibility of the Board, Senior Management and all employees of the Group. To ensure this, the risk management process and approach has been embedded in all the Group's core business processes, functions and activities.

The Group's risk culture evolves over time and is a reflection, amongst others, of Senior Management actions, effective enforcement of policies and guidelines and communication strategies. Additionally, the Group perceives risk management as an important means of enhancing competitiveness, performance and operational resilience.

Shariah Non-Compliance Risk

Shariah non-compliance risk (SNCR) is part of operational risk and is defined as "the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Group 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 or decisions or advice of the Group's Shariah Supervisory Council. The responsibility of managing SNCR is spearheaded by the Group's Shariah Risk Management Unit that is guided by the Group's Operational Risk Management (ORM) framework and ORM Guideline. The documents detail out the Shariah risk management processes and tools in order to provide a consistent framework for managing SNCR across the Group.

Shariah risk management is a discipline that systematically identifies, measures, monitors and controls SNCR to mitigate the occurrence of SNC events within the Group. Being part of operational risk, it leverages on the same principles, processes and tools of operational risk. However, the tools are modified to suit the regulatory requirements on Shariah governance in order to provide a robust and consistent approach in managing SNCR.

Information Technology Risk

Information Technology (IT) risk (including cyber risk) is the business risk associated with the use, ownership, operation, influence, involvement and adoption of technology within the Group. It also consists of technology related events that could potentially impact the business. The banking industry heavily relies on technology and Bank Islam is no exception. Such reliance exposes the Group to IT related risks such as cyber-attacks and system disruptions. To mitigate this, Bank Islam has established a framework and related policies designed to put in place appropriate control measures and processes that are continuously being reviewed and enhanced. The Group also continues to invest in the latest IT infrastructure and tools as well as focus on human capital development.

Statement on Risk Management and Internal Control

The responsibility for IT risk is spearheaded by the Information Security & Governance Division (ISGD). While it is responsible for establishing, maintaining and enforcing IT risk policies and guidelines, it also works closely with the IT Division, especially in identification, assessment, mitigation, monitoring and reporting of IT risk in the Group. In managing IT risk, the Group is taking amongst others, the following steps:

- i. Implementing IT risk management strategy that reflects the culture, appetite and tolerance levels of the Group, taking into consideration technology, budgets and regulatory requirements;
- ii. Designing policies and internal controls – policies and internal controls are designed to reduce technology related risks to an acceptable level and the effectiveness of those controls are monitored;
- iii. Performing risk assessment – risk assessment exercises are performed by looking at vulnerabilities and threats including those related to emerging technologies, making reference to audit findings, loss events, IT projects, etc.;
- iv. Monitoring process – reviews are conducted to ensure controls are adequately implemented and if not available, interim actions to mitigate the risks are applied; and
- v. Reporting – IT and cyber risk related reports are periodically presented to Management committees and the Board for deliberation.

COMPLIANCE MANAGEMENT

Group Compliance as the second line of defence adds value by safeguarding the Bank against regulatory fines and administrative actions through our compliance programmes. We develop compliance and corruption risk assessment to formulate our monitoring intervals and review plans which provide assurance that controls are working as designed. We develop policies and procedures to set the baseline and expectations for stakeholders to further embed in their own policies and procedures.

We strongly believe that compliance starts with the understanding that an employee acts in accordance with the Bank's Code of Conduct and embracing the values espoused. It all starts with doing it right every time doing what is right at all times.

The Bank addresses and tackles financial crimes by developing typologies and red flags for financial flows, training frontline staff to identify potential suspicious transactions, and participating in public-private partnerships to share intelligence and good practices. The Bank supports the industry in combating financial crime by conducting training and providing certification to compliance officers across the industry on financial crime risks and AML topics.

In addressing the financial crime risk, the Bank has established comprehensive controls to anticipate, prevent, detect and respond to any money laundering and terrorist financing activities. The AML/CFT policy and relevant guidelines provides the roles and responsibilities and define clear roles and

responsibilities for the Board of Directors, Senior Management and employees.

The controls include putting in place several monitoring rules which are designed to detect and provide a platform to investigate and further establish potential crime. In 2022, we adopted technology in addressing financial crime by leveraging the Robotic Process Automation.

Addressing AML risk does not stop at the Bank level only. As part of managing ML/TF risk at subsidiary level, the Institutional Risk Assessment (IRA) at BIMB Investment Management Berhad and at BIMB Securities Sdn Bhd were also developed.

In performing our Group Compliance function, we have executed planned Group Reviews to support Bank Islam and its subsidiaries by conducting compliance reviews and provide reasonable assurance to minimise compliance risks. Enhancement of the roles within the review departments have been made to enable the staff to perform reviews on subsidiaries. In addition, greater synergy and collaboration between regulatory review and Shariah review teams have been achieved. This allows improved sharing of knowledge between the two (2) departments in achieving completion of respective review plans.

Group Compliance has recently set up a trade surveillance team with core function of managing conduct risk for wholesale financial market through vigilant trade surveillance deployment to detect market misconduct. This is important to ensure the Bank's Ethical Wall Policy is properly implemented.



KEY COMPLIANCE INITIATIVES FOR FY2022



STRENGTHEN AML CONTROLS

- Revised the AML/CFT rules and parameters to reduce false positive to promote more effective alerts generation.
- Adoption of technologies, i.e., robotic process automation (RPA) to facilitate screening of orders.
- Improvement on High-Risk Customer (HRC) approval process for Business Units (Commercial/Corporate/SME Banking).
- Replacement of AML system is in progress to ensure the effectiveness of AML program setting by having a modern and robust AML solution.



MULES AWARENESS & CONTROLS

- Strengthen controls in managing mule activity via several awareness campaign for targeted customers and general public which include:
 - 1) Published animation video at Youtube;
 - 2) Published awareness comic, general public advertisement via identified platform such as Social Media (Facebook, Instagram & Twitter), Corporate Website, Internet & Mobile Banking, branch LCD TV, ATM/CDM;
 - 3) Issued Bank wide memo;
 - 4) Blasted SMS and Electronic Direct Mail;
 - 5) Distributed printed collateral such as tent cards & wobblers to branches;
 - 6) Conducted awareness roadshow to regional offices;
 - 7) Conducted training for front-liners; and
 - 8) Collaboration with East Malaysia regional office.
- Strengthen controls in managing mule activity via real time detection through enhanced parameters in eChannels' Fraud Detection System (FDS).
- The Bank participated as one of the pilot banks for the operationalisation of National Scam Response Centre (NSRC) by Bank Negara Malaysia.



CERTIFICATIONS

- **Improved staff competency** through certification (AICB/ABS, ICA, ACAMS, ACFE and other regulatory compliance certification). Over 52 staff undertook 11 professional certificates in 2022.



AML/CFT, REGULATORY & INTEGRITY TRAINING/AWARENESS

- **Continuous education** on AML/CFT, Integrity and regulatory training for staff i.e., in-house training, external training (virtual/physical engagement and sharing session with PIDM, PDRM & NFCC).
- **35 webinars and virtual sessions** organised by external organiser were attended by the staff.
- **61 refresher courses** and intensive trainings were conducted bank wide.
- **3 Essential skills of a Compliance Officer** and 5 Coffee with Compliance sessions.



COMMUNIQUÉS

- Publication of learning and awareness materials through **Communiqués** to all staff at branches and business units.
- **30 publications** on various topics relating to **Compliance, AML/CFT, Ethics & Integrity** were issued in 2022.

Statement on Risk Management and Internal Control



KEY COMPLIANCE ACHIEVEMENTS AND ACTIVITIES FOR FY2022



PayNet has accredited the Bank with the **Best Independent Assessment for Retail Standalone Category 2022** due to successful adoption of a structured risk-based review methodology which facilitated the overall review process. The review was jointly prepared with Group Internal Audit.



A total of 116 compliance reviews were conducted comprising mandatory, risk-based and thematic reviews inclusive of 99 on Regulatory and AML/CFT areas and 17 on Shariah Compliance, resulting in 60 and 25 areas for improvement, respectively, to further strengthen the internal controls.

Elaborative investigation has been performed on all 12 reported cases that may have Shariah implications to the Bank's operations, businesses, affairs and activities prior to confirmation as Potential Shariah Non-Compliance (PSNC) or No Shariah Issue. The decision is crucial as the result will determine the state of purity of the income to be further recognised by the Bank. The process involves scrutinising the detailed facts, data and information related to the issues and proposing remedial action plans which may entail corrective and preventive measures.



In upholding governance and integrity, the Group Compliance through the Integrity and Governance Department (IGD) has executed its Corruption Risk Management (CRM), embarked on CRM review on all Divisions and subsidiaries, developed the blueprint for the Organisational Anti-Corruption Plan (OACP) through the formation of the Anti-Corruption Committee and the OACP Development Committee.



IGD has also laid the groundwork for Anti-bribery Management System (ABMS) ISO 37001 certification which is an international standard to prevent, detect and respond to bribery by adapting relevant anti-bribery policies and strong internal controls.



Issuance of Group Whistleblowing Policy and further strengthened communication and awareness on compliance and integrity related matters through the publication of the Integrity Ignition Notes, Integrity Bulletins, compliance communiques, communiques videos and disseminated the Bank's Integrity Kit to the Board & GMEC members.



While outsourcing is necessary for operational efficiency, we continue to instil strict governance in reviewing each outsourcing party to uphold the zero-tolerance principle particularly on corruption, bribery and adverse media. Effective collaboration with our service providers will create synergy and improve our service deliveries and spurring "Real Economy" as part of our VBI initiatives. We have introduced e-learning on outsourcing which will assist the business units in complying with the outsourcing requirements which will inadvertently help enhance quality and timeliness of outsourcing approvals.



In safeguarding customers' information and data, we have instilled the Compliance Culture by creating awareness amongst our staff and service providers on the importance of preserving banking secrecy and confidentiality. Any incidents are detected through our review process and thoroughly investigated to ensure the appropriate remedial actions are taken to avoid recurrence. We do not tolerate any unethical practices and any transgressions are severely dealt with by imposing consequence management action to the parties involved.



INTERNAL CONTROL SYSTEM

The Board has established an internal control system to provide an effective governance and oversight which include the following key components:

- **Organisational Structure**

An organisation structure with clearly defined lines of responsibility and accountability has been established in line with the business and operating requirements to support a strong control environment.

- **Annual Business Plan and Budget**

All key operating divisions are involved in the preparation of the annual business plan and budget taking into consideration the established risk appetite. They will have to go through a challenge session with the Management before the proposal is deliberated by the Board for approval. The Board will regularly review the performance achievements and any revision to the business plan and budget will be re-tabled for the Board's approval.

- **Authority Limits**

The Board has approved the Authority Limits document which outline the approving authority and the approving limits to the respective Management Committees as well as to the relevant Head of Division.

- **Oversight by the Board Audit & Examination Committee (BAEC)**

The BAEC is established to assist the Board in ensuring a reliable and transparent financial reporting process and internal control system are in place within the Group and provide an independent oversight on the effectiveness of the internal and external audit functions. Material control lapses are escalated to the BAEC for deliberation. The BAEC also deliberates on any unresolved audit findings to ensure the Management undertakes the relevant remedial actions within the timeline.

- **Oversight by the Board Risk Committee (BRC)**

The BRC assists the Board in ensuring that a sound and robust risk management framework as expected by BNM is in place and effectively implemented. The BRC provides an independent oversight on the Management's activities in managing credit risk, market risk, liquidity risk, operational risk (which includes legal risk, compliance risk, Shariah non-compliance risk, IT risk and business continuity risk), sustainability risk (including climate-related risk) and other relevant risk and to ensure that the risk management process is in place and functioning for the Group.

- **Oversight by Other Board Committees**

There are other Board Committees established to assist the Board in discharging its overall governance responsibilities and oversight functions. These Board Committees are the Board Nomination & Remuneration Committee (BNRC), the Board Financing Review Committee (BFRC), the Board Strategic & Sustainability Committee (BSSC) and the Board Information Technology Committee (BITC). The Board has delegated these Board Committees the authority to review all matters within the scope defined in their respective Terms of Reference and make the relevant recommendations to the Board.

- **Management Executive Committees**

The Management has set up various Management Executive Committees to assist and support the various Board Committees in overseeing the relevant areas of business operations and controls. This includes Group Management Executive Committee, Management Risk & Control Committee, Asset & Liability Management Committee, Management Audit Committee, Management IT Committee and Financing Committees.

- **Policies and Guidelines**

Several policies and guidelines governing the Group's business and operations have been put in place and are made available to employees via the intranet portal for reference and compliance. These policies and guidelines are regularly reviewed and updated by the respective business and support units to cater for any changes in laws and regulations as well as changes to the business and operating environments.

- **Performance Review**

The Board is regularly apprised on the key financial position of the Bank and its major subsidiaries at every Board meeting and where necessary, the Board may instruct the Management to take necessary actions to resolve any issues identified in a timely manner.

- **Regular Updates on Risk Management Report**

Risk Management frameworks, policies, guidelines, tools and methodologies are regularly reviewed and updated to ensure relevance to the current business environments and regulatory requirements. The risk management report of the Bank and its major subsidiaries are also regularly deliberated at the Board Risk Committee, where any key risk issues will be highlighted for discussion.

Statement on Risk Management and Internal Control

- **Regular Updates on Compliance Report**

Regular review on Compliance frameworks, policies, guidelines, tools and methodologies are carried out to ensure it remains relevant to the business requirements and the applicable laws and regulations. All Compliance activities undertaken by the Group are regularly reported and deliberated at the Board Risk Committee. Compliance also reports to the Board through its Compliance Risk Report on strategic issues that require oversight and attention of the Board.

- **Human Resources Management**

The effectiveness of the risk management and internal control system of the Group relies on the responsibility, integrity and sound judgment of its employees. Hence, the Group has established policies and procedures governing the recruitment, appointment, performance management and rewards as well as procedures relating to discipline, termination and dismissal for the employees. Human capital development, talent management and succession planning are given priority to ensure sustainability.

- **Code of Ethics and Code of Conduct**

The Code of Ethics and Code of Conduct have been established by the Group to ensure a high standard of ethical and professional conduct is upheld by all employees in performing their duties and responsibilities. New recruits are briefed on the Code of Ethics and they have to sign a declaration upon joining the employment.

- **Fraud Management**

Special Investigation Unit (SIU) has been established within the Integrity and Governance Department of Group Compliance Division and it is responsible for assessing complaints received, detection and investigation of any possible internal or external fraud reported. SIU strives to maintain absolute transparency of reporting and independence of investigation without influence from any internal or external parties. The SIU function is overseen by the Board Audit & Examination Committee and where it involves high profile and/or whistleblowing cases, the Group Chief Integrity & Governance Officer (GCIGO) reports directly to the Board of Directors.

- **Group Whistleblowing Policy**

The Whistleblowing Policy has been put in place to provide an avenue for all employees of the Group and members of the public to disclose any unethical or improper conduct within Bank Islam Group and to provide protection for employees and members of the public who report such allegations. An enhancement has been made to the WB channel pursuant to the group harmonisation exercise by introducing tier-based WB disclosure structure including for the subsidiaries.

- **Group Anti-Bribery and Corruption Policy**

The Group's Anti-Bribery and Corruption Policy (ABCP) was developed as part of Bank Islam's commitment to integrity and sustainable way of doing business. The ABCP is aligned with all relevant laws and regulations, including the National Anti-Corruption Plan (NACP) and Malaysian Anti-Corruption Commission (MACC) Act 2009. The ABCP underpins a zero-tolerance approach and guides Bank Islam to ensure that all opportunities on corruption and any action in relation to bribery, conflict of interest, malpractice, abuse of power could be effectively and efficiently addressed as well as ensuring compliance with all applicable anti-corruption policy.

- **Financial Crime Compliance**

The Group has established comprehensive controls to anticipate, prevent, detect and respond to any money laundering and terrorist financing activities. The AML/CFT policy outlines the roles and responsibilities and clear accountability of the Board of Directors, Senior Management and its employees.

- **Independent Assurance by the Internal Auditors**

The Board has established the Internal Audit function to provide independent assurance on the adequacy and effectiveness of the governance, risk management and internal control. The Internal Audit is headed by the Group Chief Internal Auditor who report functionally to the Board Audit & Examination Committee and administratively to the Group Chief Executive Officer. The internal audit process and activities adopt the standards and principles outlined in the Internal Control Framework of Committee of Sponsoring Organisation of the Treadway Commission (COSO) and the objectives set by the Institute of Internal Auditors' International Professional Practices Framework which comprises the core principle for the Professional Practice of Internal Auditing, the definition of Internal Auditing and Code of Ethics.

- **Bank Islam Group's Business Associates Awareness Program**

Following the enforcement of Section 17A of MACC Act 2009 which introduces the Corporate Liability provision and in ensuring the Bank Islam Group's business associates are aligned with our commitment toward corrupt-free organisation, Compliance Academy, Policy & Strategy (CAPS), has conducted an awareness session from 5th December – 9th December 2022 with 230 business associates' attendees to reinvigorate their obligations, commitment, and adherence to the principles of good corporate governance, fairness and transparency in relation to all its dealings and business activities with the Group as well as observing the Group's shared value, "Act with Integrity". All of Bank Islam Group's business associates ought to acknowledge Bank Islam Group's Integrity Kit as proof of their assiduous dedication towards zero-tolerance approach against all forms of bribery and corruption.



CORRUPTION RISK MANAGEMENT (CRM)

As reported in the preceding annual report, the Group has completed its maiden CRM exercise in FY2020 in which the Group has zero critical risks identified and, overall, the residual corruption risks were rated as satisfactory without any major concerns. Since the completion of CRM, the Group has formalised the CRM framework into a holistic policy known as the Group Corruption Risk Management Policy (GCRMP) in FY2021.

In brief, the GCRMP provides the principles and methodology for carrying out the corruption risk assessment for the Group and sets out the CRM review requirement. The policy reflects the Group's commitment to upholding the highest standards of integrity and ethics, in keeping with the Group's zero-tolerance stance to all types of bribery and corruption, as well as a commitment to conducting business with integrity, honesty, and respect.

CRM Review

The Group, through the Governance & Integrity Unit (GIU) of the Integrity & Governance Department (IGD), Group Compliance Division, has begun a CRM Review to meet the need for Adequate Procedures¹ - Principle IV: Systematic Review, Monitoring, and Enforcement.



In this respect, the BAEC has, in FY2021 approved a three-year CRM Review plan that outlines the selection and priority review criteria for better deployment of resources. Under the CRM Review Plan, high-risk stakeholders are reviewed within one (1) year, whilst medium- and low-risk stakeholders will be reviewed within two (2) and three (3) years, respectively.



¹ Adequate Procedures refers to the statutory defence against corporate liability prosecution as accorded under Section 17A (4) of the MACC Act 2009.

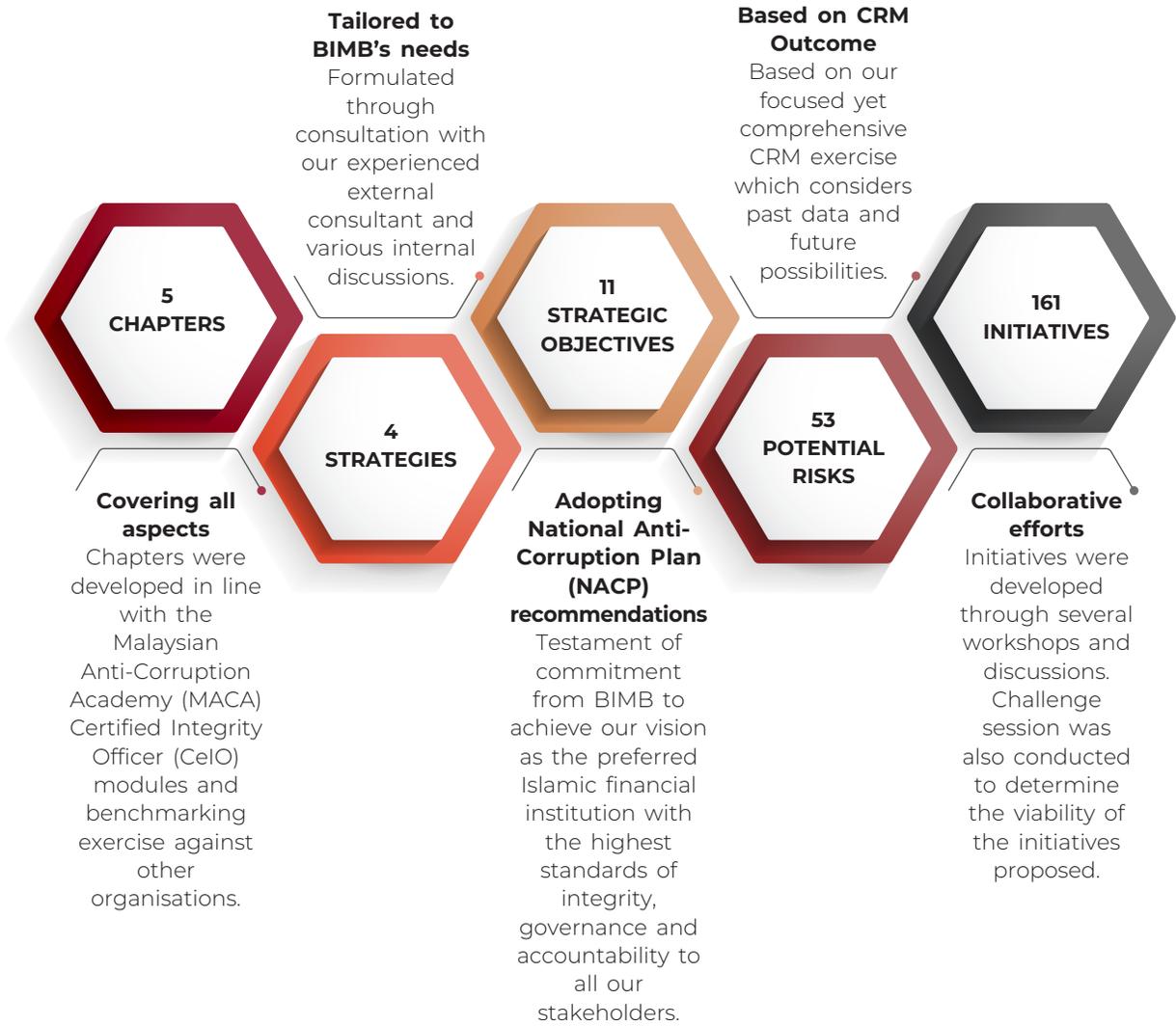
Statement on Risk Management and Internal Control

Organisational Anti-Corruption Plan (OACP) 2022-2025

The National Anti-Corruption Plan 2019-2023 (NACP), which was officially launched by the Prime Minister on 29 January 2019 suggested OACP as an anti-corruption document at the organisational level to manage corruption issues. In 2021, the Bank continued to undertake significant work to enhance its corporate governance and integrity initiatives to be in line with the NACP. The work culminated in the development of the Bank's OACP, 2022-2025, which will serve as the foundation for all the Bank's initiatives in this area in the coming years. The Bank's OACP was successfully launched on 14 July 2022 at Equatorial Hotel in the presence of MACC senior officers, representatives from Transparency International and the Bank's Board of Directors as well as Senior Management.

Monitoring and implementation of the OACP action plan and initiatives is done through two (2) main reporting structures, where IGD reports on the OACP implementation to the Group Management Executive Committee and BAEC twice a year and to the relevant regulators on the progress, as and when required.

OACP Overview





The OACP covers four (4) main priority areas, namely Business, Branch Operations, Administration & Support and Governance. IGD reviewed processes involved at the Bank for all departments and divisions and a total of 141 initiatives are included covering short, medium and long term to ensure that the Bank is free from corruption to be in line with the goals of the NACP. This plan will be constantly reviewed and updated according to the Bank's changes and organisation strategic requirements.

It is hoped that the OACP will minimise misconduct involving integrity and corruption among the Bank's staff, creating a work environment that emphasises team spirit, harmony, morality, ethics and having a first-class mind. In turn, the continuous improvement of our processes and procedures will increase customer confidence in our services for the common well-being and prosperity. The Bank will continue to be vigilant to ensure our processes and practices foster good governance and integrity.

ANTI-BRIBERY MANAGEMENT SYSTEM (ABMS) ISO:37001

The Bank has embarked on ABMS ISO:37001 certification journey in continuing the aspiration in reinforcement of anti-corruption controls as the implementation of ISO:37001 certification in the Bank would create an organisational culture that engages in a continuous cycle of self-evaluation, correction and improvement of operations and processes. The Bank has completed Phase 1 of the certification on training and awareness of ABMS and strives to complete Phase 2 and Phase 3 of the ISO:37001 certification in 2023.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide 3 (AAPG 3) (Revised 2018), *Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report* issued by the Malaysian Institute of Accountants (MIA) for inclusion in the Annual Report of the Group for the financial year ended 31 December 2022.

Based on the review conducted, the external auditors have reported to the Board that nothing has come to their attention that would cause them to believe that this Statement:

- (a) has not been prepared in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, or
- (b) is factually inaccurate.

AAPG 3 (Revised 2018) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system including the assessment and opinion by the Board of Directors and Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy the problems.

This statement is made in accordance with the resolution of the Board dated 19 May 2023.

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Directors' Report

for the financial year ended 31 December 2022

The Directors have pleasure in submitting their report and 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 in Islamic banking business and the provision of related services. The principal activities of the subsidiaries are as stated in Note 13 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

The address of the registered office of the Bank is Level 32, Menara Bank Islam, No 22, Jalan Perak, 50450 Kuala Lumpur.

There was no significant and subsequent event during the financial year ended 31 December 2022.

SUBSIDIARIES

The details of the Bank's subsidiaries are disclosed in Note 13 to the financial statements.

RESULTS

	Group RM'000	Bank RM'000
Profit before zakat and tax	746,866	754,392
Zakat and tax expense	(255,194)	(253,991)
Profit for the year	491,672	500,401

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year under review except as disclosed in the financial statements.

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2021:	
Interim dividend of approximately 10.93 sen per ordinary share paid on 20 January 2022	226,893
In respect of the financial year ended 31 December 2022:	
Interim dividend of approximately 10.40 sen per ordinary share paid on 30 January 2023	224,148
	451,041

The Directors have proposed a single tier second interim dividend of 3.40 sen per ordinary shares totalling RM76,296,000 for the financial year ended 31 December 2022.

Directors' Report

for the financial year ended 31 December 2022

DIRECTORS OF THE BANK

Directors of the Bank who served during the financial year until the date of this report are:

Tan Sri Dr. Ismail Hj. Bakar (Chairman)
 Azizan Ahmad
 Datuk Nik Mohd Hasyudeen Yusoff
 Mohd Yuzaidi Mohd Yusoff
 Mashitah Haji Osman
 Dato' Sri Amrin Awaluddin
 Mohd Asri Awang
 Datuk Bazlan Osman (appointed w.e.f. 7 January 2022)
 Puan Nuraini Ismail (appointed w.e.f. 7 January 2022)
 Dato' Sri Khazali Ahmad (retired w.e.f. 2 January 2023)
 Mohamed Ridza Mohamed Abdulla (retired w.e.f. 1 December 2022)

DIRECTORS OF THE SUBSIDIARIES

Directors of the subsidiaries who served during the financial year until the date of this report are:

Name of Company	Directors
Al-Wakalah Nominees (Tempatan) Sendirian Berhad	Sazrin Mohd Razak (appointed w.e.f. 1 January 2022) Sarina Mohd Ali (appointed w.e.f. 11 August 2022) Dr. Mohd Afzanizam Abdul Rashid (appointed w.e.f. 1 January 2022 and resigned w.e.f. 12 August 2022) Maria Mat Said (resigned w.e.f. 1 January 2022) Mohamad Jamali Haron (resigned w.e.f. 1 January 2022)
BIMB Investment Management Berhad	Dr. Mohd Hatta Dagap Azizan Abd Aziz Datin Maznah Mahbob Dato' Dr. Mohamad Zabidi Ahmad Mohamed Ridza Mohamed Abdulla (retired w.e.f. 1 December 2022) Najmuddin Mohd Lutfi (retired w.e.f. 1 July 2022)
Bank Islam Trust Company (Labuan) Ltd. and its subsidiary:	Maria Mat Said Zaharin Mohd Ali (appointed w.e.f. 3 March 2022) Zahari @ Mohd Zin Idris (retired w.e.f. 4 March 2022)
BIMB Offshore Company Management Services Sdn. Bhd.	Maria Mat Said Zaharin Mohd Ali
BIMB Solutions Sdn. Bhd. (formerly known as Farihan Corporation Sdn. Bhd.)	Ahmad Haliman Abdul Halim (appointed w.e.f. 1 January 2022) Iskandar Shah Zulkarnain (appointed w.e.f. 1 January 2022) Zaharin Mohd Ali (resigned w.e.f. 1 January 2022) Maria Mat Said (resigned w.e.f. 1 January 2022)

**DIRECTORS OF THE SUBSIDIARIES (CONTINUED)**

Name of Company	Directors
BIMB Holdings Sdn. Bhd. (converted status from BIMB Holdings Berhad on 15 November 2021)	Mohamed Iran Moriff Mohd Shariff Mohamad Jamali Haron (appointed w.e.f. 14 April 2022) Said Mohd Jawahir Said Bahari (resigned w.e.f. 15 April 2022)
BIMB Securities (Holdings) Sdn. Bhd.	Mohamad Jamali Haron (appointed w.e.f. 24 February 2022) Sarina Mohd Ali (appointed w.e.f. 24 February 2022) Adi Asri Baharom (resigned w.e.f. 25 February 2022) Kamaruzaman Abdullah (resigned w.e.f. 25 February 2022) Zahari @ Mohd Zin Idris (retired w.e.f. 3 January 2022)
<i>Subsidiary of BIMB Securities (Holdings) Sdn. Bhd.</i>	
BIMB Securities Sdn. Bhd.	Dr. Mohd Hatta Dagap Kamaruzaman Abdullah Dr. Normazilah Mahzan (appointed w.e.f. 1 February 2022) Mohd Asri Awang (appointed w.e.f. 13 May 2022) Sharifah Sarah Syed Mohamed Tahir (appointed w.e.f. 5 September 2022) Adi Asri Baharom (resigned w.e.f. 5 September 2022) Muhamad Lukman Musa @ Hussain (appointed w.e.f. 1 February 2022 and resigned w.e.f. 23 March 2022)
<i>Subsidiaries of BIMB Securities Sdn. Bhd.</i>	
BIMSEC Nominees (Tempatan) Sdn. Bhd.	Aida Sharini Abdul Wahab
BIMSEC Nominees (Asing) Sdn. Bhd.	Adam Abdul Aziz
Syarikat Al-Ijarah Sdn. Bhd	Mohamad Jamali Haron Mohd Zamri Hassan Salih Amaran Jamiaan (retired w.e.f. 3 January 2022) Khairudin Idris (retired w.e.f. 3 January 2022)

None of the Bank and subsidiaries' Directors holding office as at 31 December 2022 had any interest in the ordinary shares of the Bank and of its related corporations during the financial year.

Directors' Report

for the financial year ended 31 December 2022

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit, other than those fees and other benefits included in the aggregate amount of remuneration received or due and receivable by Directors other than as shown below:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Executive Directors				
Salaries and other remuneration	1,454	946	-	-
Non-Executive Directors				
Fees	1,771	1,687	1,485	1,396
Other emoluments	1,688	1,867	1,438	1,480
Benefit-in-kind	681	621	681	621
	4,140	4,175	3,604	3,497

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate.

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries during the financial year.

ISSUE OF SHARES AND DEBENTURES

On 21 January 2022, the Group and the Bank increased its issued and paid-up capital from 2,075,872,514 to 2,155,269,114 via the issuance of 79,396,600 new ordinary shares for a consideration of RM2.51 each arising from Dividend Reinvestment Plan.

There were no debentures issued during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

INDEMNITY AND TAKAFUL COSTS

During the financial year, the Bank maintained on group basis, a Directors', and Officers' Liability Takaful of up to an aggregate limit of RM50 million (2021: RM50 million) against any legal liability incurred by the Directors and Officers in the discharge of their duties while holding the office. The Directors and Officers shall not be indemnified by such takaful for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. The amount of premium paid was RM206,869 (2021: RM207,575) with certain reimbursement made by the Directors and Officers.



OTHER STATUTORY INFORMATION

Impaired financing

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that proper actions had been taken in relation to the writing off of bad financing and the making of impairment provisions for impaired financing, and have satisfied themselves that all known bad financing have been written-off and adequate impairment provisions made for impaired financing.

At the date of this report, the Directors are not aware of any circumstances that would render the amount written-off for bad financing, or amount of impairment provisions for impaired financing in the financial statements of the Group and of the Bank, inadequate to any substantial extent.

Current assets

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and of the Bank have been written down to their estimated realisable value.

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

Valuation methods

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

Contingent and other liabilities

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

- (a) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person, or
- (b) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business.

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

Directors' Report

for the financial year ended 31 December 2022

Change of circumstances

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

Items of an unusual nature

The results of the operations of the Group and of the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature, likely to affect substantially the results of the operations of the Group or of the Bank for the current financial year in which this report is made.

Compliance with Bank Negara Malaysia's expectations on financial reporting

In the preparation of the financial statements, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia ("BNM")'s expectations on financial reporting have been complied with, including those as set out in the Financial Reporting for Islamic Banking Institutions and Circular on the Application of Malaysian Financial Reporting Standards ("MFRS").

2023 BUSINESS PLAN AND OUTLOOK

Business Plan, Strategy and Future Outlook

The concern on inflation and geopolitical conflict will remain in 2023, despite the opening of borders and China ending its zero-COVID policy. On the back of a strong performance in 2022, Bank Negara Malaysia ("BNM") expects Malaysia's growth for 2023 to be moderate amid a slower growth of global economy. Growth will remain supported by domestic demand.

Malaysian banks remained steadfast in its role as the country's financial backbone, supporting economic recovery by providing liquidity in the market. Analysts anticipated financing growth to hover at 5% – 6% in 2023. Banking sector is expected to continuously drive the ESG and climate change agenda under the National Budget 2023.

As Malaysia's economy is recovering steadily post COVID-19 crisis, Bank Islam ("the Bank" or "BIMB") sets continuous effort to build on its core strengths, improving its mobile banking application and building strategic partnerships with targeted organisations. The Bank looks to provide financial solutions across segments through its Retail Banking distribution and Premier Wealth Banking. In addition, the newly established Institutional Banking target operating model also focuses on client centricity while manufacturing the right products. In advancing its goals to become future-ready, the Bank has embarked on the second phase of its four-year IT Blueprint in uplifting BIMB's digitalisation aspiration and ways of working.

BIMB launched its ESG Risk Management Framework on 30 October 2022 in line with regulators' key global and local efforts in building a resilient financial system. The Bank aims to double its Shariah-ESG assets to RM4 billion by the end of 2025 and continues its contribution to Malaysia's net-zero ambitions.



RATINGS ACCORDED BY EXTERNAL RATING AGENCY

During the financial year, the Bank's rating was re-affirmed as follows:

Rating agency	Date re-affirmed	Ratings
RAM Rating Services Berhad	4 January 2023	Long-term rating: AA3 Short-term rating: P1 Outlook: Stable

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have indicated their willingness to accept reappointment.

The auditors' remuneration of the Group and the Bank are RM2,384,000 and RM2,209,000 respectively. Details of auditors' remuneration are as disclosed in Note 33 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

Tan Sri Dr. Ismail Hj. Bakar

Director

Datuk Bazlan Osman

Director

Kuala Lumpur,

Date: 10 March 2023

Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 223 to 382 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia, and Shariah requirements so as to give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:



Tan Sri Dr. Ismail Hj. Bakar

Director



Datuk Bazlan Osman

Director

Kuala Lumpur,

Date: 10 March 2023



Report of the Shariah Supervisory Council

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

الحمد لله رب العالمين، والصلاة والسلام على سيدنا محمد الذي أرسله الله رحمة للعالمين هاديا مهديا، وسراجا منيرا وعلى آله وصحبه أجمعين ومن تبعهم بإحسان إلى يوم الدين، وبعد،

السلام عليكم ورحمة الله وبركاته

'Salam Sejahtera'

In carrying out the roles and responsibilities of the Shariah Supervisory Council ("SSC") as prescribed in the Shariah Governance Policy Document ("SGPD") issued by Bank Negara Malaysia ("BNM"), and in compliance with our letter of appointment, we hereby submit our report for the financial year ended 31 December 2022.

The Bank's management ensures that its conducts, operations, business, affairs, and activities follow the relevant Shariah rules and principles. Our responsibility is to form an independent opinion based on the review of conduct and businesses of the Bank in producing this report.

We had convened nine (9) meetings during the financial year in which we reviewed, among others, products, transactions, services, processes and documents of the Bank.

In performing our roles and responsibilities, we had obtained all the information and explanations which we considered necessary in providing us with sufficient evidence to give a reasonable assurance that the Bank has complied with the applicable Shariah rules and principles.

At the management level, the Group Chief Shariah Officer (cum Secretary of the SSC), who functionally reports to the SSC, oversees the conduct and effectiveness of Group Shariah Division's ("GSD") functions in carrying out the roles and responsibilities related to the Shariah secretariat, research, training and advisory. The internal control functions comprising Shariah Risk Management, Shariah Compliance and Shariah Audit residing respectively in the Group Risk Management Division, Group Compliance Division, and Group Internal Audit Division, and reporting directly to the Group Chief Risk Officer, Group Chief Compliance Officer, and Group Chief Internal Auditor further confirm the reliability of the Bank's Shariah governance.

The following are the significant developments that took place during the financial year, which reside under our purview:

APPROVALS

To ensure smooth and timely execution of our business operation, we empowered the Group Chief Shariah Officer ("GCSO") and Senior Manager of Group Shariah Division to approve variations in documents and matters which were not substantially Shariah related. The approvals were then notified to us periodically in our SSC meetings. Concurrently, the GCSO or his representative is also a member in the following committees to advise the Bank on matters relating to Shariah rules and principles:

- i) Management Operation Committee;
- ii) Sadaqa House and Zakat Committee (Vice-Chairman);
- iii) Management Sustainability Committee;
- iv) Management Risk Control Committee;
- v) Operational Risk Control Committee;
- vi) Underwriting and Investment Committee;
- vii) Product Development Oversight Steering Committee;
- viii) Financing Committee A; and
- ix) Financing Committee B;

Report of the Shariah Supervisory Council

SHARIAH GOVERNANCE

We had approved in our meetings several initiatives undertaken by the Bank in strengthening its Shariah governance, including the review of the Shariah Compliance Policy and Business Zakat Guideline of the Bank and of Bank Islam Trust Company (Labuan) Limited. Such initiatives aimed, among others, to set out the Shariah governance framework within the Bank and its Group to ensure our business operations were in line with the Shariah rules and principles.

SHARIAH RISK MANAGEMENT

We had observed that the Bank continuously implemented appropriate measures in managing its Shariah non-compliance (“SNC”) risks.

Firstly, the implementation of Risk Control Self Assessment (“RCSA”) which aimed to assess the significance of identified SNC risks and the effectiveness of the controls put in place within the respective functional areas.

Since the introduction of RCSA, a continuous process of identifying and assessing SNC risks at various functional areas had been carried out by all Risk Controllers (“RCs”). The RCs were also responsible for driving and implementing appropriate controls to mitigate any SNC events while achieving the business objectives of their respective areas. The semi-annual RCSA results, specifically on the SNC risk exposures of the Bank, were tabled in the Management Risk Control Committee and in our SSC meetings for monitoring and oversight purposes.

Secondly, the Bank in this financial year had revised the methodology for SNC risk capital allocation under the Internal Capital Adequacy Assessment Process (“ICAAP”) to ensure that it had adequate capital to support its operations at all times. The revised methodology was based on the BNM’s Capital Adequacy Framework for Islamic Banks (CAFIB - effective on 31 March 2013) as well as the inclusion of the requirement of regulatory penalty/fine clauses under Islamic Finance Service Act (2013). We always treat SNC risks as material risks and hence the importance of ensuring the comprehensiveness, accuracy and currency in the methodology for computing the ICAAP capital allocation for SNC risks.

Thirdly, the enhancement undertaken for the Operational Risk Integrated System (“ORIS”) which was launched in the previous year, encompassing the Shariah compliance elements in addition to Operational Risk and Business Continuity Management. The enhancement made focused on the effectiveness of system application and data completeness to further improve the management of risk profiles for all business and support units, thus reducing the probability of SNC or Shariah-related events.

Finally, during RCSA Launch for the period of May 2022 to December 2022, SRM took an initiative to propose one (1) new Generic Risk : Risk of failure to implement latest Shariah decision or documents approved by SSC/Group Shariah Division which leads to SNC event. The Generic Risk, as compared to Shariah Risk, imposed greater accountability on the Bank’s staff in observing and practicing Shariah requirements and eventually inculcating the shariah risk culture in a more efficient manner.

SHARIAH REVIEW & SHARIAH AUDIT

The Shariah Review and Shariah Audit functions play a vital role in ensuring Shariah compliance by evaluating and assessing operations, business, affairs and ongoing activities in the Bank. Shariah Review function is performed by the Shariah Compliance Department under Group Compliance Division. The Shariah Compliance Department is responsible to conduct regular assessment and validation on the Bank’s compliance with Shariah in its operations, business, affairs and ongoing activities, covering new products and services implementation alongside adherence with relevant regulatory requirements. The Shariah Audit Department is under the Group Internal Audit Division, and is responsible to provide an independent assessment on the quality and effectiveness of the Bank’s internal control, risk management systems, governance process, and the overall compliance of the Bank’s operations, business, affairs and activities with Shariah.

Both Shariah Review and Shariah Audit plans for the financial year were reviewed and noted by us for their implementation. Their reports were deliberated in our SSC meetings to confirm that the Bank had complied with the applicable rulings issued by the Shariah Advisory Council (“SAC”) of Bank Negara Malaysia, the SAC of Securities Commission (for capital market-related matters) and our decisions. Throughout the year, the Shariah Review and Shariah Audit exercises conducted covered the following entities/areas:

**SHARIAH REVIEW & SHARIAH AUDIT (CONTINUED)**

Shariah Audit	Shariah Review
1) Central Financing Processing Centre	1) Annual Shariah Compliance Review on Compliance with Labuan Financial Services Authority's Guidelines on Shariah Governance for Labuan Islamic Financial Institutions
2) Bureau De Change	2) Unit Trust – 3rd Party New Product – BIMB-Arabesque Global Shariah Sustainable Equity Fund
3) Deposits and Cash Management Division	3) Unit Trust – 3rd Party New Product – Makmur myWakaf Fund
4) eChannels Division	4) Unit Trust – 3rd Party New Product – BIMB One-Year Shariah Income Fund 3 (“BOSIF 3”)
5) Contact Centre & Customer Care	5) Takaful – 3rd Party New Product – Business Reducing Term Takaful (“BRTT”)
6) SME Banking Division	6) Takaful – 3rd Party New Product – Business Level Term Takaful (“BLTT”)
7) Shariah Risk Management	7) Review on Consumer Financing Products Against BNM's PD on Tawarruq
8) Shariah Compliance Department	8) Review on Murabahah to the Purchase Orderer (“MPO”) for Non-Trade Products Against Bank Negara Malaysia (“BNM”) Policy Document (“PD”) of Murabahah
9) Group Shariah Division	9) Review on Mudarabah-Based Products Against Bank Negara Malaysia (“BNM”) Policy Document (“PD”) of Mudarabah
10) Group Financial Inclusion Division	10) Review on Implementation of Ibra' (“Rebate”) Against BNM's Guideline on Ibra' for Sale-Based Financing
11) Vehicle Financing Department	11) Group Thematic Review on BIMB Investment Sdn. Bhd.: Guidelines on Islamic Fund Management
12) Bank Islam Labuan Offshore Branch (“BILOB”) ¹	12) Review on BIMB-Arabesque Global Shariah-ESG AI Technology (“BGSEAIT”)
13) 44 Bank Islam Branches ¹	13) Joint review with Product Management Division (“PMD”) on Biennial Performance Review Exercise on Existing Tawarruq Commodity Trading Platforms/Providers (“CTP”) (Shariah Compliance Aspects)
14) Thematic Review on Financing Moratorium	14) Review on Implementation of Shariah Advisory Council (“SAC”) of Bank Negara Malaysia's Resolution on Bai' 'Inah: Application of Bai'`Inah In Negotiable Islamic Debt Certificate (“NIDC”) Issuance
	15) Review on the Business Operations of Bank Islam Trust Company (“Labuan”) Ltd
	16) Review on Bank Islam Debit Card-i (BIDC-i) Against Bank Negara Malaysia (“BNM”) Policy Document (“PD”) on Debit Card-i
	17) Review on Kafalah-Based Products Against Bank Negara Malaysia (“BNM”) Policy Document (“PD”) of Kafalah

¹ Only Shariah related findings were escalated for deliberation and decision of SSC

Report of the Shariah Supervisory Council

SHARIAH TRAINING & AWARENESS

During the year, various Shariah training and awareness programmes were planned and organised for the Bank Group's Board of Directors ("BOD") and the Bank's staff nationwide. These included:

- a) Two (2) sessions for the BOD on 'Islamic Finance: What is Next?' by Datuk Professor Dr. Akram Laldin and 'Debt Based Products vs Equity Based Products – Issues and Challenges' by Prof. Dr. Asmadi Mohamed Naim;
- b) Three (3) sessions of *Bicara* SSC on prevalent Shariah topics for the Bank's staff by Prof. Madya Dr Yasmin Hanani Mohd Safian, Prof. Dato' Dr. Ahmad Hidayat Buang and Ir. Dr. Muhamad Fuad Abdullah.
- c) One (1) session of Shariah Ruling and Resolution Training (Shariah Townhall) for the Bank's Risk Controllers by Group Shariah Division ("GSD"), Shariah Risk Management Department and Shariah Compliance Department;
- d) Four (4) sessions of quarterly online Shariah training by the GSD personnel to further enhance the Shariah knowledge of staff in addition to Shariah e-learning Modules;
- e) Shariah Online Quiz consisting of five (5) Modules, another platform for the Bank's staff to assess their level of Shariah knowledge in understanding the fundamental concepts and principles of Islamic banking with the issuance of a certificate of achievement for each Module;
- f) Three (3) Shariah awareness sessions conducted during induction programme for new Bank staff;
- g) One (1) Shariah risk session was conducted at head office as part of Operational Risk Management training, one (1) session at branch level for targeted Risk Controllers ("RC"), two (2) sessions for SME Banking staff, and one (1) session with Contact Centre & Consumer Care staff, all aimed to increase awareness and Shariah risk culture among staff.

The Bank had also continued to support the elevation of our Shariah and Islamic banking knowledge as well as that of relevant staff by engaging relevant professional bodies and training providers such as Islamic Banking & Finance Institute Malaysia ("*IBFIM*"), Association of Shariah Advisors in Islamic Finance ("*ASAS*") and Chartered Institute of Islamic Finance Professionals. As SSC members, we and the said relevant staff had attended certification programmes and courses organised by the following bodies:

1. Chartered Professional in Islamic Finance ("*CPIF*");
2. Certified Shariah Advisor ("*CSA*");
3. Certified Shariah Practitioner ("*CSP*");
4. Associate Qualification in Islamic Finance ("*AQIF*");
5. Intermediate Qualification in Islamic Finance ("*IQIF*");
6. Certified Qualification in Islamic Finance ("*CQIF*");
7. Certified Professional Shariah Auditor ("*CPSA*"); and
8. Islamic Financial Planner ("*IFP*").

SHARIAH NON-COMPLIANT EVENTS & INCOME

Throughout 2022, we had confirmed the following three (3) incidents of SNC events:

1. Two (2) of the events had occurred at branches that were related to improper execution of aqad for deposit product and granting of financing facilities to a company with SNC activities; and
2. One (1) event had occurred at the head office which was related to the absence of commodity trading for tawarruq-based deposit.

We were also informed of the causes of the incidences and noted that the Bank had taken necessary corrective and preventive measures to avoid the same incident from recurring in the future. We also confirmed that the SNC events and their corresponding rectification plans had been presented to us for endorsement and subsequently to the Board of Directors for approval before being reported to BNM according to the prescribed reporting requirements.



SHARIAH NON-COMPLIANT EVENTS & INCOME (CONTINUED)

On top of SNC events, we noted that the Bank operations may lead to non-halal income, such as interest received, commissions from third party investment product and commissions from SNC merchants of card business. These streams of income are unavoidable and shall be segregated from Bank's income for the purpose of channeling to charity.

Within this financial year, the Bank had collected Shariah non-compliant income amounting to RM39,312.59. A total of RM48,414.01 from the collected amount had been purified and disposed of to charitable causes upon our approval, as noted in Note 25 (Sources and Uses of Charity Funds) of our Financial Statement.

BUSINESS ZAKAT

In this financial year, the Bank had fulfilled its obligation to pay *zakat* on its business to state *zakat* authorities by adopting the capital growth computation method, in compliance with the Banking Zakat Management Manual (*Pengurusan Zakat Perbankan*) issued by the Wakaf, Zakat and Hajj Department (*Jabatan Wakaf, Zakat dan Haji – JAWHAR*). The Bank paid the *zakat* on the Bank's portion namely, shareholders' fund and other funds received by the Bank excluding depositors' fund and Investment Account Holders' fund.

Several *zakat* authorities had mandated the Bank as their agent (*wakil*) to distribute a portion of the *zakat* paid by the Bank to eligible beneficiaries (*asnaf*) as guided by the Business Zakat Guideline which we approved.

SAFEGUARDING THE INVESTMENT ACCOUNT HOLDERS ("IAH") INTEREST

In ensuring that the interest and rights of IAH were protected, we confirmed that the profit allocation for the IAH was as per Shariah rules and principles where the profit computation formula had been duly presented and approved by us. The performance of the Investment Account had also been disclosed and reported via the issuance of Fund Performance Report ("FPR"), which had been made available on the Bank's website.

SADAQA HOUSE INITIATIVE

In protecting the Sadaqa House fund and the interest of its donors, we confirmed that the fund management and distribution had been implemented as per the applicable Shariah rules and principles. We had approved the Sadaqa House Management Guideline that governed the conduct and management of the Sadaqa House fund to ensure that its operation was in line with Shariah rules and principles. The Sadaqa House and Zakat Committee were both being chaired by the Group Chief Financial Inclusion Officer who had been mandated to execute the Sadaqa House initiatives in accordance with the Sadaqa House Management Guideline and the Charity Fund Management Guideline.

We had also taken note of the financial statements of the Bank and were not aware of any non-compliance with the applicable Shariah rules and principles.

Report of the Shariah Supervisory Council

SADAQA HOUSE INITIATIVE (CONTINUED)

Based on the above, it is our opinion that, with the exception of the three (3) SNC incidents mentioned above.

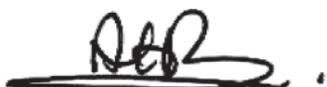
1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2022, were in compliance with the applicable Shariah rules and principles;
2. The allocation of profits and charging of losses relating to Investment Accounts conformed to the basis that we have approved;
3. The computation, payment and distribution of business *zakat* comply with the applicable Shariah rules and principles;
4. All earnings realised from sources or by means prohibited by the applicable Shariah rules and principles were either disposed of to charitable causes or refunded to the deserving counterparties.

On that note, we, the members of the Shariah Supervisory Council of Bank Islam Malaysia Berhad, do hereby confirm that, to the best of our knowledge, the operations of the Bank for the year ended 31 December 2022 had been conducted in conformity with the applicable Shariah rules and principles.

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

Allah knows best.

Members of the Council:



Professor Dato' Dr. Ahmad Hidayat Buang



Dr. Shamsiah Mohamad



Associate Professor Dr. Yasmin Hanani Mohd Safian



Sahibus Samahah Datu Hj. Kipli Hj. Yassin



Professor Dr. Asmadi Mohamed Naim



Ir. Dr. Muhamad Fuad Abdullah

Kuala Lumpur,
Date: 10 March 2023



Statutory Declaration

pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Azizan Abd Aziz**, the officer primarily responsible for the financial management of Bank Islam Malaysia Berhad, do solemnly and sincerely declare that the financial statements set out on pages 223 to 382 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the above named Azizan Abd Aziz, MIA CA (32474) in Kuala Lumpur on 10 March 2023.

Azizan Abd Aziz

Before me,



No. 2-8, 2nd Floor Wisma Konwa
No 40 & 42, Jalan Tun Perak
(Lebuh Ampang)
50050 Kuala Lumpur

Independent Auditors' Report

to the members of Bank Islam Malaysia Berhad
(Incorporated in Malaysia) (Company No. 198301002944 (98127-X))

OUR OPINION

In our opinion, the financial statements of Bank Islam Malaysia Berhad ("the Bank") and its subsidiaries ("the Group") 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 their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

WHAT WE HAVE AUDITED

We have audited the financial statements of the Group and of the Bank, 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 other comprehensive income, consolidated statement of changes in equity, statement of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 223 to 382.

BASIS FOR OPINION

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

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

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

OUR AUDIT APPROACH

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**KEY AUDIT MATTERS (CONTINUED)**

Key audit matters	How our audit addressed the key audit matters
<p>Impairment of Financing, Advances and Others</p> <p>Refer to Note 2.5 and 2.10 of the summary of significant accounting policies and Notes 8, 29 and 41 (b)(iii) of the Financial Statements.</p> <p>We focused on this area due to the size of the carrying value of financing, advances and others, which represented 72.2% of total assets of the Group.</p> <p>In addition, impairment is a highly subjective area as the Group exercised significant judgement on the following areas:</p> <p><u>Timing of identification of Stage 2 and Stage 3 financing, advances and others</u></p> <ul style="list-style-type: none"> Assessment of objective evidence of impairment of financing, advances and others based on mandatory and judgemental triggers. Identification of financing, advances and others that have experienced a significant increase in credit risk. <p><u>Individual assessment</u></p> <p>Estimates on the amount and timing of futures cash flows based on realisation of collateral or customer's business cash flows.</p> <p><u>Collective assessment</u></p> <p>Choosing the appropriate collective assessment models and assumptions for the measurement of ECL such as expected future cash flows and forward – looking macroeconomic factors.</p>	<p>We tested the design and operating effectiveness of the controls over impairment of financing, advances and others. These controls covered:</p> <ul style="list-style-type: none"> Identification of financing, advances and others that have experienced significant increase in credit risk or objective evidence of impairment; Governance over the impairment processes, including model development, model approval and model validation; Data used to determine the allowances for credit losses including the completeness and accuracy of the key inputs and assumptions into respective ECL models; and Review and approval of the ECL calculation. Our detailed testing over the financing, advances and others are as follows: <p><u>Individual assessment</u></p> <ul style="list-style-type: none"> Examined a sample of financing, advances and others particularly focused on customers identified by the Group as having lower credit quality, rescheduled and restructured, borrowers in high risk industries and formed our own judgement as to whether there was a significant increase in credit risk or any objective evidence of impairment. Where objective evidence of impairment was identified by the Group and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the Group in the impairment loss calculation, challenging the assumptions and comparing estimates to external evidence where available. Calculations of the discounted cash flows were also re-performed. <p><u>Collective assessment</u></p> <ul style="list-style-type: none"> Assessed the methodologies inherent within the collective assessment ECL models applied against the requirements of MFRS 9, including the basis used by the management to determine the key assumptions used in respective ECL models; Assessed and tested the significant modelling assumptions, including the basis or judgment used for management's overlays; Assessed and considered reasonableness of forward-looking forecasts assumptions; and Tested the accuracy of data inputs used in ECL models and checked the calculation of ECL amount, on a sample basis. Based on the procedures performed on individual and collective assessment, we did not find any material exceptions to the Group's assessment on impairment of financing, advances and others.

Independent Auditors' Report

to the members of Bank Islam Malaysia Berhad
(Incorporated in Malaysia) (Company No. 198301002944 (98127-X))

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report and Report of the Shariah Supervisory Council, which we obtained prior to the date of this auditors' report, and Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the 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 that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

- (a) 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.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.



AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the 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.
- (e) 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.
- (f) 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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.

Pricewaterhousecoopers PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Dato' Mohammad Faiz Bin Mohammad Azmi
02025/03/2024 J
Chartered Accountant

Kuala Lumpur,
10 March 2023

Statements of Financial Position

as at 31 December 2022

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
ASSETS					
Cash and short-term funds	3	7,145,114	5,222,848	7,128,159	5,204,364
Financial assets at fair value through profit or loss	4	299,128	1,582,494	272,735	1,550,700
Derivative financial assets	5	123,000	26,037	123,000	26,037
Financial assets at fair value through other comprehensive income	6	12,093,417	12,604,204	12,094,304	12,605,067
Financial assets at amortised costs	7	3,055,256	1,348,844	3,055,256	1,348,844
Financing, advances and others	8	64,901,994	58,153,769	64,901,994	58,153,769
Other assets	9	600,746	312,954	501,471	257,080
Statutory deposits with Bank Negara Malaysia	10	950,508	264,050	950,508	264,050
Current tax assets		7,203	7,047	6,662	6,662
Deferred tax assets	11	212,349	193,214	211,377	191,773
Right-of-use assets	12	184,383	196,000	183,959	195,614
Investments in subsidiaries	13	–	–	100,905	100,905
Property and equipment	14	223,995	244,753	221,835	241,952
Intangible assets	15	54,578	–	54,578	–
Total assets		89,851,671	80,156,214	89,806,743	80,146,817
LIABILITIES AND EQUITY					
Deposits from customers	16	60,707,504	57,338,834	60,821,715	57,363,926
Investment accounts of customers	17	14,461,439	10,452,902	14,564,962	10,561,601
Deposits and placements of banks and other financial institutions	18	70,068	20,421	70,068	–
Derivative financial liabilities	5	137,324	20,112	137,324	20,421
Bills and acceptance payable		22,441	2,001,720	22,441	20,112
Recourse obligations on financing sold to Cagamas	19	3,005,343	2,014,849	3,005,343	2,001,720
Subordinated sukuk and capital securities	20	2,222,092	1,570,602	2,222,092	2,014,849
Other liabilities	21	2,070,964	303,448	1,910,462	1,538,375
Lease liabilities	12	295,585	33,388	295,167	302,984
Zakat and taxation	22	62,668	–	62,582	33,256
Total liabilities		83,055,428	73,756,276	83,112,156	73,857,244
EQUITY					
Share capital	23	3,645,043	3,445,757	3,645,043	3,445,757
Reserves	24	3,151,200	2,954,181	3,049,544	2,843,816
Total equity		6,796,243	6,399,938	6,694,587	6,289,573
Total liabilities and equity		89,851,671	80,156,214	89,806,743	80,146,817
Restricted investment accounts managed by the Bank	17	43	849	43	849
Total Islamic banking assets owned and managed by the Bank		89,851,714	80,157,063	89,806,786	80,147,666
Commitments and contingencies	44	18,883,556	18,764,994	18,883,556	18,764,994

The notes on pages 253 to 382 are an integral part of these financial statements.



Statements of Profit or Loss

for the financial year ended 31 December 2022

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Income derived from investment of depositors' funds	26	2,585,912	2,260,072	2,585,912	2,260,072
Income derived from investment account funds	27	587,924	497,538	587,924	497,538
Income derived from investment of shareholders' funds	28	402,459	458,750	378,885	430,950
Net allowance for impairment on financing and advances, net of recoveries	29	(140,032)	(190,738)	(140,032)	(190,738)
Loss on modification of financial assets		-	(48,911)	-	(48,911)
Net allowance for impairment on other financial assets		959	(7,406)	959	(7,406)
Direct expenses		(11,414)	(10,938)	(11,414)	(10,938)
Total distributable income		3,425,808	2,958,367	3,402,234	2,930,567
Wakalah fees from restricted investment accounts	17	59	308	59	308
Income attributable to depositors	30	(1,072,342)	(818,688)	(1,072,524)	(818,883)
Income attributable to investment account holders	31	(194,066)	(160,127)	(196,535)	(160,643)
Total net income		2,159,459	1,979,860	2,133,234	1,951,349
Personnel expenses	32	(821,955)	(723,830)	(788,420)	(701,784)
Other overhead expenses	33	(483,467)	(461,922)	(483,266)	(449,062)
Finance cost	36	854,037	794,108	861,548	800,503
		(107,171)	(89,887)	(107,156)	(89,878)
Profit before zakat and tax		746,866	704,221	754,392	710,625
Zakat		(13,682)	(12,275)	(13,622)	(12,222)
Tax expense	37	(241,512)	(157,641)	(240,369)	(157,256)
Profit for the year		491,672	534,305	500,401	541,147
Earnings per share (sen)	38	22.86	21.87		

The notes on pages 253 to 382 are an integral part of these financial statements.

Statements of Other Comprehensive Income

for the financial year ended 31 December 2022

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit for the year	491,672	534,305	500,401	541,147
Other comprehensive income, net of tax:				
Items that are or may be reclassified subsequently to profit or loss				
Currency translation differences in respect of Labuan operations	11,076	(14,774)	11,056	(14,680)
Movement in fair value reserve (debt securities):				
Net change in fair value	(101,101)	(303,103)	(101,125)	(303,228)
Changes in expected credit loss (debt securities)	(3,975)	(6,834)	(3,975)	(6,834)
Net amount transferred to profit or loss	(1,181)	(87,903)	(1,181)	(87,903)
Income tax effect relating to components of other comprehensive income	26,171	94,671	26,171	94,671
	(69,010)	(317,943)	(69,054)	(317,974)
Items that will not be reclassified to profit or loss				
Movement in fair value reserve (equity instrument):				
Net change in fair value	(1,495)	13,583	(1,471)	13,708
Other comprehensive income for the year, net of tax	(70,505)	(304,360)	(70,525)	(304,266)
Total comprehensive income for the year	421,167	229,945	429,876	236,881

The notes on pages 253 to 382 are an integral part of these financial statements.



Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2022

Group	Note	← Attributable to equity holders of the Bank →			
		← Non-distributable →		Distributable	Total equity RM'000
		Share capital RM'000	Other reserves RM'000	Retained earnings RM'000	
At 1 January 2022		3,445,757	(10,899)	2,965,080	6,399,938
Profit for the year		-	-	491,672	491,672
Currency translation differences in respect of Labuan operations		-	11,076	-	11,076
Fair value reserve (debt instruments):					
Net change in fair value		-	(101,101)	-	(101,101)
Changes in expected credit loss		-	(3,975)	-	(3,975)
Net amount transferred to profit or loss		-	(1,181)	-	(1,181)
Income tax effect relating to components of other comprehensive income		-	26,171	-	26,171
Fair value reserve (equity instruments):					
Net change in fair value		-	(1,495)	-	(1,495)
Total comprehensive income for the year		-	(70,505)	491,672	421,167
Transfer to regulatory reserve		-	136,000	(136,000)	-
Dividends paid on ordinary shares	39			(224,148)	(224,148)
Issue of shares pursuant to Dividend Reinvestment Plan		199,286	-	-	199,286
At 31 December 2022		3,645,043	54,596	3,096,604	6,796,243

Note 24

The notes on pages 253 to 382 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2022

Group	Note	← Attributable to equity holders of the Bank →				Total equity RM'000
		← Non-distributable →		Distributable		
		Share capital RM'000	Other reserves RM'000	Retained earnings RM'000		
At 1 January 2021		3,306,118	182,274	2,797,307	6,285,699	
Profit for the year		-	-	534,305	534,305	
Currency translation difference in respect of Labuan operations		-	(14,774)	-	(14,774)	
Fair value reserve (debt instruments):						
Net change in fair value		-	(303,103)	-	(303,103)	
Changes in expected credit loss		-	(6,834)	-	(6,834)	
Net amount transferred to profit or loss		-	(87,903)	-	(87,903)	
Income tax effect relating to components of other comprehensive income		-	94,671	-	94,671	
Fair value reserve (equity instruments):						
Net change in fair value		-	13,583	-	13,583	
Total comprehensive income for the year		-	(304,360)	534,305	229,945	
Effect on predecessor accounting		-	111,187	-	111,187	
Dividends paid on ordinary shares	39	-	-	(366,532)	(366,532)	
Issue of shares pursuant to Dividend Reinvestment Plan		139,639	-	-	139,639	
At 31 December 2021		3,445,757	(10,899)	2,965,080	6,399,938	

Note 24

The notes on pages 253 to 382 are an integral part of these financial statements.



Bank	Note	← Attributable to equity holders of the Bank →			
		← Non-distributable →		Distributable	Total equity RM'000
		Share capital RM'000	Other reserves RM'000	Retained earnings RM'000	
At 1 January 2022		3,445,757	(121,843)	2,965,659	6,289,573
Profit for the year		-	-	500,401	500,401
Currency translation difference in respect of Labuan operations		-	11,056	-	11,056
Fair value reserve (debt instruments):					
Net change in fair value		-	(101,125)	-	(101,125)
Changes in expected credit losses		-	(3,975)	-	(3,975)
Net amount transferred to profit or loss		-	(1,181)	-	(1,181)
Income tax effect relating to components of other comprehensive income		-	26,171	-	26,171
Fair value reserve (equity instruments):					
Net change in fair value		-	(1,471)	-	(1,471)
Total comprehensive income for the year		-	(70,525)	500,401	429,876
Transfer to regulatory reserve		-	136,000	(136,000)	-
Dividends paid on ordinary shares	39	-	-	(224,148)	(224,148)
Issue of shares pursuant to Dividend Reinvestment Plan		199,286	-	-	199,286
At 31 December 2022		3,645,043	(56,368)	3,105,912	6,694,587

Note 24

The notes on pages 253 to 382 are an integral part of these financial statements.

Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2022

Bank	Note	← Attributable to equity holders of the Bank →			
		← Non-distributable →		Distributable	Total equity RM'000
		Share capital RM'000	Other reserves RM'000	Retained earnings RM'000	
At 1 January 2021		3,306,118	182,423	2,791,044	6,279,585
Profit for the year		-	-	541,147	541,147
Currency translation difference in respect of Labuan operations		-	(14,680)	-	(14,680)
Fair value reserve (debt instruments):					
Net change in fair value		-	(303,228)	-	(303,228)
Changes in expected credit loss		-	(6,834)	-	(6,834)
Net amount transferred to profit or loss		-	(87,903)	-	(87,903)
Income tax effect relating to components of other comprehensive income		-	94,671	-	94,671
Fair value reserve (equity instruments):					
Net change in fair value		-	13,708	-	13,708
Total comprehensive income for the year		-	(304,266)	541,147	236,881
Dividends paid on ordinary shares	39	-	-	(366,532)	(366,532)
Issue of shares pursuant to Dividend Reinvestment Plan		139,639	-	-	139,639
At 31 December 2021		3,445,757	(121,843)	2,965,659	6,289,573

Note 24

The notes on pages 253 to 382 are an integral part of these financial statements.



Statements of Cash Flow

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 zakat and tax	746,866	704,221	754,392	710,625
Adjustments for:				
Depreciation of property and equipment	59,785	59,225	58,928	58,803
Amortisation of intangible assets	1,024	–	1,024	–
Depreciation of right-of-use assets	17,198	18,197	16,726	18,042
Net gain on disposal of property and equipment	(68)	(603)	–	(602)
Property and equipment written-off	769	619	482	619
Allowance for impairment on financing, advances and others	232,478	265,937	232,478	265,937
Loss on modification of financial assets	–	48,911	–	48,911
Net allowance for impairment on other financial assets	4,330	7,406	4,330	7,406
Reversal of allowance for impairment on financial assets at AC	(5,289)	–	(5,289)	–
Net (gain)/loss on sale of financial assets at FVTPL	(108)	7,347	(108)	7,373
Net gain on sale of financial assets at FVOCI	(1,181)	(87,903)	(1,181)	(87,903)
Fair value loss/(gain) on FVTPL	16,720	(16,497)	16,780	(16,350)
Dividend from subsidiary	–	–	(3,000)	(800)
Dividend from financial assets at FVTPL	(10,065)	(11,677)	(9,598)	(11,326)
Dividend from financial assets at FVOCI	(237)	–	(237)	–
Rebate on investment in unit trust	(1,915)	(2,217)	(1,915)	(2,217)
Net derivative gain	(3)	(7)	(3)	(7)
Finance cost on subordinated sukuk and capital securities	90,375	72,575	90,375	72,575
Profit expense on lease	16,796	17,312	16,781	17,303
Operating profit before changes in assets and liabilities	1,167,475	1,082,846	1,170,965	1,088,389
Changes in assets and liabilities:				
Deposits and placements of banks and other financial institution	70,068	–	70,068	–
Financing, advances and others	(6,980,703)	(3,797,982)	(6,980,703)	(3,797,982)
Statutory deposits with Bank Negara Malaysia	(686,458)	(71,625)	(686,458)	(71,625)
Bills and other receivables	(410,016)	(1,313,346)	(366,675)	(1,374,267)
Deposits from customers	3,368,670	6,261,572	3,457,789	6,268,475
Investment accounts of customers	4,008,537	(1,915,626)	4,003,361	(1,807,296)
Bills and acceptance payable	2,329	(9,509)	2,329	(9,509)
Other liabilities	620,012	100,097	491,736	104,148
Recourse obligation on financing sold to Cagamas	1,003,623	500,533	1,003,623	500,533
Cash generated from operations	2,163,537	836,960	2,166,035	900,866
Zakat paid	(12,234)	(11,967)	(12,218)	(11,822)
Tax paid	(206,763)	(227,995)	(205,881)	(227,612)
Net cash generated from operating activities	1,944,540	596,998	1,947,936	661,432

The notes on pages 253 to 382 are an integral part of these financial statements.

Statements of Cash Flow

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 investing activities				
Purchase of property and equipment	(95,485)	(71,155)	(94,887)	(70,862)
Acquisition of subsidiaries, net of cash acquired	-	(14,793)	-	(85,380)
Proceeds from disposal of property and equipment	68	609	-	607
Dividend from subsidiary	-	-	3,000	800
Dividend from financial assets at FVTPL	10,065	11,677	9,598	11,326
Dividend from financial assets at FVOCI	237	-	237	-
Income from rebate on investment in unit trust	1,915	2,217	1,915	2,217
Net proceeds from disposal/purchase of securities	(9,159)	(702,959)	(14,644)	(715,809)
Net cash used in investing activities	(92,359)	(774,404)	(94,781)	(857,101)
Cash flows from financing activities				
Issuance of subordinated sukuk and capital securities	500,000	300,000	500,000	300,000
Dividend paid on ordinary shares	(226,893)	(139,639)	(226,893)	(139,639)
Proceeds from issuance of ordinary shares pursuant to Dividend Reinvestment Plan	199,286	139,639	199,286	139,639
Redemption of subordinated sukuk	(300,000)	-	(300,000)	-
Finance cost paid on subordinated sukuk and capital securities	(83,132)	(70,890)	(83,132)	(70,890)
Payments of lease liabilities	(30,240)	(30,818)	(29,669)	(30,676)
Net cash generated from financing activities*	59,021	198,292	59,592	198,434
Net increase in cash and cash equivalents	1,911,202	20,886	1,912,747	2,765
Cash and cash equivalents at 1 January	5,222,848	5,216,737	5,204,364	5,216,280
Exchange difference on translation	11,064	(14,775)	11,048	(14,681)
Cash and cash equivalents at 31 December	7,145,114	5,222,848	7,128,159	5,204,364

* Net cash generated from financing activities are solely attributable to changes from financing cash flows.

The notes on pages 253 to 382 are an integral part of these financial statements.

**RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

The table below details changes in liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's and the Bank's statements of cash flows from financing activities.

Group	Subordinated sukuk and capital securities		Lease liabilities RM'000	Total RM'000
	Nominal RM'000	Finance cost payable RM'000		
At 1.1.2021	1,700,000	13,164	312,429	2,025,593
New acquisition	300,000	–	4,512	304,512
Changes from financing cash flows	–	(70,890)	(30,818)	(101,708)
Finance cost for the year	–	72,575	17,312	89,887
Effects of movement in exchange rates	–	–	13	13
At 31.12.2021	2,000,000	14,849	303,448	2,318,297
At 1.1.2022	2,000,000	14,849	303,448	2,318,297
New acquisition	500,000	–	5,569	505,569
Redemption	(300,000)	–	–	(300,000)
Changes from financing cash flows	–	(83,132)	(30,240)	(113,372)
Finance cost for the year	–	90,375	16,796	107,171
Effects of movement in exchange rates	–	–	12	12
At 31.12.2022	2,200,000	22,092	295,585	2,517,677

The notes on pages 253 to 382 are an integral part of these financial statements.

Statements of Cash Flow

for the financial year ended 31 December 2022

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

Bank	Subordinated sukuk and capital securities		Lease liabilities RM'000	Total RM'000
	Nominal RM'000	Finance cost payable RM'000		
At 1.1.2021	1,700,000	13,164	312,429	2,025,593
New acquisition	300,000	-	3,915	303,915
Changes from financing cash flows	-	(70,890)	(30,676)	(101,566)
Finance cost for the year	-	72,575	17,303	89,878
Effects of movement in exchange rates	-	-	13	13
At 31.12.2021	2,000,000	14,849	302,984	2,317,833
At 1.1.2022	2,000,000	14,849	302,984	2,317,833
New acquisition	500,000	-	5,059	505,059
Redemption	(300,000)	-	-	(300,000)
Changes from financing cash flows	-	(83,132)	(29,669)	(112,801)
Finance cost for the year	-	90,375	16,781	107,156
Effects of movement in exchange rates	-	-	12	12
At 31.12.2022	2,200,000	22,092	295,167	2,517,259

The notes on pages 253 to 382 are an integral part of these financial statements.



Notes to the Financial Statements

for the financial year ended 31 December 2022

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in Islamic banking business and the provision of related financial services. The principal activities of its subsidiaries are as disclosed in Note 13 to the financial statements.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Level 32, Menara Bank Islam
No. 22, Jalan Perak,
50450 Kuala Lumpur.

The consolidated financial statements comprise the Bank and its subsidiaries (together referred to as the “Group”). These financial statements were approved by the Board of Directors on 10 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

(a) Statement of compliance

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

The Government has introduced certain measures to assist customers experiencing temporary financial constraints due to the pandemic. The key measures affecting regulatory and accounting treatment and classifications are as follows:

(i) Moratorium repayment on financing:

- The Bank has granted an automatic repayment moratorium on all individuals’ and small-medium enterprises’ (“SMEs”) financing (except for credit card balances) for a period of six months from 1 April 2020. The automatic moratorium applied to financing not in arrears exceeding 90 days as at 1 April 2020 and denominated in Malaysian Ringgit. This measure is extended beyond 1 October 2020 to viable customers on a case-to-case basis, whose applications are received on or before 30 June 2021 via various repayment assistance. On 6 July 2021, BNM announced that individuals, microenterprise customers and SMEs affected by the COVID-19 pandemic, may start applying for the six-month moratorium from 7 July 2021 onwards, in line with the Government’s Pakej Perlindungan Rakyat dan Pemulihan Ekonomi (PEMULIH). In addition to the moratorium, The Bank has offered a reduction in instalments and other packages, including to reschedule and restructure financing and advances to suit the specific financial circumstances of customers.
- Furthermore, the Bank and Agensi Kaunseling dan Pengurusan Kredit (“AKPK”) has introduced the Financial Management & Resilience Programme (“URUS”) for individual customers who continued to be affected by the COVID-19 pandemic whose applications are received from 15 November 2021 to 31 January 2022.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

- (i) Moratorium repayment on financing: (continued)
- For credit card balances, the Bank offered the option to convert the balances to term financing.
 - For corporate customers, the Bank granted assistance through repayment moratorium or additional working capital or rescheduling and restructuring of existing facilities. This is to enable viable corporations in preserving jobs and resuming economic activities when conditions stabilise and improve.

The financial impact of the moratorium repayment is disclosed in Note 2.19.

- (ii) Definition of defaulted exposures under the policy documents on Capital Adequacy Framework for Islamic Banks for which assistance is granted:
- The determination of “days past due” is based on the new repayment terms of rescheduled and restructured financing.
 - Individuals or SMEs are not considered to be in default based on the “unlikeliness to repay” at the time of when the assistance was granted, except for when customers are subject to bankruptcy action.
 - Corporates “unlikeliness to repay” are based on holistic assessment of all relevant factors and information, not on the act of accepting assistance from the Bank.

The regulatory capital treatment above shall apply to financing denominated in Malaysian Ringgit that meet the following criteria;

- The principal or profit or both, is not in arrears exceeding 90 days at the application date of assistance.
- The application is received on or before due date of the respective assistance program.

The regulatory capital treatment would also be applicable to rescheduled and restructured financing that are facilitated by AKPK, the Small Debt Resolution Scheme and the Corporate Debt Restructuring Committee.

- (iii) Classification in the Central Credit Reference Information System (“CCRIS”)

The following shall apply for Rescheduled and Restructured (“R&R”) financing with arrears not exceeding 90 days at the application date of assistance received:

- The financing need not be reported as R&R in CCRIS; and
- The financing need not be reported as credit-impaired in CCRIS

Customers under URUS shall be identified as enrolled in the programme to facilitate follow up and monitoring by AKPK and the Bank in order to provide further support. The identification shall be removed once the customers exit the programme or at the earliest, six months after enrollment date.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

Other than as described above, the adoption of other accounting standards, interpretations and amendments did not have any significant impact on the Group and the Bank.

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

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

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

The amendments clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

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

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

- Amendments to MFRS 101, *disclosure of accounting policies*

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

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

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(a) Statement of compliance (continued)

- Amendments to MFRS 108, *Definition of Accounting Estimates*

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

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

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

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2024

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

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

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

The Group and the Bank plan to apply the abovementioned standards, amendments and interpretations on the respective effective dates.

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



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost convention except for derivative financial instruments, financial assets at fair value through profit or loss (“FVTPL”) and fair value through other comprehensive income (“FVOCI”), which have been measured at fair value.

(c) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia (“RM”), which is the Bank’s functional currency. All financial information is presented in RM and has been rounded to the nearest thousand (RM’000), unless otherwise stated.

(d) Use of estimates and judgement

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimates are revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect in determining the amount recognised in the financial statements are described in Note 2.10 – Impairment.

2.2 Basis of consolidation

(a) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Bank. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee’s return.

Investments in subsidiaries are measured in the Bank’s statement of financial position at cost less impairment losses, if any. Where there is an indication of impairment, the carrying amount of the investment is assessed. A write down is made if the carrying amount exceeds its recoverable amount.

(b) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation

(b) Business combinations

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised.

The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The comparative information is not restated.

(c) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as a financial asset at FVOCI depending on the level of influence retained.

(d) Transactions eliminated on consolidation

In preparing the consolidated financial statements, intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Foreign currency

(a) Foreign currency transactions

In preparing the financial statements of the Group entities, transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of reporting date are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of FVOCI equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

(b) Foreign operations denominated in functional currencies other than Ringgit Malaysia ("RM")

The results and financial position of all the Group entities and branch of the Bank (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- the assets and liabilities of operations denominated in functional currencies other than RM, including fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting date;
- the income and expenses of the foreign operations are translated to RM at average exchange rates for the period; and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation and at Bank, exchange differences arising from the translation of any net investment in foreign entities and branch, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences relating to that foreign operation recognised in other comprehensive income and accumulated in the separate component of equity are reclassified to profit or loss, as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Cash and cash equivalents

Cash and cash equivalents include cash and short-term funds, and deposits and placements with banks and other financial institutions maturing within three months.

2.5 Financial instruments

Financial instruments are classified and measured using accounting policies as mentioned below. The Group and the Bank have consider the impact of the pandemic and there is no changes to the Group's and the Bank's business model for managing the financial instruments.

Initial recognition and measurement

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

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

Classification and subsequent measurement

On initial recognition, a financial asset is classified and measured at: amortised cost; FVOCI - debt instrument; FVOCI – equity instrument; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group and the Bank change its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

(a) Financial assets measured at amortised cost

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

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

These assets are subsequently measured at amortised cost using effective profit rate method. These assets are stated net of unearned income and any impairment loss.

Included in financial assets measured at amortised cost are financing, advances and others which consist of sale-based contracts (namely Bai' Bithaman Ajil, Bai Al-Inah, Murabahah, Bai Al-Dayn and At-Tawarruq), lease-based contracts (namely Ijarah Muntahiah Bit-Tamleek, construction- based contract (Istisna') and Ar-Rahnu contract.

These financing contracts are recorded in the financial statements as financial assets measured at amortised cost based on concept of 'substance over form' and in accordance with MFRS 9.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Classification and subsequent measurement (continued)

(b) Financial assets at FVOCI

(i) FVOCI – debt instrument

A debt instrument is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

These assets are subsequently measured at fair value. Any gain or loss arising from a change in the fair value is recognised in the fair value reserve through other comprehensive income except for profit income, impairment losses and foreign exchange gains and losses arising from monetary items which are recognised in profit or loss. On derecognition or disposal, the cumulative gains or losses previously recognised in OCI is reclassified from equity into profit or loss. Profit calculated for a debt instrument using the effective profit method is recognised in the profit or loss.

(ii) FVOCI – equity instrument

On initial recognition of an equity instrument that is not held for trading, the Group and the Bank may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

These assets are subsequently measured at fair value. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are never reclassified to profit or loss.

(c) Financial assets at FVTPL

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

These financial assets are subsequently measured at their fair values and any gain or loss arising from a change in the fair value will be recognised in the profit or loss.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets – Business model assessment

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

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual profit income, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's and the Bank's continuing recognition of the assets.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

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

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

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

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Classification and subsequent measurement (continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and profit (“SPPI”) (continued)

A prepayment feature is consistent with the SPPI criterion if the prepayment amount substantially represents unpaid amounts of principal and profit on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual profit (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Derivative financial instruments

The Group and the Bank hold derivative financial instruments to hedge its foreign currency and profit rate exposures. However, the Group and the Bank elect not to apply hedge accounting. Hence, foreign exchange trading positions, including spot and forward contracts, are revalued at prevailing market rates at statement of financial position date and the resultant gains and losses for the financial year are recognised in the profit or loss.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. In the event of an embedded derivatives, the host contract that is not a financial assets are recognised separately and accounted for in accordance with the policy applicable to the nature of the host contract.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

The financial liabilities measured at amortised cost are deposit from customers, investment accounts of customers, recourse obligations on financing sold to Cagamas, bills and acceptance payables, Subordinated Sukuk Murabahah and other liabilities.

Fair value through profit or loss category comprises financial liabilities that are derivatives or financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Financial liabilities (continued)

(a) Investment accounts

Investment accounts are either:

(i) *Unrestricted investment accounts*

An unrestricted investment account ("UA") refers to a type of investment account where the investment account holder ("IAH") provides the Bank with the mandate to make the ultimate decision without specifying any particular restrictions or conditions. The UA is structured under Mudharabah and Wakalah contracts.

Impairment allowances required on the assets for investment accounts are charged to and borne by the investors.

(ii) *Restricted investment accounts*

Restricted investment account ("RA") refers to a type of investment account where the IAH provides a specific investment mandate to the Bank such as purpose, asset class, economic sector and period of investment.

RA is accounted for as off balance sheet as the Bank has no risk and reward in respect of the assets related to the RA or to the residual cash flows from those assets except for the fee income generated by the Bank for managing the RA. The Bank also has no ability to exercise power over the RA to affect the amount of the Bank's return. The RA is structured under the Wakalah contract whereby the IAH appoints the Bank as the agent to invest the funds provided by IAH to finance customers with a view of earning profits and the Bank receives fees for the agency service provided.

Financial guarantee contracts

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

Fees and commissions arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- the amount of the allowance for impairment; and
- the premium received on initial recognition less cumulative income recognised in accordance with the principle of MFRS 15.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Financial instruments (continued)

Derecognition

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

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

Offsetting

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

2.6 Property and equipment

(a) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property and equipment.

Purchased software and management information system under development that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Property and equipment (continued)

(a) Recognition and measurement (continued)

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

The gain or loss on disposal of an item of property and equipment is determined by comparing the proceeds from disposal with the carrying amount of property and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(b) Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and the Bank, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

(c) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group and the Bank will obtain ownership by the end of the lease term. Freehold land is not depreciated. Depreciation on management information system under development commences when the assets are ready for their intended use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

The estimated useful lives for the current and comparative periods are as follows:

• Long term leasehold land	50 years
• Building improvement and renovations	10 years
• Furniture, fixtures and fittings	2 – 10 years
• Office equipment	6 years
• Motor vehicles	5 years
• Computer equipment	5 – 7 years

Depreciation methods, useful lives and residual values are reassessed at end of the reporting period, and adjusted as appropriate.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

Computer software

Cost associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group and the Bank are recognised as intangible assets when the following criteria are met:

- (i) it is technically feasible to complete the software product so that it will be available for use;
- (ii) management intends to complete the software product and use or sell it;
- (iii) there is an ability to use or sell the software product;
- (iv) it can be demonstrated how the software product will generate probable future economic benefits;
- (v) adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- (vi) the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development, employees costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an expense in a subsequent period.

Computer software development costs recognised as an assets are amortised from the point at which the asset is ready for use over their estimated useful lives of 5 years.

2.8 Leases

Leases are recognised as Right-Of-Use ("ROU") assets and corresponding liabilities at the date at which the leased assets are available for use by the Group and the Bank. The right-of-use assets are depreciated over the lease term on a straight-line basis.

The associated lease liabilities are measured at the present value of the remaining lease payments, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, an incremental borrowing rate is used in determining the discount rate which assumes the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain the asset. The weighted average incremental borrowing rate applied for the Group and the Bank was at 5.7%.

Each lease payment is allocated between the lease liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Leases (continued)

Lessee accounting

The Group and the Bank first consider whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition, the Group and the Bank assess whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group and the Bank;
- the Group and the Bank have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; or
- the Group and the Bank have the right to direct the use of the identified asset throughout the period of use.

The Group and the Bank assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group and the Bank recognises a right-of-use asset and a lease liability on the statement of financial position. The ROU asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group and the Bank, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group and the Bank depreciates the ROU assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The Group and the Bank also assesses the ROU asset for impairment when such indicators exist.

At the commencement date, the Group and the Bank measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the profit rate implicit in the lease if that rate is readily available or the Group's or Bank's incremental financing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for profit expense. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the ROU asset, or profit and loss if the ROU asset is already reduced to zero.

The Group and the Bank have elected to account for short-term leases using the practical expedients. Instead of recognising a ROU asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Leases (continued)

Lessee accounting (continued)

Lessor accounting

As a lessor, the Group and the Bank classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Leases, where the Group and the Bank does not assume substantially all the risks and rewards of ownership are classified as operating leases and, the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

When the Group and the Bank are an intermediate lessor, it assesses the lease classification of a sublease with reference to the ROU asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group and the Bank apply the exemption described above, then it classifies the sublease as an operating lease.

2.9 Bills and other receivables

Bills and other receivables are stated at amortised cost less any allowance for impairment.

2.10 Impairment

Impairment of financial assets

(i) Impairment of financial assets

The Group and the Bank recognise allowance for impairment or allowance for expected credit losses “ECL” on financial assets measured at amortised cost, financial guarantee contracts, financing commitments and debt securities measured at FVOCI, but not to investments in equity instruments.

ECL is recognised and measured according to two approaches, which are general approach/three stage approach or simplified approach.

General approach/three stage approach

Under collective assessment, the Group and the Bank apply a three-stage approach to measuring ECL on financial assets measured at amortised cost and FVOCI. Financial assets migrate through the following three stages based on the change in credit quality since initial recognition:

i) Stage 1: 12 months ECL (“Stage 1”)

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

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment (continued)

Impairment of financial assets (continued)

(i) Impairment of financial assets (continued)

General approach/three stage approach (continued)

ii) Stage 2: Lifetime ECL – not credit impaired (“Stage 2”)

For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, a lifetime ECL is recognised.

iii) Stage 3: Lifetime ECL – credit impaired (“Stage 3”)

Financial assets are assessed as credit impaired when one or more events that have a negative impact on the estimated future cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL is recognised.

Financial instruments that are credit-impaired with exposure more than RM1 million are assessed on individual basis.

The Group and the Bank define a financial instruments that has objective evidence of impairment as default, when it meets one or more of the following criteria;

Quantitative criteria;

- i) Principal or profit of both is past due for more than 90 days/MIA 3
- ii) Cross default

Qualitative criteria;

A financing is credit impaired when one or more triggers/criteria that have a detrimental impact on the estimated future cash flow of the financial asset have occurred. The Group and the Bank consider the following obligatory triggers;

- i) Ceased operation
- ii) Bankruptcy/wound up
- iii) Fraud with investigation report duly confirmed as fraud
- iv) Liquidator/R&M appointed
- v) Deceased
- vi) Practice Note 17 (“PN17”) classification by Bursa Malaysia and a loss of repayment capability

The Group and the Bank consider the economic and financial measures announced by the Government, i.e. automatic moratorium as well as rescheduling and restructuring for eligible customers are granted as part of an unprecedented government effort to support the economy amid the pandemic, rather than in response to the financial circumstances of individual customers. Judgement is exercised in determining the significant increase in credit risk for customers receiving relief assistance and do not automatically result in a stage transfer.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment (continued)

Impairment of financial assets (continued)

(i) Impairment of financial assets (continued)

General approach/three stage approach (continued)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group and the Bank consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Bank's historical experience, informed credit assessment and including forward-looking information.

The Group and the Bank assume that the credit risk on a financial asset has increased significantly when it is more than 30 days past due. The Group and the Bank also use its internal credit risk grading system and external risk rating to assess deterioration in credit quality of a financial assets.

The Group and the Bank assess whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar risk characteristics, taking into account the asset type, industry, geographical location, collateral type, past-due status and other relevant factors. These characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the counterparty's ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Simplified approach

Measures the loss allowance at lifetime expected credit losses without the need to identify significant increase in credit risk.

(ii) Measurement of ECL

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group and the Bank expect to receive).

ECLs are discounted at the effective profit rate of the financial asset.

(iii) Incorporation of forward-looking information

Relevant macroeconomic factors are incorporated in the risk parameters as appropriate. The key macroeconomics variables ("MEV") that are incorporated in determining ECLs include, Consumer Price Index ("CPI"), Gross Domestic Product ("GDP"), House Price Index ("HPI"), and Kuala Lumpur Composite Index ("KLCI").

Forward-looking macroeconomic forecasts are generated by the Group's and the Bank's Economist as part of the ECL process. An economic forecast is accompanied with three economic scenarios: a base case (60%), which is the median scenario, and two less likely scenarios, one upside (20%) and one downside (20%).

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment (continued)

Impairment of financial assets (continued)

(iii) Incorporation of forward-looking information (continued)

Selected MEVs are projected over the forecast period, and they could have a material impact in determining ECLs. Forecasted MEVs are derived by Economist using time series econometrics. The data series are procured from the official source such as Department of Statistics Malaysia ("DOSM"), BNM and other government agencies. Prior to MEV forecast, Economist would gather his or her intelligence from discussion with the policy makers, institutional investors and other news flow (main stream and social media) in order to form an opinion. The opinion may cover the economic policies, business cycle and financial market condition. This will be the main input before embarking MEV forecast exercise.

The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

(iv) Recognition of ECL Overlays

Changed in economic conditions should be reflected in MEVs scenarios and their weightings. If there is an event or situation that cannot be reflected in the MEVs such as the unprecedented COVID-19 pandemic, post-model or ECL overlays will be considered.

ECL Overlays may be required in addition to the existing ECL modelling taking into account the following matters:

- Uncertainty of economic condition.
- Difficulty of predicting reliably the forecast period due to unprecedented nature of an event such as pandemic or economic crisis.
- Significant challenge to differentiate the good versus bad credit risk due to absence of delinquency data in effect of payment moratorium.
- Specific overlays on large exposure customer with significant increase in credit risk on case to case basis.
- Government support on mitigating the impact of unprecedented event such as the COVID-19 pandemic.

ECL Overlays can be recognised or allocated to a specific financing customer or based on portfolio basis.

(v) Credit impaired financial assets

At each reporting date, the Group and the Bank assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a negative impact on the estimated future cash flows of the financial asset have occurred.

Certain obligatory and judgmental triggers that the Group and the Bank use to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as default or delinquency in profit or principal payments;
- the restructuring of a financing or advance by the Group and the Bank on terms that the Group and the Bank would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- based on external credit assessment institutions rating which indicates high likelihood of default.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment (continued)

Impairment of financial assets (continued)

(vi) Presentation of allowance for ECL in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in other comprehensive income.

(vii) Restructured financing

A financing that is renegotiated is derecognised if the existing agreement is cancelled and a new agreement made on substantially different terms or if the terms of an existing agreement are modified such that the renegotiated financing is a substantially different instrument. Where such financing are derecognised, the renegotiated contract is a new financing and impairment is assessed in accordance with the Group's and the Bank's accounting policy.

Where the renegotiation of such financing is not derecognised, the gross carrying amount is recalculated based on the revised cash flows with gain or loss on modification recognised in profit or loss. Impairment continues to be assessed for significant increases in credit risk compared to the initial origination credit risk rating.

(viii) Write-off

The gross carrying amount of a financial asset is written-off when the Group and the Bank have no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. For individual customers, the Group and the Bank have a policy of writing off the gross carrying amount when the financial asset is 180 days past due based on historical experience of recoveries of similar assets. For commercial and corporate customers, the Group and the Bank individually make an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery. The Group and the Bank expect no significant recovery from the amount written-off. However, financial assets that are written-off could still be subject to enforcement activities in order to comply with the Group's and the Bank's procedures for recovery of amounts due.

Impairment of non-financial assets

The carrying amount of other assets (except for current tax assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, 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.

An impairment loss is recognised if the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit or loss.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment (continued)

Impairment of other assets (continued)

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the profit or loss in the year in which the reversals are recognised.

2.11 Bills and acceptances payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

2.12 Government grants

Grant from the government is recognised at their fair value when there is a reasonable assurance that the grant will be received and the Group and the Bank will comply with all attached conditions.

Government grants relating to costs are recognised in the profit or loss over the periods to match the related costs for which the grants are intended to compensate.

The benefit of a government loan at a below-market rate of interest is treated as a government grant. The loan shall be recognised and measured in accordance with MFRS 9 Financial Instruments. The benefit of the below-market rate of interest shall be measured as the difference between the initial carrying value of the loan determined in accordance with MFRS 9 and the proceeds received. The benefit is accounted for in accordance with MFRS 120. The Group and the Bank shall consider the conditions and obligations that have been, or must be, met when identifying the costs for which the benefit of the loan is intended to compensate.

2.13 Provisions

A provision is recognised if, as a result of a past event, the Group and the Bank have a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

The provisions are reviewed at each reporting date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

2.14 Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events not wholly within the control of the Group and the Bank, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Contingent assets

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

2.16 Segment reporting

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

2.17 Share Capital

Ordinary shares are classified as equity in the statement of financial position. Cost directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting period but not distributed at the end of the reporting period. Distributions to holders of an equity instrument are recognised directly in equity.

2.18 Recognition of income

Financing income

Financing income is recognised in the profit or loss using the effective profit rate method. The effective profit rate is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial instruments. When calculating the effective profit rate, the Group and the Bank have considered all contractual terms of the financial instruments but do not consider future credit losses. The calculation includes all fees and transaction costs integral to the effective profit rate, as well as premium or discounts.

Income from a sale-based contract is recognised on effective profit rate basis over the period of the contract based on the principal amounts outstanding whereas income from Ijarah (lease-based contract) is recognised on effective profit rate basis over the lease term.

For credit-impaired financial assets the effective profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

Fee and other income recognition

Financing arrangement, management and participation fees, underwriting commissions, brokerage fees and wakalah performance incentive fees are recognised as income based on contractual arrangements. Fees from advisory and corporate finance activities are recognised net of service tax, discounts on satisfaction of performance obligations and completion of each stage of the assignment.

Dividend income from subsidiaries and other investments are recognised when the Group's and the Bank's rights to receive payment is established.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Material profit or loss items

The Group and the Bank have identified items which is material due to the significance of their nature and/or their amount. This is listed separately here to provide a better understanding of the financial performance of the Group and of the Bank.

	Group and Bank	
	2022 RM'000	2021 RM'000
Loss on modification of financial assets	-	(48,911)

During the previous financial year, the Group and the Bank granted an automatic moratorium on certain financing repayments (except for credit card balances), to individuals and small and medium enterprises (SMEs) for a period of six months from 1 April 2020. The automatic moratorium was applicable to financing that are not in arrears exceeding 90 days and denominated in Malaysian Ringgit. This measure was to assist customers experiencing temporary financial constraints due to the COVID-19 pandemic.

Following the end of the six-month blanket moratorium, the Group and the Bank continue to support financing customers that face difficulties in fulfilling their financial obligation, through various Repayment Assistance ("RA") program.

As a result of the payment moratorium and TRA, the Group and the Bank recognised a one-off loss of RMNil (2021: RM48,910,000) arising from the modification of the expected cash flows of the financing.

The following table includes a summary of information for financial assets with lifetime ECL whose cash flows were modified during the financial year as part of the Group and Bank's restructuring and rescheduling activities and their respective effect on the Group and the Bank's financial performance:

	Group and Bank	
	2022 RM'000	2021 RM'000
Financing, advances and others:		
Amortised cost before modification	1,764,242	1,247,366
Net modification loss	1,751,328	1,232,548

2.20 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.



2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Income tax (continued)

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.21 Zakat

This represents business zakat that is paid on the Bank's portion. It is an obligatory amount payable by the Group and the Bank to comply with the rules and principles of Shariah.

2.22 Employee benefits

Short-term 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 liability is recognised for the amount expected to be paid under short-term cash bonus and termination benefits 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 is charged to the 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.

2.23 Earnings per ordinary shares

The Group presents basic earnings per share data for its ordinary shares ("EPS"). Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the year.

Notes to the financial statements

for the financial year ended 31 December 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Fair value measurements

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Group and the Bank have access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group and the Bank measure the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Group and the Bank use valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Group and the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Group on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Group and the Bank recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

**3. CASH AND SHORT-TERM FUNDS**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Cash and balances with banks and other financial institutions	817,436	754,313	816,234	751,187
Money at call and interbank placements with maturity not exceeding three months	6,327,678	4,468,535	6,311,925	4,453,177
	7,145,114	5,222,848	7,128,159	5,204,364

All bank balances are assessed to have low credit risk as they are held with reputable banking institutions and the identified expected credit loss was immaterial.

Cash and bank balances of the Group includes restricted cash amounting to RM718,000 (2021: RM10,391,000) which is attributed to the creation of units of the funds. Accordingly, amount due to trustee was recognised and disclosed in Note 21 to the financial statements.

4. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS ("FVTPL")

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unit trust	244,260	295,395	217,877	263,611
Malaysian Islamic Treasury Bills	49,847	1,131,574	49,847	1,131,574
Islamic Commercial Paper	-	145,300	-	145,300
Corporate Sukuk	5,021	10,225	5,011	10,215
	299,128	1,582,494	272,735	1,550,700

Notes to the financial statements

for the financial year ended 31 December 2022

5. DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

The following tables summarise the contractual or underlying principal amounts of derivative financial instruments held at fair value through profit or loss. The principal or contractual amount of these instruments reflects the volume of transactions outstanding at financial position date, and do not represent amounts at risk.

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

Group and Bank	2022		
	Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Forward contracts	7,713,420	122,827	(137,223)
Profit rate swaps	42,286	173	(101)
	7,755,706	123,000	(137,324)

Group and Bank	2021		
	Notional amount RM'000	Fair value	
		Assets RM'000	Liabilities RM'000
Forward contracts	7,505,850	25,120	(19,753)
Profit rate swaps	79,153	917	(668)
	7,585,003	26,037	(20,421)

**6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (“FVOCI”)**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Financial assets at FVOCI:				
(a) Debt instrument*	12,017,378	12,526,670	12,017,378	12,526,670
(b) Equity instrument	76,039	77,534	76,926	78,397
	12,093,417	12,604,204	12,094,304	12,605,067

* Included in debt instruments are investment made in Malaysian Government Securities (“MGS”) and Malaysian Government Investment Issues (“MGII”) amounting to RMNIL (2021: RM600,000,000) as part of the Bank’s Statutory Reserves Requirements (“SRR”) compliance.

(a) Debt instrument at FVOCI

	Group and Bank	
	2022 RM'000	2021 RM'000
Malaysian Government Investment Issues	4,344,171	3,497,806
Corporate Sukuk	7,357,640	7,143,163
Malaysian Islamic Treasury Bills	315,567	962,313
Islamic Commercial Papers	–	923,388
	12,017,378	12,526,670

Movement of allowance for impairment on financial assets at FVOCI:

	Group and Bank			
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Stage 4 RM'000
At 1 January 2021	403	–	–	403
Changes in credit risk	(99)	–	7,000	6,901
Purchases and origination	64	–	–	64
Derecognition and disposal	(131)	–	–	(131)
At 31 December 2021/1 January 2022	237	–	7,000	7,237
Transfer to Stage 2	(21)	21	–	–
Changes in credit risk	6	460	3,500	3,966
Purchases and origination	46	–	–	46
Derecognition and disposal	(37)	–	–	(37)
At 31 December 2022	231	481	10,500	11,212

Notes to the financial statements

for the financial year ended 31 December 2022

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI") (CONTINUED)

(b) Equity instrument at FVOCI

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Quoted Shares				
– outside Malaysia [#]	7,000	17,004	7,000	17,004
Unquoted Shares				
– in Malaysia*	69,023	60,515	69,910	61,378
– outside Malaysia	16	15	16	15
	69,039	60,530	69,926	61,393
	76,039	77,534	76,926	78,397

The Group and the Bank designated certain investments as equity instrument at FVOCI. The FVOCI designation was made because these instruments are either held for socio-economic purposes or not for trading purposes.

Equity instrument at FVOCI of the Bank mainly comprise the following significant individual investment:

	Fair value		Dividend income	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
*Amana Bank Limited	7,000	17,004	237	–
*Payment Networks Malaysia Sdn Bhd	69,023	60,515	–	–

7. FINANCIAL ASSETS AT AMORTISED COST ("AC")

	Group and Bank	
	2022 RM'000	2021 RM'000
Debt instrument at amortised cost:		
Malaysian Government Investment Issues	2,288,813	802,446
Corporate sukuk	668,595	551,687
Malaysian Islamic Treasury Bills	97,848	–
	3,055,256	1,354,133
Less: Allowance for impairment	–	(5,289)
	3,055,256	1,348,844

**8. FINANCING, ADVANCES AND OTHERS****(a) By type and Shariah contract**

Group and Bank 2022	Bai' Bithaman Ajil RM'000	Murabahah RM'000	Bai' Al-Dayn RM'000	Bai' Al-Inah RM'000	At- Tawarruq RM'000	Ijarah Muntahiah Bit- Tamleek [^] RM'000	Istisna' RM'000	Total RM'000
Cash line	-	-	-	280	1,436,808	-	-	1,437,088
Term financing								
House financing	2,710,203	-	-	-	23,123,198	-	38,521	25,871,922
Syndicated financing	-	-	-	-	1,565,789	-	-	1,565,789
Leasing financing	-	-	-	-	-	81,238	-	81,238
Bridging financing	-	-	-	-	-	-	33,031	33,031
Personal financing	-	-	-	2,188	19,834,524	-	-	19,836,712
Other term financing	181,798	1,402,239	-	-	13,675,552	-	884	15,260,473
Staff financing	35,137	20,709	-	-	482,389	-	5,577	543,812
Credit cards	-	-	-	-	508,104	-	-	508,104
Trade bills discounted	-	539,190	89,410	-	20,388	-	-	648,988
Trust receipts	-	4,565	-	-	-	-	-	4,565
Pawn broking	-	-	-	-	150,135	-	-	150,135
	2,927,138	1,966,703	89,410	2,468	60,796,887	81,238	78,013	65,941,857
Allowance for impairment on financing, advances and others								
- Stage 1								(366,051)
- Stage 2								(224,397)
- Stage 3								(449,415)
Net financing, advances and others								64,901,994

[^] Assets funded under Ijarah financing are owned by the Bank throughout the tenure of the Ijarah financing and ownership of the assets will be transferred to customer at the end of financing tenure for a token consideration or other amount as specified in the Ijarah financing contract.

Notes to the financial statements

for the financial year ended 31 December 2022

8. FINANCING, ADVANCES AND OTHERS (CONTINUED)

(a) By type and Shariah contract (continued)

Group and Bank 2021	Bai' Bithaman Ajl RM'000	Murabahah RM'000	Bai' Al-Dayn RM'000	Bai' Al-Inah RM'000	At- Tawarruq RM'000	Ijarah Muntahiah Bit- Tamleek [^] RM'000	Istisna' RM'000	Total RM'000
At amortised cost								
Cash line	-	-	-	484	1,429,002	-	-	1,429,486
Term financing								
House financing	2,977,908	-	-	-	20,513,876	-	42,469	23,534,253
Syndicated financing	-	-	-	-	1,454,811	-	-	1,454,811
Leasing financing	-	-	-	-	-	96,020	-	96,020
Bridging financing	-	-	-	-	-	-	40,328	40,328
Personal financing	-	-	-	3,734	18,071,544	-	-	18,075,278
Other term financing	295,209	1,383,579	-	-	11,080,781	-	961	12,760,530
Staff financing	40,459	18,789	-	-	398,071	-	6,553	463,872
Credit cards	-	-	-	-	445,839	-	-	445,839
Trade bills discounted	-	622,908	107,820	-	87,051	-	-	817,779
Trust receipts	-	4,415	-	-	-	-	-	4,415
Pawn broking	-	95,124	-	-	-	-	-	95,124
	3,313,576	2,124,815	107,820	4,218	53,480,975	96,020	90,311	59,217,735
Allowance for impairment on financing, advances and others								
- Stage 1								(487,308)
- Stage 2								(303,998)
- Stage 3								(272,660)
Net financing, advances and others								58,153,769

[^] Assets funded under Ijarah financing are owned by the Bank throughout the tenure of the Ijarah financing and ownership of the assets will be transferred to customer at the end of financing tenure for a token consideration or other amount as specified in the Ijarah financing contract.

**8. FINANCING, ADVANCES AND OTHERS (CONTINUED)****(a) By type and Shariah contract (continued)**

Included in financing, advances and others are house financing and personal financing that are used for the underlying assets of Unrestricted Investment Accounts ("UA") and financing sold to Cagamas with recourse to the Group and the Bank. The details are as follows:

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
House financing					
Unrestricted Investment Accounts	17	10,887,549	8,554,270	10,939,310	8,608,619
Sold to Cagamas with recourse	19	3,005,343	2,001,720	3,005,343	2,001,720
		13,892,892	10,555,990	13,944,653	10,610,339
Personal financing					
Unrestricted Investment Accounts	17	3,573,890	1,898,632	3,625,652	1,952,982

(b) By type of customer

	Group and Bank	
	2022 RM'000	2021 RM'000
Domestic banking institutions	200,741	200,018
Domestic non-bank financial institutions	1,134,114	1,089,617
Domestic business enterprise	11,388,424	10,137,127
Small & medium enterprises	2,515,004	2,169,436
Government & statutory bodies	1,895,508	919,583
Individuals	48,636,547	44,451,160
Other domestic entities	15,991	21,676
Foreign entities	155,528	229,118
	65,941,857	59,217,735

Notes to the financial statements

for the financial year ended 31 December 2022

8. FINANCING, ADVANCES AND OTHERS (CONTINUED)

(c) By profit rate sensitivity

	Group and Bank	
	2022 RM'000	2021 RM'000
Fixed rate		
House financing	960,743	983,468
Others	4,578,040	4,645,157
Floating rate		
House financing	25,607,476	23,238,913
Others	34,795,598	30,350,197
	65,941,857	59,217,735

(d) By remaining contractual maturity

	Group and Bank	
	2022 RM'000	2021 RM'000
Maturity within one year	5,683,188	4,117,569
More than one year to three years	2,353,259	1,731,612
More than three years to five years	3,886,072	3,136,006
More than five years	54,019,338	50,232,548
	65,941,857	59,217,735

(e) By geographical distribution

	Group and Bank	
	2022 RM'000	2021 RM'000
Central Region	30,904,086	26,946,146
Eastern Region	9,980,174	9,368,591
Northern Region	8,825,148	8,066,342
Southern Region	11,281,525	10,247,330
East Malaysia Region	4,950,924	4,589,326
	65,941,857	59,217,735

**8. FINANCING, ADVANCES AND OTHERS (CONTINUED)****(f) By sector**

	Group and Bank	
	2022 RM'000	2021 RM'000
Primary agriculture	876,964	943,610
Mining and quarrying	371,447	373,622
Manufacturing (including agro-based)	615,475	844,204
Electricity, gas and water supply	2,226,137	2,338,340
Wholesale & retail trade, and restaurants & hotels	1,208,104	927,026
Construction	1,967,534	1,964,818
Transport, storage and communications	2,829,640	733,084
Finance, insurance, real estate and business activities	4,724,887	5,176,288
Education, health and others	2,479,672	1,462,749
Household sectors	48,641,997	44,453,994
	65,941,857	59,217,735

(g) By stages

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2021	52,929,322	2,296,040	373,234	55,598,596
Transfer to Stage 1	607,206	(593,384)	(13,822)	-
Transfer to Stage 2	(620,226)	643,258	(23,032)	-
Transfer to Stage 3	(308,485)	(54,276)	362,761	-
Financial assets that have been derecognised	(7,539,292)	(491,190)	(7,493)	(8,037,975)
New financial assets originated or purchased	11,490,674	305,048	4,684	11,800,406
Modification of contractual cash flows	(25,323)	(5)	-	(25,328)
Write-offs	-	-	(127,949)	(127,949)
Exchange differences	9,985	-	-	9,985
At 31 December 2021/1 January 2022	56,543,861	2,105,491	568,383	59,217,735
Transfer to Stage 1	277,301	(255,450)	(21,851)	-
Transfer to Stage 2	(1,479,726)	1,493,362	(13,636)	-
Transfer to Stage 3	(169,257)	(152,802)	322,059	-
Financial assets that have been derecognised	(7,066,711)	(260,725)	(29,224)	(7,356,660)
New financial assets originated or purchased	16,640,000	451,603	81,077	17,172,680
Modification of contractual cash flows	(2,677,231)	(355,323)	180,045	(2,852,509)
Write-offs	-	-	(251,621)	(251,621)
Exchange differences	12,232	-	-	12,232
At 31 December 2022	62,080,469	3,026,156	835,232	65,941,857

Notes to the financial statements

for the financial year ended 31 December 2022

8. FINANCING, ADVANCES AND OTHERS (CONTINUED)

(h) Movement in impaired financing and advances (“impaired financing”)

	Group and Bank	
	2022 RM'000	2021 RM'000
At 1 January	568,383	373,234
Classified as impaired during the year	916,357	597,779
Reclassified as not impaired during the year	(290,419)	(212,296)
Amount repaid	(107,468)	(62,386)
Amount written-off	(251,621)	(127,948)
At 31 December	835,232	568,383
Gross impaired financing as a percentage of gross financing, advances and others	1.27%	0.96%

The contractual amount outstanding on financing and advances that were written-off during the year are still subject to enforcement activity.

(i) Impaired financing by geographical distribution

	Group and Bank	
	2022 RM'000	2021 RM'000
Central Region	510,998	395,781
Eastern Region	95,756	68,146
Northern Region	146,491	74,751
Southern Region	55,567	17,458
East Malaysia Region	26,420	12,247
	835,232	568,383

(j) Impaired financing by sector

	Group and Bank	
	2022 RM'000	2021 RM'000
Mining and quarrying	257,925	245,596
Manufacturing (including agro-based)	37,452	11,047
Electricity, gas and water supply	467	–
Wholesale & retail trade, and hotels & restaurants	75,788	79,926
Construction	32,449	39,650
Transport, storage and communications	20,222	6,153
Finance, insurance, real estate and business activities	37,872	3,053
Education, health & others	2,158	9,754
Household sectors	370,899	173,204
	835,232	568,383

**8. FINANCING, ADVANCES AND OTHERS (CONTINUED)****(k) Movement of allowance for impairment on financing, advances and others**

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2021	653,983	151,446	122,532	927,961
Transfer to Stage 1	2,461	(2,416)	(45)	-
Transfer to Stage 2	(7,311)	8,826	(1,515)	-
Transfer to Stage 3	(167)	(5,036)	5,203	-
Changes in credit risk	(189,876)	164,283	277,396	251,803
New financial assets originated or purchased	98,862	8,326	2,029	109,217
Financial assets that have been derecognised	(68,660)	(21,431)	(4,992)	(95,083)
Write-offs	-	-	(127,948)	(127,948)
Exchange differences	(1,984)	-	-	(1,984)
At 31 December 2021/1 January 2022	487,308	303,998	272,660	1,063,966
Transfer to Stage 1	1,336	(1,194)	(142)	-
Transfer to Stage 2	(12,582)	13,174	(592)	-
Transfer to Stage 3	(1,753)	(16,769)	18,522	-
Changes in credit risk	(149,026)	(56,960)	443,813	237,827
New financial assets originated or purchased	87,852	8,033	1,572	97,457
Financial assets that have been derecognised	(42,124)	(25,885)	(34,797)	(102,806)
Write-offs	-	-	(251,621)	(251,621)
Exchange differences	(4,960)	-	-	(4,960)
At 31 December 2022	366,051	224,397	449,415	1,039,863

(l) Effect of modifications on the measurement of allowance for impaired financing, advances and others

The following table discloses information on financing and advances that were modified but not derecognised during the year, for which the allowance for impaired financing, advances and others were measured at a lifetime ECL at the beginning of the year, and at the end of the year had changed to a 12- months ECL:

	Group and Bank	
	2022 RM'000	2021 RM'000
Amortised cost before the modification	3,400	4,549
Net modification loss	133	5

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for the financial year ended 31 December 2022

9. OTHER ASSETS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other receivables	550,417	265,271	458,443	214,908
Deposit and prepayments	53,241	50,343	45,939	43,730
Related companies*	1,174	1,071	1,175	2,173
	604,832	316,685	505,557	260,811
Less: Allowance for impairment				
Stage 3				
– Other receivables	(4,086)	(3,731)	(4,086)	(3,731)
	600,746	312,954	501,471	257,080

* This relates to amounts due from subsidiaries and related companies that are unsecured, not subject to compensation charges for late payment and repayment is neither fixed nor expected.

10. STATUTORY DEPOSITS WITH BANK NEGARA MALAYSIA

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amount of which are determined as set percentages of total eligible liabilities.



11. DEFERRED TAX ASSETS

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 taxes relate to the same tax authority.

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deferred tax assets	212,349	193,214	211,377	191,773
Deferred tax liabilities	-	-	-	-
	212,349	193,214	211,377	191,773
Deferred tax assets:				
Provisions for expenses	23,253	26,301	23,253	26,393
Financing, advances and others	104,820	104,763	104,820	104,763
Lease liabilities	26,689	25,795	26,689	25,768
FVOCI Reserves	72,463	46,292	72,463	46,292
Tax losses	995	1,510	-	-
Unabsorbed capital allowances	-	10	-	-
Offsetting	(15,871)	(11,457)	(15,848)	(11,443)
Total deferred tax assets	212,349	193,214	211,377	191,773
Deferred tax liabilities:				
Property and equipment	(15,871)	(11,457)	(15,848)	(11,443)
Offsetting	15,871	11,457	15,848	11,443
Total deferred tax liabilities	-	-	-	-

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for the financial year ended 31 December 2022

11. DEFERRED TAX ASSETS (CONTINUED)

The movement in temporary differences during the year are as follows:

	Provision for expenses RM'000	Financing, advances and others RM'000	Lease liabilities RM'000	Unabsorbed Capital Allowances RM'000	Deferred income from moratorium RM'000	Tax losses RM'000	Property and equipment RM'000	FVOCI Reserves RM'000	Total RM'000
Group									
At 1 January 2021	32,505	86,457	24,673	-	(163,330)	1,510	(6,370)	(48,379)	(72,934)
Acquisition of subsidiary	-	-	-	10	-	-	-	-	10
Recognised in profit or loss	(6,204)	18,306	1,122	-	163,330	-	(5,087)	-	171,467
Recognised in other comprehensive income	-	-	-	-	-	-	-	94,671	94,671
At 31 December 2021/ 1 January 2022	26,301	104,763	25,795	10	-	1,510	(11,457)	46,292	193,214
Recognised in profit or loss	(3,048)	57	894	(10)	-	(515)	(4,414)	-	(7,036)
Recognised in other comprehensive income	-	-	-	-	-	-	-	26,171	26,171
At 31 December 2022	23,253	104,820	26,689	-	-	995	(15,871)	72,463	212,349
Bank									
At 1 January 2021	32,520	86,457	24,646	-	(163,330)	-	(6,359)	(48,379)	(74,445)
Recognised in profit or loss	(6,127)	18,306	1,122	-	163,330	-	(5,084)	-	171,547
Recognised in other comprehensive income	-	-	-	-	-	-	-	94,671	94,671
At 31 December 2021/ January 2022	26,393	104,763	25,768	-	-	-	(11,443)	46,292	191,773
Recognised in profit or loss	(3,140)	57	921	-	-	-	(4,405)	-	(6,567)
Recognised in other comprehensive income	-	-	-	-	-	-	-	26,171	26,171
At 31 December 2022	23,253	104,820	26,689	-	-	-	(15,848)	72,463	211,377



11. DEFERRED TAX ASSETS (CONTINUED)

Deferred tax assets have not been recognised in respect of the following items:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unabsorbed capital allowance	131,784	131,819	131,784	131,784
Unutilised tax losses	2,885	1,251	-	-
Deductible temporary differences	-	329	-	-
	134,669	133,399	131,784	131,784

Under the current tax legislation, the unutilised tax losses will expire in year 2025 where the unutilised capital allowance do not expire.

The Bank's unabsorbed capital allowances of RM131,784,000 (2021: RM131,784,000) is in respect of its leasing business, whereby management considered it is uncertain whether the Bank is able to utilise the benefits in the future. As such, deferred tax assets have not been recognised.

12. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES

The statement of financial position shows the following amounts relating to leases:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Right-of-use assets (Buildings)				
As at 1 January	196,000	209,736	195,614	209,736
Addition	5,569	4,461	5,059	3,920
Depreciation	(17,198)	(18,197)	(16,726)	(18,042)
Effects of movement in exchange rates	12	-	12	-
As at 31 December	184,383	196,000	183,959	195,614
Lease liabilities				
As at 1 January	303,448	312,429	302,984	312,429
Addition	5,569	4,512	5,059	3,915
Payments of lease liabilities	(30,240)	(30,818)	(29,669)	(30,676)
Finance cost	16,796	17,312	16,781	17,303
Effects of movement in exchange rates	12	13	12	13
As at 31 December	295,585	303,448	295,167	302,984

The net carrying amount of right-of-use assets including leasehold land for the Group and the Bank as disclosed in Note 14 as at 31 December 2022 are RM307,685,000 (2021: RM315,710,000) and RM306,267,000 (2021: RM315,246,000) respectively.

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for the financial year ended 31 December 2022

12. RIGHTS-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

The statement of profit or loss shows the following amounts relating to leases:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Expenses relating to short-term leases (included in other overhead expenses)	34,914	35,165	34,518	35,012
Total cash outflow of leases (including short-term leases)	65,154	65,983	64,187	65,688

The nature of the Group's and the Bank's leasing activities recognised in the statement of financial position are described as below:

	No. of leases	Range of remaining terms	Average remaining lease terms	No. of leases with termination option
Right-of-use assets:				
Buildings	8	1.0-13.4 years	13.1 years	8

Future minimum lease payments are as follows:

	Within 1 year RM'000	Minimum lease payment due		Total RM'000
		1 – 5 years RM'000	> 5 years RM'000	
Group				
31 December 2022				
Lease payment	31,649	116,166	279,579	427,394
Finance cost	16,202	56,811	58,796	131,809
Net present value	15,447	59,355	220,783	295,585
31 December 2021				
Lease payment	29,956	113,434	309,264	452,654
Finance cost	17,536	59,931	71,739	149,206
Net present value	12,420	53,502	237,526	303,448
Bank				
31 December 2022				
Lease payment	31,222	116,166	279,579	426,967
Finance cost	16,193	56,811	58,796	131,800
Net present value	15,029	59,355	220,783	295,167
31 December 2021				
Lease payment	29,481	113,434	309,264	452,179
Finance cost	17,525	59,931	71,739	149,195
Net present value	11,956	53,502	237,526	302,984

**13. INVESTMENTS IN SUBSIDIARIES**

	Bank	
	2022 RM'000	2021 RM'000
At cost		
Unquoted shares in Malaysia	101,827	101,827
Less: Accumulated impairment loss	(922)	(922)
	100,905	100,905
Movement of Investment in Subsidiaries		
At 1 January	101,827	16,447
Acquisition via Proposed Internal Reorganisation (Note 46)	–	85,380
At 31 December	101,827	101,827

The principal place of business and country of incorporation of the subsidiaries is Malaysia unless stated otherwise. Details of subsidiaries are as follows:

Name of Company	Principal activities	Effective ownership interest	
		2022 %	2021 %
Al-Wakalah Nominees (Tempatan) Sdn. Bhd.	Provides nominee services	100	100
BIMB Investment Management Berhad	Manages Islamic Unit Trust Funds	100	100
Bank Islam Trust Company (Labuan) Ltd. and its subsidiary:	Provides services as a Labuan registered trust company	100	100
BIMB Offshore Company Management Services Sdn. Bhd.	Dormant	100	100
BIMB Solutions Sdn. Bhd. (formerly known as Farihan Corporation Sdn. Bhd.)	Provides manpower services to the Bank	100	100
BIMB Holdings Sdn. Bhd.	Dormant	100	100
BIMB Securities (Holdings) Sdn. Bhd. and its subsidiary:	Investment holding	100	100
BIMB Securities Sdn. Bhd. and its subsidiaries:	Stockbroking	100	100
BIMSEC Nominees (Tempatan) Sdn. Bhd.	Provides nominee services	100	100
BIMSEC Nominees (Asing) Sdn. Bhd.	Provides nominee services	100	100
Syarikat Al-Ijarah Sdn. Bhd.	Leasing of assets	100	100

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14. PROPERTY AND EQUIPMENT

Group	Long term leasehold land [^] RM'000	Freehold land RM'000	Freehold building RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
Cost											
At 1 January 2022	14,784	143	481	36,630	138,260	99,975	503,689	869	5,266	70,689	870,786
Additions	12	-	-	493	5,301	5,686	25,406	-	2,243	24,867	64,008
Reclassifications	-	-	-	78	828	105	7,207	-	(1,193)	(7,025)	-
Reclassification to intangible assets	-	-	-	-	-	-	(33,454)	-	-	-	(33,454)
Disposals	-	-	-	(51)	(1,058)	(153)	(418)	(415)	-	-	(2,095)
Written-off	-	-	-	(1,680)	(1,171)	(1,537)	(3,671)	-	(181)	-	(8,240)
Exchange difference	-	-	-	-	16	25	16	-	-	-	57
At 31 December 2022	14,796	143	481	35,470	142,176	104,101	498,775	454	6,135	88,531	891,062
Accumulated depreciation											
At 1 January 2022	2,522	-	12	30,780	115,784	90,347	385,775	813	-	-	626,033
Depreciation for the year	174	-	34	1,541	6,024	4,289	47,669	54	-	-	59,785
Reclassification to intangible assets	-	-	-	-	-	-	(9,329)	-	-	-	(9,329)
Disposals	-	-	-	(26)	(1,058)	(144)	(353)	(415)	-	-	(1,996)
Written-off	-	-	-	(1,550)	(849)	(1,470)	(3,602)	-	-	-	(7,471)
Exchange difference	-	-	-	-	16	13	16	-	-	-	45
At 31 December 2022	2,696	-	46	30,745	119,917	93,035	420,176	452	-	-	667,067
Net carrying amount											
At 31 December 2022	12,100	143	435	4,725	22,259	11,066	78,599	2	6,135	88,531	223,995

[^] The leasehold land identified as right-of-use assets for the Group and the Bank as disclosed in Note 12.

**14. PROPERTY AND EQUIPMENT (CONTINUED)**

Group	Long term leasehold land RM'000	Freehold land RM'000	Freehold building RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
Cost											
At 1 January 2021	14,784	-	-	36,033	136,648	102,585	480,558	943	3,987	56,675	832,213
From group reorganisation	-	143	481	273	5	9	1,027	-	509	-	2,447
Additions	-	-	-	508	2,419	3,407	13,502	-	815	50,504	71,155
Reclassifications	-	-	-	-	-	29	36,506	-	(45)	(36,490)	-
Disposals	-	-	-	-	-	(94)	(6,222)	(74)	-	-	(6,390)
Written-off	-	-	-	(184)	(823)	(5,971)	(21,694)	-	-	-	(28,672)
Exchange difference	-	-	-	-	11	10	12	-	-	-	33
At 31 December 2021	14,784	143	481	36,630	138,260	99,975	503,689	869	5,266	70,689	870,786
Accumulated depreciation											
At 1 January 2021	2,348	-	-	29,123	108,486	91,229	369,233	794	-	-	601,213
Depreciation for the year	174	-	12	1,743	7,756	5,040	44,407	93	-	-	59,225
Disposals	-	-	-	-	-	(92)	(6,218)	(74)	-	-	(6,384)
Written-off	-	-	-	(86)	(469)	(5,840)	(21,658)	-	-	-	(28,053)
Exchange difference	-	-	-	-	11	10	11	-	-	-	32
At 31 December 2021	2,522	-	12	30,780	115,784	90,347	385,775	813	-	-	626,033
Net carrying amount											
At 31 December 2021	12,262	143	469	5,850	22,476	9,628	117,914	56	5,266	70,689	244,753

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14. PROPERTY AND EQUIPMENT (CONTINUED)

Bank	Long term leasehold land ^a RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
Cost									
At 1 January 2022	14,784	36,119	138,172	99,586	500,207	869	4,739	70,689	865,165
Additions	12	461	5,301	5,653	25,131	-	1,985	24,867	63,410
Reclassifications	-	78	828	105	7,025	-	(1,011)	(7,025)	-
Reclassification to intangible assets	-	-	-	-	(33,454)	-	-	-	(33,454)
Disposals	-	-	-	-	-	-	-	-	-
Written-off	-	(213)	(1,130)	(1,434)	(3,075)	-	-	-	(5,852)
Exchange difference	-	-	16	18	3	-	-	-	37
At 31 December 2021	14,796	36,445	143,187	103,928	495,837	869	5,713	88,531	889,306
Accumulated depreciation									
At 1 January 2022	2,522	30,513	115,706	90,106	383,553	813	-	-	623,213
Depreciation for the year	174	1,435	6,021	4,249	46,995	54	-	-	58,928
Reclassification to intangible assets	-	-	-	-	(9,329)	-	-	-	(9,329)
Disposals	-	-	-	-	-	-	-	-	-
Written-off	-	(129)	(809)	(1,367)	(3,065)	-	-	-	(5,370)
Exchange difference	-	-	16	10	3	-	-	-	29
At 31 December 2022	2,696	31,819	120,934	92,998	418,157	867	-	-	667,471
Net carrying amount									
At 31 December 2022	12,100	4,626	22,253	10,930	77,680	2	5,713	88,531	221,835

^a The leasehold land identified as right-of-use assets for the Group and the Bank as disclosed in Note 12.

**14. PROPERTY AND EQUIPMENT (CONTINUED)**

Bank	Long term leasehold land RM'000	Building improvements and renovations RM'000	Furniture, fixtures and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicles RM'000	Renovation work-in-progress RM'000	Management information system under development RM'000	Total RM'000
Cost									
At 1 January 2021	14,784	35,795	136,559	102,269	478,250	943	3,987	56,675	829,262
Additions	-	508	2,419	3,305	13,374	-	752	50,504	70,862
Reclassifications	-	-	-	-	36,490	-	-	(36,490)	-
Disposals	-	-	-	(48)	(6,220)	(74)	-	-	(6,342)
Written-off	-	(184)	(817)	(5,947)	(21,690)	-	-	-	(28,638)
Exchange difference	-	-	11	7	3	-	-	-	21
At 31 December 2021	14,784	36,119	138,172	99,586	500,207	869	4,739	70,689	865,165
Accumulated depreciation									
At 1 January 2021	2,348	28,896	108,411	90,931	367,366	794	-	-	598,746
Depreciation for the year	174	1,703	7,747	5,031	44,055	93	-	-	58,803
Disposals	-	-	-	(47)	(6,216)	(74)	-	-	(6,337)
Written-off	-	(86)	(463)	(5,816)	(21,654)	-	-	-	(28,019)
Exchange difference	-	-	11	7	2	-	-	-	20
At 31 December 2021	2,522	30,513	115,706	90,106	383,553	813	-	-	623,213
Net carrying amount									
At 31 December 2021	12,262	5,606	22,466	9,480	116,654	56	4,739	70,689	241,952

15. INTANGIBLE ASSETS

	Group and Bank Computer software RM'000
Cost	
At 1 January 2022	-
Additions	31,477
Transferred from property and equipment	33,454
At 31 December 2022	64,931
Accumulated amortisation and impairment	
At 1 January 2022	-
Amortisation for the year	1,024
Transferred from property and equipment	9,329
At 31 December 2022	10,353
Net Book Value as at 31 December 2022	54,578

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16. DEPOSITS FROM CUSTOMERS

(a) By type of deposit

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Savings Deposit				
<i>Qard</i>	6,646,714	7,221,380	6,646,714	7,221,380
Demand Deposit				
<i>Qard</i>	13,724,699	12,954,014	13,830,033	12,968,663
Term Deposit	40,220,734	37,044,548	40,229,611	37,054,991
General Investment Deposit <i>Mudharabah</i>	118,094	149,833	118,094	149,833
Term Deposit-i <i>Tawarruq</i>	39,982,616	35,721,908	39,991,493	35,732,351
Negotiable Islamic Debt Certificates ("NIDC")	120,024	1,172,807	120,024	1,172,807
Others	115,357	118,892	115,357	118,892
Total Deposits	60,707,504	57,338,834	60,821,715	57,363,926

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

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Due within six months	27,734,736	22,267,682	27,736,556	22,268,464
More than six months to one year	7,680,524	11,193,457	7,685,806	11,196,267
More than one year to three years	2,074,887	1,252,439	2,076,662	1,259,290
More than three years to five years	2,730,587	2,330,970	2,730,587	2,330,970
	40,220,734	37,044,548	40,229,611	37,054,991

**16. DEPOSITS FROM CUSTOMERS (CONTINUED)****(c) By type of customers**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Domestic non-bank financial institutions	6,590,672	6,059,847	6,704,883	6,084,939
Business enterprises	21,229,580	22,935,511	21,229,580	22,935,511
Government and statutory bodies	20,848,877	16,414,063	20,848,877	16,414,063
Individuals	8,748,143	7,864,062	8,748,143	7,864,062
Domestic banking institutions	349,296	976,873	349,296	976,873
Others	2,940,936	3,088,478	2,940,936	3,088,478
	60,707,504	57,338,834	60,821,715	57,363,926

17. INVESTMENT ACCOUNTS OF CUSTOMERS**(a) By type and Shariah contract**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unrestricted investment accounts				
Without maturity:				
<i>Mudharabah</i>	7,313,658	6,655,637	7,313,658	6,655,637
– Savings	5,086,821	5,343,189	5,086,821	5,343,189
– Demand	2,226,837	1,312,448	2,226,837	1,312,448
With maturity:				
<i>Wakalah</i>	7,147,781	3,797,265	7,251,304	3,905,964
	14,461,439	10,452,902	14,564,962	10,561,601
Restricted investment accounts (“RA”) managed by the Bank[^]				
With maturity:				
<i>Wakalah</i>	43	849	43	849

[^] Included in RA managed by the Bank is an arrangement between the Bank and Lembaga Tabung Haji where the Bank acts as an investment agent to manage and administer the RA, with underlying assets amounting to RM43,000 (2021: RM849,000).

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17. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(b) By type of customers

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Individuals	5,390,121	5,745,138	5,390,121	5,745,138
Government and statutory bodies	5,359,249	2,437,046	5,359,249	2,437,046
Business Enterprises	2,561,251	1,267,853	2,561,251	1,267,853
Non-bank financial institutions	971,742	835,758	1,075,265	944,457
International Islamic Bank	11,005	–	11,005	–
Others	168,071	167,107	168,071	167,107
	14,461,439	10,452,902	14,564,962	10,561,601

(c) Movement of investment accounts of customers

Group	Unrestricted investment accounts			Restricted investment accounts
	Mudharabah RM'000	Wakalah RM'000	Total RM'000	Wakalah RM'000
As at 1 January 2021	5,113,275	7,255,253	12,368,528	11,915
<i>Funding inflows/outflows:</i>				
Net movement	1,528,718	–	1,528,718	–
New placement	–	7,534,543	7,534,543	–
Redemption/Principal repayment	–	(11,139,014)	(11,139,014)	(10,784)
Income from investment	209,529	282,542	492,071	26
<i>Bank's share of profit:</i>				
Profit distributed to Mudharib	(195,885)	–	(195,885)	–
Wakalah fees	–	(136,059)	(136,059)	(308)
As at 31 December 2021/ 1 January 2022	6,655,637	3,797,265	10,452,902	849
<i>Funding inflows/outflows:</i>				
Net movement	633,857	–	633,857	–
New placement	–	10,013,370	10,013,370	–
Redemption/Principal repayment	–	(6,834,176)	(6,834,176)	(747)
Income from investment	265,087	313,900	578,987	–
<i>Bank's share of profit:</i>				
Profit distributed to Mudharib	(240,923)	–	(240,923)	–
Wakalah fees	–	(142,578)	(142,578)	(59)
As at 31 December 2022	7,313,658	7,147,781	14,461,439	43

**17. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)****(c) Movement of investment accounts of customers (continued)**

Bank	Unrestricted investment accounts			Restricted investment accounts Wakalah RM'000
	Mudharabah RM'000	Wakalah RM'000	Total RM'000	
As at 1 January 2021	5,113,275	7,255,622	12,368,897	11,915
<i>Funding inflows/outflows:</i>				
Net movement	1,528,718	-	1,528,718	-
New placement	-	7,745,505	7,745,505	-
Redemption/Principal repayment	-	(11,242,162)	(11,242,162)	(10,784)
Income from investment	209,529	283,058	492,587	26
<i>Bank's share of profit:</i>				
Profit distributed to Mudharib	(195,885)	-	(195,885)	-
Wakalah fees	-	(136,059)	(136,059)	(308)
As at 31 December 2021/ 1 January 2022	6,655,637	3,905,964	10,561,601	849
<i>Funding inflows/outflows:</i>				
Net movement	633,857	-	633,857	-
New placement	-	10,500,225	10,500,225	-
Redemption/Principal repayment	-	(7,327,256)	(7,327,256)	(747)
Income from investment	265,087	314,949	580,036	-
<i>Bank's share of profit:</i>				
Profit distributed to Mudharib	(240,923)	-	(240,923)	-
Wakalah fees	-	(142,578)	(142,578)	(59)
As at 31 December 2022	7,313,658	7,251,304	14,564,962	43

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17. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(c) Movement of investment accounts of customers (continued)

	Unrestricted investment accounts			Restricted investment accounts Wakalah RM'000
	Mudharabah RM'000	Wakalah RM'000	Total RM'000	
Group				
<i>Investment portfolio:</i>				
2022				
House financing	7,313,658	3,573,891	10,887,549	–
Personal financing	–	3,573,890	3,573,890	–
Other term financing	–	–	–	43
	7,313,658	7,147,781	14,461,439	43
2021				
House financing	6,655,637	1,898,633	8,554,270	–
Personal financing	–	1,898,632	1,898,632	–
Other term financing	–	–	–	849
	6,655,637	3,797,265	10,452,902	849
Bank				
<i>Investment portfolio:</i>				
2022				
House financing	7,313,658	3,625,652	10,939,310	–
Personal financing	–	3,625,652	3,625,652	–
Other term financing	–	–	–	43
	7,313,658	7,251,304	14,564,962	43
2021				
House financing	6,655,637	1,952,982	8,608,619	–
Personal financing	–	1,952,982	1,952,982	–
Other term financing	–	–	–	849
	6,655,637	3,905,964	10,561,601	849

**17. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)****(d) By maturity structures, profit sharing ratio and rate of return**

Group	Total amount RM'000	Investment account holders		
		Average profit sharing ratio (%)	Average rate of return (%)	Bank's wakalah fee (%)
2022				
Unrestricted investment accounts:				
<i>Less than 3 months</i>				
– Mudharabah	7,313,658	2	0.36	–
– Wakalah	1,872,865	–	2.44	1.78
	9,186,523			
<i>Between 3 to 12 months</i>				
– Wakalah	5,266,992	–	2.63	1.60
<i>Between 1 to 2 years</i>				
– Wakalah	7,924	–	2.20	2.03
	5,274,916			
	14,461,439			
Restricted investment accounts:				
<i>Between 2 to 5 years</i>	43	–	0.81	10.50
2021				
Unrestricted investment accounts:				
<i>Less than 3 months</i>				
– Mudharabah	6,655,637	2	0.24	–
– Wakalah	1,347,882	–	1.94	1.77
	8,003,519			
<i>Between 3 to 12 months</i>				
– Wakalah	2,431,471	–	2.30	1.40
<i>Between 1 to 2 years</i>				
– Wakalah	17,912	–	1.59	2.12
	2,449,383			
	10,452,902			
Restricted investment accounts:				
<i>Between 2 to 5 years</i>	849	–	0.56	6.79

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17. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

(d) By maturity structures, profit sharing ratio and rate of return (continued)

Bank	Total amount RM'000	Investment account holders		
		Average profit sharing ratio (%)	Average rate of return (%)	Bank's wakalah fee (%)
2022				
Unrestricted investment accounts:				
<i>Less than 3 months</i>				
– Mudharabah	7,313,658	2	0.36	–
– Wakalah	1,896,394	–	2.44	1.78
	9,210,052			
<i>Between 3 to 12 months</i>				
– Wakalah	5,268,928	–	2.63	1.60
<i>Between 1 to 2 years</i>				
– Wakalah	85,982	–	2.20	2.03
	5,354,910			
	14,564,962			
Restricted investment accounts:				
<i>Between 2 to 5 years</i>	43	–	0.81	10.50
2021				
Unrestricted investment accounts:				
<i>Less than 3 months</i>				
– Mudharabah	6,655,637	2	0.24	–
– Wakalah	1,456,461	–	1.94	1.77
	8,112,098			
<i>Between 3 to 12 months</i>				
– Wakalah	2,431,471	–	2.30	1.40
<i>Between 1 to 2 years</i>				
– Wakalah	18,032	–	1.59	2.12
	2,449,503			
	10,561,601			
Restricted investment accounts:				
<i>Between 2 to 5 years</i>	849	–	0.56	6.79

**18. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTION**

	Group and Bank	
	2022 RM'000	2021 RM'000
Licensed investment bank	50,048	–
Development financial institution	20,020	–
	70,068	–

19. RECOURSE OBLIGATIONS ON FINANCING SOLD TO CAGAMAS

Recourse obligations on financing sold to Cagamas represents house financing accounts that are sold to Cagamas with recourse. Under the agreement, the Bank undertakes to administer the financing on behalf of Cagamas and to buy back any financing which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the Bank. Such financing transactions and the obligation to buy back the financing are reflected as a liability on the statements of financial position. The financing are not de-recognised and are analysed in Note 8. The details are as follows:

Note	Nominal value RM'000	Issue date	Maturity Date	Profit rate (% p.a.)
(a)	1,500,000	25 May 2018	25 May 2023	4.75
(b)	500,000	15 May 2021	15 May 2024	2.95
(c)	1,000,000	4 November 2022	4 November 2027	4.83

20. SUBORDINATED SUKUK AND CAPITAL SECURITIES

Subordinated sukuk	Note	Group and Bank	
		2022 RM'000	2021 RM'000
Issued under the RM1.0 billion Programme			
Third tranche	(a)	–	301,962
Issued under the RM10.0 billion Programme			
First tranche	(b)	302,328	302,286
Second tranche	(c)	403,986	403,945
Third tranche	(d)	704,971	704,971
Fourth tranche	(e)	301,618	301,685
		1,712,903	1,712,887
		1,712,903	2,014,849
Capital securities	(f)	509,189	–
		2,222,092	2,014,849
Finance cost on subordinated sukuk and capital securities		90,375	72,575

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20. SUBORDINATED SUKUK AND CAPITAL SECURITIES (CONTINUED)

The details of the issued subordinated sukuk and capital securities are as follows:

Note	Nominal value RM'000	Issue date	First call date*	Maturity Date	Profit rate (% p.a.)#
(a)	300,000	13 November 2017	13 November 2022	13 November 2027	5.08
(b)	300,000	7 November 2018	7 December 2023	7 November 2028	5.15
(c)	400,000	26 March 2020	26 March 2025	26 March 2030	3.75
(d)	700,000	21 October 2020	21 October 2025	21 October 2030	3.60
(e)	300,000	12 November 2021	12 November 2026	12 November 2031	4.10
(f)	500,000	24 August 2022	24 August 2027	Perpetual	5.16

* Optional redemption date or any periodic payment date thereafter.

Accrued and payable semi-annually in arrears.

The Subordinated Sukuk Murabahah qualifies as Tier II capital for the computation of the regulatory capital of the Bank in accordance with the Capital Adequacy Framework (Capital Components) for Islamic Banks issued by BNM.

21. OTHER LIABILITIES

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Other payables	1,126,596	651,008	968,098	621,696
Dividend payable	224,148	226,893	224,148	226,893
Advance payment	580,612	575,288	580,433	575,288
Accruals	139,608	117,413	137,783	114,498
	2,070,964	1,570,602	1,910,462	1,538,375

Included in other payables is amount due to trustee amounting to RM718,000 (2021: RM10,391,000) attributed to the creation of unit trust funds.

Other payables also include funds received by the Bank under various government funding schemes as part of government support measure in response to COVID-19 pandemic for specific financing purposes amounting to RM384,045,000 (2021: RM310,967,326) at concession rate.

**22. ZAKAT AND TAXATION**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Zakat	13,717	12,307	13,632	12,227
Taxation	48,951	21,081	48,950	21,029
	62,668	33,388	62,582	33,256

23. SHARE CAPITAL

	Number of shares (units)		Amount	
	2022 '000	2021 '000	2022 RM'000	2021 RM'000
Group and Bank				
<i>Issued and fully paid</i>				
Ordinary shares				
At 1 January	2,075,873	2,600,367	3,445,757	3,306,118
Consolidation of shares	–	(567,460)	–	–
Allotment of new ordinary shares	79,396	42,966	199,286	139,639
At 31 December	2,155,269	2,075,873	3,645,043	3,445,757

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for the financial year ended 31 December 2022

24. RESERVES

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
FVOCI reserve	(a)	(182,869)	(101,288)	(182,869)	(101,288)
Translation reserve	(b)	(9,722)	(20,798)	(9,499)	(20,555)
Regulatory reserve	(c)	136,000	–	136,000	–
Merger reserve	(d)	111,187	111,187	–	–
Total other reserves		54,596	(10,899)	(56,368)	(121,843)
Retained earnings		3,096,604	2,965,080	3,105,912	2,965,659
		3,151,200	2,954,181	3,049,544	2,843,816

- (a) The FVOCI reserve includes the cumulative net change in the fair value of financial assets FVOCI until the financial asset is derecognised.
- (b) The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of the offshore banking operations in the Federal Territory of Labuan.
- (c) The regulatory reserve represents the Bank's compliance with BNM's Guideline on Financial Reporting for Islamic Banking Institution to maintain, in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures. No regulatory reserve recognised in 2021.
- (d) Merger reserve arising from the Proposed Internal Reorganisation and acquisition of two (2) new BIMB Holdings Sdn. Bhd. ordinary shares.

25. SOURCES AND USES OF CHARITY FUNDS

Movement of sources and uses of charity funds are as follows:

Group and Bank	2022 RM'000	2021 RM'000
Undistributed funds as at the beginning of the financial year	12	11
Shariah non-compliance income: <i>Funds collected/received during the year</i>	39	41
Uses of funds during the year: <i>Contribution to Public Benefit</i>	(48)	(40)
Undistributed funds as at the end of the financial year	3	12

**26. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS**

	Group and Bank	
	2022 RM'000	2021 RM'000
Income derived from investment of:		
(i) General investment deposits	7,342	8,891
(ii) Term deposit-i	1,667,444	1,394,791
(iii) Savings and demand deposits	886,740	808,972
(iv) Other deposits	24,386	47,418
	2,585,912	2,260,072

(i) Income derived from investment of general investment deposits

	Group and Bank	
	2022 RM'000	2021 RM'000
Finance income and hibah		
Financing, advances and others	6,454	7,713
Financial assets:		
– fair value through profit and loss	8	49
– fair value through other comprehensive income	384	604
– other financial assets at amortised cost	140	38
Money at call and deposits with financial institutions	311	202
	7,297	8,606
Other dealing income		
Net loss from sale of financial assets at fair value through profit or loss	(1)	(25)
Net gain on revaluation of financial assets at fair value through profit or loss	43	15
	42	(10)
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	3	295
	7,342	8,891
<i>of which,</i>		
<i>Financing income earned on impaired financing</i>	101	102
<i>Unwinding of modification loss</i>	68	28

Notes to the financial statements

for the financial year ended 31 December 2022

26. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

(ii) Income derived from investment of term deposit-i

	Group and Bank	
	2022 RM'000	2021 RM'000
Finance income and hibah		
Financing, advances and others	1,418,850	1,171,513
Financial assets:		
– fair value through profit and loss	2,445	9,140
– fair value through other comprehensive income	105,252	114,824
– other financial assets at amortised cost	40,743	7,940
Money at call and deposits with financial institutions	87,530	37,770
	1,654,820	1,341,187
Other dealing income		
Net gain/(loss) from sale of financial assets at fair value through profit or loss	94	(4,481)
Net gain on revaluation of financial assets at fair value through profit or loss	11,775	3,414
	11,869	(1,067)
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	755	54,669
Other income		
Gain on disposal of leased assets	–	2
	1,667,444	1,394,791
<i>of which,</i>		
<i>Financing income earned on impaired financing</i>	28,060	18,964
<i>Unwinding of modification loss</i>	18,751	10,615

**26. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)****(iii) Income derived from investment of savings and demand deposits**

	Group and Bank	
	2022 RM'000	2021 RM'000
Finance income and hibah		
Financing, advances and others	755,503	680,037
Financial assets:		
– fair value through profit and loss	1,251	5,287
– fair value through other comprehensive income	56,550	66,690
– other financial assets at amortised cost	21,153	4,622
Money at call and deposits with financial institutions	45,621	21,920
	880,078	778,556
Other dealing income		
Net gain/(loss) from sale of financial assets at fair value through profit or loss	1	(2,673)
Net gain on revaluation of financial assets at fair value through profit or loss	6,252	1,949
	6,253	(724)
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	409	31,139
Other income		
Gain on disposal of leased assets	–	1
	886,740	808,972
<i>of which,</i>		
<i>Financing income earned on impaired financing</i>	14,996	10,970
<i>Unwinding of modification loss</i>	10,000	7,032

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for the financial year ended 31 December 2022

26. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS (CONTINUED)

(iv) Income derived from investment of other deposits

	Group and Bank	
	2022 RM'000	2021 RM'000
Finance income and hibah		
Financing, advances and others	21,089	39,928
Financial assets:		
– fair value through profit and loss	24	314
– fair value through other comprehensive income	1,725	3,978
– other financial assets at amortised cost	426	248
Money at call and deposits with financial institutions	945	1,254
	24,209	45,722
Other dealing income		
Net gain/(loss) from sale of financial assets at fair value through profit or loss	14	(194)
Net gain on revaluation of financial assets at fair value through profit or loss	149	90
	163	(104)
Other operating income		
Net gain from sale of financial assets at fair value through other comprehensive income	14	1,800
	24,386	47,418
<i>of which,</i>		
<i>Financing income earned on impaired financing</i>	422	638
<i>Unwinding of modification loss</i>	292	601

27. INCOME DERIVED FROM INVESTMENT ACCOUNT FUNDS

	Group and Bank	
	2022 RM'000	2021 RM'000
Finance income		
Unrestricted investment accounts		
– <i>Mudharabah</i>	264,924	209,367
– <i>Wakalah</i>	314,792	282,865
Unwinding of modification loss	8,208	5,306
	587,924	497,538

**28. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Finance income and hibah				
Financing, advances and others	13,308	9,783	13,308	9,783
Financial assets:				
– fair value through other comprehensive income	177,266	177,794	177,266	177,794
Money at call and deposits with financial institutions	325	131	3	–
	190,899	187,708	190,577	187,577
Other dealing income				
Net (loss)/gain from foreign exchange transactions	(14,891)	32,485	(14,875)	32,519
Net derivatives gain	3	7	3	7
Net gain from sale of financial assets at fair value through profit or loss	–	26	–	–
Net (loss)/gain on revaluation of financial assets at fair value through profit or loss	(34,939)	11,029	(34,999)	10,882
	(49,827)	43,547	(49,871)	43,408
Other operating income				
Dividend from financial assets at FVTPL	10,065	11,677	9,598	11,326
Dividend from financial assets at FVOCI	237	–	237	–
Dividend from subsidiary	–	–	3,000	800
Rebate on investment in unit trust	1,915	2,217	1,915	2,217
	12,217	13,894	14,750	14,343

Notes to the financial statements

for the financial year ended 31 December 2022

28. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (CONTINUED)

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<i>Fees and commission</i>				
Card fees and commission	83,402	78,655	83,402	78,655
Takaful service fees and commission	40,769	31,929	40,769	31,929
Financing fees	22,597	19,372	22,597	19,372
Sales charges on unit trust	7,091	13,150	-	-
Unit trust management fees	13,361	16,835	-	-
Commission on MEPS	28,025	7,854	28,025	7,854
Ar-Rahnu fees	-	63	-	63
Mobile banking fees	7,422	7,794	7,422	7,794
Corporate advisory fees	9,419	8,885	8,877	8,700
Deposit and payment service fees	4,308	3,819	4,308	3,819
Processing fees	5,866	3,790	5,856	3,648
Commission on bills payment system	1,060	1,815	1,060	1,815
Commission from wealth management services	128	188	4,594	5,706
Ta'widh Charges	1,435	1,555	1,431	1,554
Others	23,053	15,406	13,551	11,717
	247,936	211,110	221,892	182,626
<i>Other income</i>				
Rental income	751	1,631	1,259	2,308
Net gain on disposal of property and equipment	68	603	-	602
Other income	415	257	278	86
	1,234	2,491	1,537	2,996
	402,459	458,750	378,885	430,950

29. NET ALLOWANCE FOR IMPAIRMENT ON FINANCING AND ADVANCES

	Group and Bank	
	2022 RM'000	2021 RM'000
Net allowance for impairment on financing, advances and others:		
- Stage 1	(103,299)	(159,674)
- Stage 2	(74,812)	151,178
- Stage 3	410,589	274,433
Bad debts and financing recovered	(92,446)	(75,199)
	140,032	190,738

**30. INCOME ATTRIBUTABLE TO DEPOSITORS**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Deposits from customers:				
– Mudharabah fund	1,217	2,109	1,217	2,109
– Non-Mudharabah fund	973,642	736,559	973,824	736,754
Deposits and placements of banks and other financial institutions:				
– Mudharabah fund	6	–	6	–
– Non-Mudharabah fund	4,554	36	4,554	36
Recourse obligation on financing sold to Cagamas	92,923	79,984	92,923	79,984
	1,072,342	818,688	1,072,524	818,883

31. INCOME ATTRIBUTABLE TO INVESTMENT ACCOUNT HOLDERS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unrestricted investment accounts				
– Mudharabah	24,164	13,644	24,164	13,644
– Wakalah	169,902	146,483	172,371	146,999
	194,066	160,127	196,535	160,643

32. PERSONNEL EXPENSES

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Salaries and wages	495,679	443,849	476,532	429,717
Allowances and bonuses	134,878	120,910	128,328	118,317
Employees' Provident Fund	87,541	80,482	83,899	78,019
Directors and Shariah Supervisory Council Members' remuneration	9,193	8,150	6,941	6,473
Medical benefits	36,579	27,188	35,986	26,705
Staff sales commission	30,546	22,391	30,546	22,391
Others	27,539	20,860	26,188	20,162
	821,955	723,830	788,420	701,784

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33. OTHER OVERHEAD EXPENSES

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Promotion				
Credit and debit card expenses	56,674	48,642	56,674	48,642
Advertisement and publicity	14,952	20,290	14,819	16,061
Others	12,850	16,680	7,875	7,314
	84,476	85,612	79,368	72,017
Establishment				
Depreciation of property and equipment	59,785	59,225	58,928	58,803
Amortisation of intangible assets	1,024	–	1,024	–
Depreciation of right-of-use assets	17,198	18,197	16,726	18,042
Office rental	28,288	29,215	28,196	29,186
Information technology expenses	82,668	72,490	82,668	72,490
Security services	9,211	8,877	9,211	8,877
Utilities	11,063	11,170	10,806	11,036
Office maintenance	10,403	10,216	9,994	9,973
Takaful	12,403	7,261	12,341	6,379
Rental of equipment	6,626	5,950	6,322	5,826
Others	320	320	320	320
	238,989	222,921	236,536	220,932
General expenses				
Outsourcing fees				
– Management of self-service terminal	11,350	8,564	11,350	8,564
– Credit recovery	–	–	6,209	7,318
– Others	4,116	4,109	4,116	4,109
Office supplies	7,657	8,333	7,582	8,239
Licenses	2,101	1,852	1,889	1,852
Bank and service charges	10,179	8,240	10,163	8,207
General expenses	28,686	30,814	28,686	30,814
Security services for cash in transit	4,606	4,915	4,606	4,915
Postage and delivery charges	12,347	11,678	12,270	11,545
Management fees	–	–	13,908	6,839
Subscription fees	12,482	12,633	12,480	12,630
SMS service charges	17,805	19,647	17,805	19,647
Professional fees	14,305	15,267	13,551	13,396
Mobile banking expenses	1,667	1,923	1,667	1,923
Auditors' remuneration				
– Statutory audit	1,664	1,550	1,489	1,324
– Regulatory related	282	263	282	263
– Non-audit	438	345	438	345
Processing charges	2,033	1,030	2,033	1,030
Property and equipment written-off	769	619	482	619
Others	27,515	21,607	16,356	12,534
	160,002	153,389	167,362	156,113
	483,467	461,922	483,266	449,062

**34. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBERS' REMUNERATION**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<i>Chief Executive Officer:</i>				
Salaries and other remuneration, including meeting allowances	3,268	2,814	3,268	2,814
Benefits-in-kind	34	38	34	38
	3,302	2,852	3,302	2,852
<i>Non-Executive Directors:</i>				
Fees	1,588	1,466	1,509	1,396
Other emoluments	1,478	1,627	1,438	1,480
Benefits-in-kind	681	621	681	621
	3,747	3,714	3,628	3,497
Directors of subsidiaries				
<i>Executive Director:</i>				
Salaries and other remuneration, including meeting allowances	1,454	946	-	-
<i>Non-Executive Directors:</i>				
Fees	207	221	-	-
Other emoluments	210	240	-	-
	417	461	-	-
Total	8,920	7,973	6,930	6,349
Members of Shariah Supervisory Council (SSC)				
- SSC of the Bank	939	797	726	783
- SSC of a subsidiary	49	39	-	-
Total	988	836	726	783
Grand total (excluding benefits-in-kind)	9,193	8,150	6,941	6,473

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34. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBER'S REMUNERATION (CONTINUED)

The total remuneration (including benefits-in-kind) of the Chief Executive Officer, Directors of the Bank is as follows:

31 December 2022	← Remuneration received from the Bank →				Bank	← Remuneration received from subsidiaries →		Group
	Salary and Bonus RM'000	Fees RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Total RM'000	Fees RM'000	Others RM'000	Total RM'000
<i>Chief Executive Officer:</i> Mohd Muazzam Mohamed	2,590	-	678	34	3,302	-	-	3,302
<i>Non-Executive Directors:</i> Tan Sri Dr. Ismail Hj. Bakar	-	144	185	80	409	-	-	409
Azizan Ahmad	-	216	195	75	486	-	-	486
Datuk Nik Mohd Hasyudeen Yusoff	-	156	189	100	445	-	-	445
Mohd Yuzaidi Mohd Yusoff	-	180	167	64	411	-	-	411
Mashitah Haji Osman	-	144	141	65	350	-	-	350
Dato' Sri Amrin Awaluddin	-	72	36	25	133	-	-	133
Mohd Asri Awang	-	144	120	35	299	24	13	336
Datuk Bazlan Osman	-	120	81	25	226	-	-	226
Nuraini Ismail	-	108	63	25	196	-	-	196
Dato' Sri Khazali Ahmad	-	126	124	82	332	-	-	332
Mohamed Ridza Mohamed Abdulla	-	99	137	105	341	55	27	423
	-	1,509	1,438	681	3,628	79	40	3,747
	2,590	1,509	2,116	715	6,930	79	40	7,049

**34. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBER'S REMUNERATION (CONTINUED)**

The total remuneration (including benefits-in-kind) of the Chief Executive Officer, Directors of the Bank is as follows: (continued)

31 December 2021	← Remuneration received from the Bank →				Bank Total RM'000	← Remuneration received from subsidiaries →		Group Total RM'000
	Salary and Bonus RM'000	Fees RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000		Fees RM'000	Others RM'000	
<i>Chief Executive Officer:</i>								
Mohd Muazzam Mohamed	2,283	-	531	38	2,852	-	-	2,852
<i>Non-Executive Directors:</i>								
Tan Sri Dr. Ismail Hj. Bakar	-	144	195	21	360	-	-	360
Azizan Ahmad	-	198	200	75	473	-	-	473
Mohamed Ridza Mohamed Abdulla	-	108	140	50	298	24	17	339
Datuk Nik Mohd Hasyudeen Yusoff	-	130	136	25	291	4	53	348
Dato' Sri Khazali Ahmad	-	114	105	65	284	-	-	284
Mohd Yuzaidi Mohd Yusoff	-	184	190	89	463	-	-	463
Mashitah Haji Osman	-	156	168	35	359	-	-	359
Dato' Sri Amrin Awaluddin	-	24	15	-	39	-	-	39
Mohd Asri Awang	-	36	27	25	88	-	-	88
Zahari @ Mohd Zin Idris	-	162	180	136	478	42	47	567
Noraini Che Dan	-	140	124	100	364	-	30	394
	-	1,396	1,480	621	3,497	70	147	3,714
	2,283	1,396	2,011	659	6,349	70	147	6,566

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34. CHIEF EXECUTIVE OFFICER, DIRECTORS AND SHARIAH SUPERVISORY COUNCIL MEMBER'S REMUNERATION (CONTINUED)

The total remuneration of the members of the Shariah Supervisory Council of the Bank is as follows:

	Remuneration received ← from the Bank →		Bank Total RM'000	Remuneration received ← from → subsidiary	Group Total RM'000
	Fees RM'000	Other Emoluments RM'000		Fees RM'000	
31 December 2022					
Professor Dato' Dr. Ahmad Hidayat Buang	72	99	171	–	171
Ustazah Dr. Yasmin Hanani Mohd Safian	66	38	104	23	127
Asmadi Mohamed Naim	66	71	137	31	168
Shamsiah Mohamad	66	77	143	80	223
Datu Haji Kipli Haji Yassin	66	38	104	–	104
Muhammad Fuad Abdullah	50	17	67	79	146
	386	340	726	213	939
31 December 2021					
Professor Dato' Dr. Ahmad Hidayat Buang	72	108	180	–	180
Ustazah Dr. Yasmin Hanani Mohd Safian	66	71	137	–	137
Asmadi Mohamed Naim	66	72	138	–	138
Shamsiah Mohamad	66	36	102	6	108
Datu Haji Kipli Haji Yassin	66	18	84	–	84
Ustaz Dr. Ahmad Shahbari @ Sobri Salamon	17	64	81	8	89
Assistant Professor Dr. Uzaimah Ibrahim	17	44	61	–	61
	370	413	783	14	797

35. KEY MANAGEMENT PERSONNEL

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Group, and certain senior management members of the Group. The compensation for key management personnel other than the Directors' remuneration is as follows:

	Group and Bank	
	2022 RM'000	2021 RM'000
Other key management personnel: Short-term employee benefits	18,382	27,787

Number of employees categorised as key management personnel as at 31 December 2022 was 19 (2021: 29).

**36. FINANCE COST**

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Finance cost:				
Subordinated sukuk and capital securities	90,375	72,575	90,375	72,575
Profit expense on lease	16,796	17,312	16,781	17,303
	107,171	89,887	107,156	89,878

37. TAX EXPENSE

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Malaysian income tax:				
Current year	234,758	183,112	234,063	182,802
Under provision/(over provision) in prior year	(282)	145,996	(261)	146,001
	234,476	329,108	233,802	328,803
Deferred tax expense relating to origination and reversal of temporary differences arising from:				
Current year	6,567	(23,614)	6,567	(23,614)
Under/(Over) provision in prior year	469	(147,853)	-	(147,933)
	7,036	(171,467)	6,567	(171,547)
	241,512	157,641	240,369	157,256

As per Finance Act 2021 gazetted on 31 December 2021, effective for Year of Assessment ("YA") 2022, a special one-off tax ("Cukai Makmur") was introduced on companies with chargeable income in excess of RM100.0 million. The excess is taxed at a rate of 33% (first RM100.0 million of chargeable income will be taxed at 24%). Tax expenses for YA 2022 above have been computed based on tax rates as described accordingly.

A reconciliation of effective tax expense for the Group and the Bank are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Profit before tax	746,866	704,221	754,392	710,625
Income tax calculated using Malaysian tax rate of 24%	179,248	169,013	181,054	170,550
Income not subject to tax	(5,154)	(4,806)	(4,897)	(4,713)
Non-deductible expenses	6,355	5,182	3,852	3,242
Impact of Cukai Makmur	63,818	(7,011)	63,818	(7,011)
Zakat	(3,191)	(2,880)	(3,197)	(2,880)
Deferred tax assets not recognised	249	-	-	-
Under/(Over) provision in prior years	187	(1,857)	(261)	(1,932)
	241,512	157,641	240,369	157,256

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38. EARNINGS PER SHARE

Basic earnings per share are calculated based on the net profit attributable to equity holders of the Group of RM491,672,000 (2021: RM534,305,000) and the weighted average number of ordinary shares outstanding during the year of 2,150,919,000 (2021: 2,443,188,000). The Group has no dilution in its earnings per ordinary shares in the current and previous financial year as there are no dilutive potential ordinary shares.

39. DIVIDENDS

Dividends paid by the Bank:

	Sen per share	Total amount RM'000	Date of payment
2022			
Interim 2021	10.40	224,148	30 January 2023
2021			
Final 2020	5.37	139,639	4 June 2021
Interim 2021	10.93	226,893	20 January 2022
		<u>366,532</u>	

On 21 January 2022, the Group and the Bank increased its issued and paid-up capital from 2,075,872,514 to 2,155,269,114 via the issuance of 79,396,600 new ordinary shares for a consideration of RM2.51 each arising from Dividend Reinvestment Plan.

40. OPERATING SEGMENTS

The Group's reportable segments, as described below, can be classified into four segments. Each segment offers different products and services. The following summary describes the operations in each of the segments:

- Consumer Banking Includes financing, deposits and other transactions and balances with retail customers
- Corporate and Commercial Banking Includes corporate finance activities, financing, deposits and other transactions and balances with corporate customers, commercial customers and small & medium enterprises
- Treasury Undertakes funding activities through borrowings and investing in liquid assets such as short-term placements and corporate and government debt securities
- Shareholders unit Operates shareholders' funds

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before allocation of overheads and income tax.

**40. OPERATING SEGMENTS (CONTINUED)**

2022		Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Group Total RM'000
Total Revenue	(a)	2,355,432	668,568	512,032	69,360	(29,038)	3,576,354
Net fund based income	(b)	1,194,710	494,038	73,457	316,614	–	2,078,819
Non-fund based income	(c)	183,078	37,792	(29,743)	66,387	(26,387)	231,127
Net income		1,377,788	531,830	43,714	383,001	(26,387)	2,309,946
Net allowance for impairment on financial assets		(84,853)	(55,179)	1,314	(355)	–	(139,073)
Profit before overheads, zakat and tax		1,292,935	476,651	45,028	382,646	(26,387)	2,170,873
Operating expenses							(1,424,007)
Profit before zakat and tax							746,866
Segment assets		48,171,809	16,730,185	21,857,219	504,693	(358,859)	86,905,047
Unallocated assets							2,946,624
Total assets							89,851,671

- (a) Included in total revenue are income derived from investment of depositors' funds, investment account funds, investment of shareholders' funds, loss on modification of financial assets, and wakalah fees from restricted investment accounts.
- (b) Net fund based income is derived after deducting the income attributable to depositors and income attributable to investment account holders.
- (c) Included in non-fund based income are fee and commission income that amounted to RM221,950,000 and investment income of RM20,769,000.

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40. OPERATING SEGMENTS (CONTINUED)

2021	Consumer Banking RM'000	Corporate and Commercial Banking RM'000	Treasury RM'000	Shareholders unit RM'000	Elimination RM'000	Group Total RM'000
Total Revenue	1,929,505	609,975	582,957	67,426	(22,106)	3,167,757
Net fund based income	1,079,038	382,804	111,097	258,653	-	1,831,592
Non-fund based income	149,087	32,791	130,283	66,584	(21,395)	357,350
Net income	1,228,125	415,595	241,380	325,237	(21,395)	2,188,942
Net allowance for impairment on financial assets	37,290	(228,028)	(6,650)	(756)	-	(198,144)
Profit before overheads, zakat and tax	1,265,415	187,567	234,730	324,481	(21,395)	1,990,798
Operating expenses						(1,286,577)
Profit before zakat and tax						704,221
Segment assets	44,032,459	14,121,310	19,983,824	385,141	(274,839)	78,247,895
Unallocated assets						1,908,319
Total assets						80,156,214

- (a) Included in total revenue are income derived from investment of depositors' funds, investment account funds, investment of shareholders' funds, loss on modification of financial assets, and wakalah fees from restricted investment accounts.
- (b) Net fund based income is derived after deducting the income attributable to depositors and income attributable to investment account holders.
- (c) Included in non-fund based income are fee and commission income that amounted to RM182,872,000 and investment income of RM85,998,000.



41. FINANCIAL RISK MANAGEMENT

Overview

The Group's and the Bank's business activities involve the use of financial instruments which expose the Group and the Bank to various financial risks, namely credit risk, market risk and liquidity risk.

The Group's and the Bank's financial risk management is guided by the Group's Risk Appetite Statement and Risk Management Policies/Guidelines and subject to the oversight by the Board of Directors ("Board") via the Board Risk Committee ("BRC").

The BRC is assisted by the specific Risk Management Committees namely the Management Risk Control Committee ("MRCC") and the Asset & Liability Management Committee ("ALCO").

(a) Financial instruments by categories

The table in subsequent pages provides an analysis of financial instruments categorised as follows:

- Fair value through profit or loss ("FVTPL")
- Financial assets at fair value through other comprehensive income ("FVOCI")
- Other financial assets at amortised cost ("AC")
- Financial liabilities measured at amortised cost ("FL")

Group 31 December 2022	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	AC RM'000
Financial assets				
Cash and short-term funds and deposits and placements with financial institutions	7,145,114	–	–	7,145,114
Financial assets at FVTPL	299,128	299,128	–	–
Derivative financial assets	123,000	123,000	–	–
Financial assets at FVOCI	12,093,417	–	12,093,417	–
Financial assets at AC	3,055,256	–	–	3,055,256
Financing, advances and others	64,901,994	–	–	64,901,994
Other financial assets at AC*	578,615	–	–	578,615
Statutory deposits with Bank Negara Malaysia	950,508	–	–	950,508
	89,147,032	422,128	12,093,417	76,631,487
Financial liabilities				
Deposits from customers	60,707,504	–	–	60,707,504
Investment accounts of customers	14,461,439	–	–	14,461,439
Deposits and placements of banks and other financial institutions	70,068	–	–	70,068
Derivative financial liabilities	137,324	137,324	–	–
Bills and acceptance payable	22,441	–	–	22,441
Recourse obligations on financing sold to Cagamas	3,005,343	–	–	3,005,343
Subordinated sukuk and capital securities	2,222,092	–	–	2,222,092
Other liabilities	2,070,964	–	–	2,070,964
Lease liabilities	295,585	–	–	295,585
	82,992,760	137,324	–	82,855,436

* Excludes prepayment

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial instruments by categories (continued)

Group 31 December 2021	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	AC RM'000
Financial assets				
Cash and short-term funds and deposits and placements with financial institutions	5,222,848	–	–	5,222,848
Financial assets at FVTPL	1,582,494	1,582,494	–	–
Derivative financial assets	26,037	26,037	–	–
Financial assets at FVOCI	12,604,204	–	12,604,204	–
Financial assets at AC	1,348,844	–	–	1,348,844
Financing, advances and others	58,153,769	–	–	58,153,769
Other financial assets at AC*	294,508	–	–	294,508
Statutory deposits with Bank Negara Malaysia	264,050	–	–	264,050
	79,496,754	1,608,531	12,604,204	65,284,019
Financial liabilities				
Deposits from customers	57,338,834	–	–	57,338,834
Investment accounts of customers	10,452,902	–	–	10,452,902
Derivative financial liabilities	20,421	20,421	–	–
Bills and acceptance payable	20,112	–	–	20,112
Recourse obligations on financing sold to Cagamas	2,001,720	–	–	2,001,720
Subordinated sukuk and capital securities	2,014,849	–	–	2,014,849
Other liabilities	1,570,602	–	–	1,570,602
Lease liabilities	303,448	–	–	303,448
	73,722,888	20,421	–	73,702,467

* Excludes prepayment

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(a) Financial instruments by categories (continued)**

Bank 31 December 2022	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	AC RM'000
<i>Financial assets</i>				
Cash and short-term funds and deposits and placements with financial institutions	7,128,159	–	–	7,128,159
Financial assets at FVTPL	272,735	272,735	–	–
Derivative financial assets	123,000	123,000	–	–
Financial assets at FVOCI	12,094,304	–	12,094,304	–
Financial assets at AC	3,055,256	–	–	3,055,256
Financing, advances and others	64,901,994	–	–	64,901,994
Other financial assets at AC*	480,595	–	–	480,595
Statutory deposits with Bank Negara Malaysia	950,508	–	–	950,508
	89,006,551	395,735	12,094,304	76,516,512
<i>Financial liabilities</i>				
Deposits from customers	60,821,715	–	–	60,821,715
Investment accounts of customers	14,564,962	–	–	14,564,962
Deposits and placements of banks and other financial institutions	70,068	–	–	70,068
Derivative financial liabilities	137,324	137,324	–	–
Bills and acceptance payable	22,441	–	–	22,441
Recourse obligations on financing sold to Cagamas	3,005,343	–	–	3,005,343
Subordinated sukuk and capital securities	2,222,092	–	–	2,222,092
Other liabilities	1,910,462	–	–	1,910,462
Lease liabilities	295,167	–	–	295,167
	83,049,574	137,324	–	82,912,250

* Excludes prepayment

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial instruments by categories (continued)

Bank 31 December 2021	Carrying amount RM'000	FVTPL RM'000	FVOCI RM'000	AC RM'000
Financial assets				
Cash and short-term funds and deposits and placements with financial institutions	5,204,364	–	–	5,204,364
Financial assets at FVTPL	1,550,700	1,550,700	–	–
Derivative financial assets	26,037	26,037	–	–
Financial assets at FVOCI	12,605,067	–	12,605,067	–
Financial assets at AC	1,348,844	–	–	1,348,844
Financing, advances and others	58,153,769	–	–	58,153,769
Other financial assets at AC*	239,257	–	–	239,257
Statutory deposits with Bank Negara Malaysia	264,050	–	–	264,050
	79,392,088	1,576,737	12,605,067	65,210,284
Financial liabilities				
Deposits from customers	57,363,926	–	–	57,363,926
Investment accounts of customers	10,561,601	–	–	10,561,601
Derivative financial liabilities	20,421	20,421	–	–
Bills and acceptance payable	20,112	–	–	20,112
Recourse obligations on financing sold to Cagamas	2,001,720	–	–	2,001,720
Subordinated sukuk and capital securities	2,014,849	–	–	2,014,849
Other liabilities	1,538,375	–	–	1,538,375
Lease liabilities	302,984	–	–	302,984
	73,823,988	20,421	–	73,803,567

* Excludes prepayment

(b) Credit risk

Overview

Credit risk is the risk of a customer or counterparty failing to perform its obligations. It arises from all transactions that could lead to actual, contingent or potential claims against any party, customer or obligor. The types of credit risks that the Group and the Bank considers to be material include: Default Risk, Counterparty Risk, Credit Concentration Risk, Residual/Credit Mitigation Risk, and Migration Risk.



41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Credit risk governance

The management of credit risk is principally carried out by using sets of policies and guidelines approved by the MRCC and/or BRC, guided by the Board of Directors' approved Group Risk Appetite Statement.

The Group and the Bank have instituted two (2) levels of Financing Committees, which assess and approve credits at their specified authority levels.

The MRCC is responsible under the authority delegated by the BRC for managing credit risk at strategic level. The MRCC reviews the Group's and the Bank's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

The Group's and the Bank's credit risk management governance includes the establishment of detailed credit risk policies, guidelines and procedures which document the Group's and the Bank's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

Management of credit risk

The management of credit risk is being performed by Group Credit Management Division ("GCMD") and Group Risk Management Division ("GRMD"), and two other units outside of the GCMD and GRMD domain, namely, Credit Administration Department and Recovery & Rehabilitation Division. The combined objectives are, amongst others:

- To build a high quality credit portfolio in line with the Group's and the Bank's overall strategy and risk appetite;
- To ensure that the Group and the Bank is compensated for the risk taken, balancing/optimising the risk/return relationship;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas; and
- To conform with statutory, regulatory and internal credit requirements.

The Group and the Bank monitors its credit exposures either on a portfolio or individual basis through annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (certain parts of) the portfolio. The affected portfolio or financing is placed on a watchlist to enforce close monitoring and prevent financing from turning impaired and to increase chances of full recovery.

A detailed limit structure is in place to ensure that risks taken are within the risk appetite as set by the Board and to avoid credit risk concentration on a single customer, sector, product, Shariah contract, etc.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counterparty limits and permissible acquisition of private debt securities, subject to a specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk

The following table presents the Group's and Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account any collateral held or other credit enhancements. For on-balance sheet assets, the exposure to credit risk equals their carrying amount. For financial guarantee contracts, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	Note	Group	
		2022 RM'000	2021 RM'000
Cash and short-term funds and deposits and placements with financial institutions		7,145,114	5,222,848
Financial assets at FVTPL*		54,868	1,287,099
Derivative financial assets	(a)	123,000	26,037
Financial assets at FVOCI [^]		12,017,378	12,526,670
Financial assets at AC		3,055,256	1,348,844
Financing, advances and others	(b)	64,901,994	58,153,769
Other financial assets at AC [@]		578,615	294,508
Sub-total		87,876,225	78,859,775
Credit related obligation:			
Financial guarantee contracts	(c)	1,926,256	1,822,909
Financing commitments [#]	(d)	9,201,594	9,357,082
Sub-total		11,127,850	11,179,991
Total credit exposures		99,004,075	90,039,766

* Excludes unit trust

[^] Excludes equity instruments

[@] Excludes prepayment

[#] Excludes derivative financial instruments

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****Maximum exposure to credit risk (continued)**

	Note	Bank	
		2022 RM'000	2021 RM'000
Cash and short-term funds and deposits and placements with financial institutions		7,128,159	5,204,364
Financial assets at FVTPL*		54,858	1,287,089
Derivative financial assets	(a)	123,000	26,037
Financial assets at FVOCI^		12,017,378	12,526,670
Financial assets at AC		3,055,256	1,348,844
Financing, advances and others	(b)	64,901,994	58,153,769
Other financial assets at AC®		480,595	239,257
Sub-total		87,761,240	78,786,030
Credit related obligation:			
Financial guarantee contracts	(c)	1,926,256	1,822,909
Financing commitments#	(d)	9,201,594	9,357,082
Sub-total		11,127,850	11,179,991
Total credit exposures		98,889,090	89,966,021

* Excludes unit trust

^ Excludes equity instruments

® Excludes prepayment

Excludes derivative financial instruments

(a) Derivative financial assets

In mitigating the counterparty credit risks from foreign exchange and derivatives transactions, the Group and the Bank enter into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greater legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

(b) Financing, advances and others*Business and retail*

Financing, advances and others will have levels of collateralisation depending on the nature of the product. The general creditworthiness of a corporate and commercial customer tends to be the most relevant indicator of credit quality of a financing extended to it.

The Group and the Bank manage its exposures to these customers by completing a credit evaluation to assess the customer's character, industry, business model and capacity to meet their commitments in a timely manner. The Group and the Bank may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk (continued)

(b) Financing, advances and others (continued)

The Group and the Bank routinely update the valuation of collateral held against all financing as it adopts an annual internal valuation policy and a 2 years external valuation policy.

At 31 December 2022, the gross exposure of credit-impaired financing and advances to business customers amounted to RM464,334,000 (2021: RM395,179,000) and the forced sales value of collateral held against those financing and advances amounted to RM526,060,000 (2021: RM278,957,000).

House financing

The following table presents credit exposures from financing and advances that are credit impaired by ranges of financing-to-value ("FTV") ratio. FTV is calculated as the ratio of the gross amount of the financing, or the amount committed for financing commitments - to the value of the collateral.

FTV ratio	Group and Bank	
	2022 RM'000	2021 RM'000
<i>Credit-impaired financing</i>		
Less than 51%	25,773	9,180
51-70%	17,930	8,303
More than 70%	186,682	115,688
Total	230,385	133,171

Vulnerable sectors

The Group and the Bank have also identified certain vulnerable sectors that are mostly impacted by the pandemic, of which tighter assessment was made on the customers' credit rating, credit risk, credit cost and available financing.

Financing, advances and others	Group and Bank On balance sheet (net of impairment)	
	2022 RM'000	2021 RM'000
Tourism, airlines, oil and gas, transportation, restaurant, hotel and others	357,462	10,667,494
% over total maximum exposure	1%	18%

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****Maximum exposure to credit risk (continued)**

(b) Financing, advances and others (continued)

Relief and support measures

As mentioned in Note 2.1(a)(i), the Government has introduced certain measures to assist customers experiencing temporary financial constraints due to the pandemic. The table below summarised total payment moratoriums and repayment assistances granted to the affected customers;

2022	Matured and repaying as per revised schedules RM'000	Extended RM'000	Missed payments RM'000	Total granted RM'000
Consumer	28,544,807	322,309	712,513	29,579,629
Mortgages	18,630,603	210,739	436,899	19,278,241
Hire purchase	803,631	3,357	32,940	839,928
Personal financing	9,110,573	108,213	242,674	9,461,460
Commercial	1,810,567	531	76,411	1,887,509
of which SME	896,710	531	75,109	972,350
Corporate	1,653,301	–	–	1,653,301
	32,008,675	322,840	788,924	33,120,439
As a percentage of total:				
Consumer	96.5%	1.1%	2.4%	100.0%
Mortgages	96.6%	1.1%	2.3%	100.0%
Hire purchase	95.7%	0.4%	3.9%	100.0%
Personal financing	96.3%	1.1%	2.6%	100.0%
Commercial	95.9%	0.0%	4.1%	100.0%
of which SME	92.2%	0.1%	7.7%	100.0%
Corporate	100.0%	0.0%	0.0%	100.0%
	96.6%	1.0%	2.4%	100.0%

Notes to the financial statements

for the financial year ended 31 December 2022

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

Maximum exposure to credit risk (continued)

(b) Financing, advances and others (continued)

Relief and support measures (continued)

2021	Matured and repaying as per revised schedules RM'000	Extended RM'000	Missed payments RM'000	Total granted RM'000
Consumer	13,709,948	19,987,014	267,364	33,964,326
Mortgages	8,939,906	11,242,682	166,485	20,349,073
Hire purchase	50,421	446,387	12,971	509,779
Personal financing	4,719,621	8,297,945	87,908	13,105,474
Commercial	288,137	1,972,308	51,084	2,311,529
of which SME	207,125	1,065,715	34,177	1,307,017
Corporate	1,022,145	964,132	–	1,986,277
	15,020,230	22,923,454	318,448	38,262,132
As a percentage of total:				
Consumer	40.4%	58.8%	0.8%	100.0%
Mortgages	43.9%	55.3%	0.8%	100.0%
Hire purchase	9.9%	87.6%	2.5%	100.0%
Personal financing	36.0%	63.3%	0.7%	100.0%
Commercial	12.5%	85.3%	2.2%	100.0%
of which SME	15.9%	81.5%	2.6%	100.0%
Corporate	51.5%	48.5%	0.0%	100.0%
	39.3%	59.9%	0.8%	100.0%

(c) Financial guarantee contracts (“FGC”)

FGCs mainly comprise guarantees to customers, standby or documentary letters of credit and performance related contingencies. The Group and the Bank will typically have recourse to specific assets pledged as collateral in the event of a default by a party for which the Group and the Bank have guaranteed its obligations to a third party.

(d) Financing commitments

Financing commitments mainly comprise irrevocable financing commitments to finance a customer provided there is no breach of any condition established in the contract. If such financing commitments are drawn down by the customer there will typically be specific collateral requirements that will need to be satisfied by the customer in order to access credit facilities.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****Maximum exposure to credit risk (continued)****(i) Concentration of credit risk for Group and Bank**

Group 2022	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financial assets at AC RM'000	Financing, advances and others RM'000	Other assets at AC RM'000	On-Balance Sheet Total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	1	-	70,348	-	867,280	-	937,629	2,617	88,331
Mining and quarrying	-	-	-	-	-	110,359	-	110,359	11,187	97,809
Manufacturing (including agro-based)	-	-	41	35,704	-	595,433	-	631,178	97,623	744,130
Electricity, gas and water	-	-	-	342,004	127,100	2,180,055	-	2,649,159	77,063	242,456
Wholesale & retail trade, and hotels & restaurants	-	-	102,892	-	-	1,158,408	-	1,261,300	172,370	278,370
Construction	-	-	-	991,318	216,897	1,914,249	-	3,122,464	576,307	1,350,187
Transport, storage and communications	-	-	9	1,260,553	45,663	2,793,909	-	4,100,134	118,464	377,962
Finance, insurance, real estate and business activities	7,145,114	54,857	1,625	6,657,638	2,538,921	4,645,665	578,615	21,622,435	212,113	1,478,871
Education, health and others	-	-	3,902	817,133	10,111	2,465,138	-	3,296,284	352,927	1,814,482
Household sectors	-	-	-	-	-	48,171,498	-	48,171,498	-	2,366,077
Other sectors	-	10	14,531	1,842,680	116,564	-	-	1,973,785	305,585	362,919
	7,145,114	54,868	123,000	12,017,378	3,055,256	64,901,994	578,615	87,876,225	1,926,256	9,201,594

* Financing commitments excluding derivative financial assets

Notes to the financial statements

for the financial year ended 31 December 2022

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Concentration of credit risk for Group and Bank (continued)

Group 2021	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financial assets at AC RM'000	Financing, advances and others RM'000	Other assets at AC RM'000	On-Balance Sheet Total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	-	-	122,923	-	946,230	-	1,069,153	1,765	96,540
Mining and quarrying	-	-	-	-	-	64,750	-	64,750	10,198	93,940
Manufacturing (including agro-based)	-	-	4	47,066	-	908,794	-	955,864	110,587	564,756
Electricity, gas and water	-	10,215	-	635,629	104,270	2,014,732	-	2,764,846	71,617	142,967
Wholesale & retail trade, and hotels & restaurants	-	-	11,505	-	-	902,904	-	914,409	155,005	235,621
Construction	-	-	16	1,062,079	158,591	2,597,014	-	3,817,700	527,396	1,476,088
Transport, storage and communications	-	-	-	1,233,098	46,220	689,359	-	1,968,677	85,578	337,313
Finance, insurance, real estate and business activities	5,222,848	1,276,884	1,773	6,407,069	72,508	4,644,988	293,393	17,919,463	180,041	1,511,015
Education, health and others	-	-	7,497	838,381	60,640	1,351,617	-	2,258,135	454,975	1,921,771
Household sectors	-	-	-	-	-	44,033,381	-	44,033,381	-	2,273,312
Other sectors	-	-	5,242	2,180,425	906,615	-	1,115	3,093,397	225,747	703,759
	5,222,848	1,287,099	26,037	12,526,670	1,348,844	58,153,769	294,508	78,859,775	1,822,909	9,357,082

* Financing commitments excluding derivative financial assets

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****(i) Concentration of credit risk for Group and Bank (continued)**

Bank 2022	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financial assets at AC RM'000	Financing, advances and others RM'000	Other financial assets at AC RM'000	On-Balance Sheet Total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	1	-	70,348	-	867,280	-	937,629	2,617	88,331
Mining and quarrying	-	-	-	-	-	110,359	-	110,359	11,187	97,809
Manufacturing (including agro-based)	-	-	41	35,704	-	595,433	-	631,178	97,623	744,130
Electricity, gas and water	-	-	-	342,004	127,100	2,180,055	-	2,649,159	77,063	242,456
Wholesale & retail trade, and hotels & restaurants	-	-	102,892	-	-	1,158,408	-	1,261,300	172,370	278,370
Construction	-	-	-	991,318	216,897	1,914,249	-	3,122,464	576,307	1,350,187
Transport, storage and communications	-	-	9	1,260,553	45,663	2,793,909	-	4,100,134	118,464	377,962
Finance, insurance, real estate and business activities	7,128,159	54,857	1,625	6,657,638	2,538,921	4,645,665	480,595	21,507,460	212,113	1,478,871
Education, health and others	-	-	3,902	817,133	10,111	2,465,138	-	3,296,284	352,927	1,814,482
Household sectors	-	-	-	-	-	48,171,498	-	48,171,498	-	2,366,077
Other sectors	-	-	14,531	1,842,680	116,564	-	-	1,973,775	305,585	362,919
	7,128,159	54,858	123,000	12,017,378	3,055,256	64,901,994	480,595	87,761,240	1,926,256	9,201,594

* Financing commitments excluding derivative financial assets

Notes to the financial statements

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Concentration of credit risk for Group and Bank (continued)

Bank 2021	Cash and short-term funds and deposits and placements with financial institutions RM'000	Financial assets at FVTPL RM'000	Derivative financial assets RM'000	Financial assets at FVOCI RM'000	Financial assets at AC RM'000	Financing, advances and others RM'000	Other financial assets at AC RM'000	On-Balance Sheet Total RM'000	Financial guarantee contracts RM'000	Financing commitments* RM'000
Primary agriculture	-	-	-	122,923	-	946,230	-	1,069,153	1,765	96,540
Mining and quarrying	-	-	-	-	-	64,750	-	64,750	10,198	93,940
Manufacturing (including agro-based)	-	-	4	47,066	-	908,794	-	955,864	110,587	564,756
Electricity, gas and water	-	10,215	-	635,629	104,270	2,014,732	-	2,764,846	71,617	142,967
Wholesale & retail trade, and hotels & restaurants	-	-	11,505	-	-	902,904	-	914,409	155,005	235,621
Construction	-	-	16	1,062,079	158,591	2,597,014	-	3,817,700	527,396	1,476,088
Transport, storage and communications	-	-	-	1,233,098	46,220	689,359	-	1,968,677	85,578	337,313
Finance, insurance, real estate and business activities	5,204,364	1,276,874	1,773	6,407,069	72,508	4,644,988	238,316	17,845,892	180,041	1,511,015
Education, health and others	-	-	7,497	838,381	60,640	1,351,617	-	2,258,135	454,975	1,921,771
Household sectors	-	-	-	-	-	44,033,381	-	44,033,381	-	2,273,312
Other sectors	-	-	5,242	2,180,425	906,615	-	941	3,093,223	225,747	703,759
	5,204,364	1,287,089	26,037	12,526,670	1,348,844	58,153,769	239,257	78,786,030	1,822,909	9,357,082

* Financing commitments excluding derivative financial assets

(ii) Collateral

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

- For residential mortgages – charges over residential properties
- For commercial property financing – charges over the properties being financed
- For vehicle financing under Ijarah Thumma Al-Bai – ownership claims over the vehicles financed
- For other financing and advances – charges over business assets such as premises, inventories, trade receivables and/or cash deposits

As at 31 December 2022 and 31 December 2021, there were no assets repossessed by the Bank as a result of taking possession of collateral held as security, or by calling upon other credit enhancements.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****(iii) Credit quality of financing, advances and others**

The credit quality of the Bank's financing, advances and others are summarised as follows:

Group and Bank 2022	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financing, advances and others				
Neither past due nor impaired ("NPDNI"):				
– Excellent	56,362,010	1,249,542	–	57,611,552
– Satisfactory	5,492,711	993,602	–	6,486,313
– Fair	225,748	114,210	–	339,958
	62,080,469	2,357,354	–	64,437,823
Past due but not impaired ("PDNI")	–	668,802	–	668,802
Impaired	–	–	835,232	835,232
Gross carrying amount	62,080,469	3,026,156	835,232	65,941,857
Financing commitments				
NPDNI:				
– Excellent	6,230,780	137,500	–	6,368,280
– Satisfactory	2,544,577	189,731	–	2,734,308
– Fair	52,339	4,715	–	57,054
	8,827,696	331,946	–	9,159,642
PDNI	–	10,087	–	10,087
Impaired	–	–	31,865	31,865
Gross exposure	8,827,696	342,033	31,865	9,201,594
Impairment allowances	(343,543)	(222,838)	(449,263)	(1,015,644)
Net exposure	70,564,622	3,145,351	417,834	74,127,807
Financial guarantee contracts				
NPDNI:				
– Excellent	1,078,020	23,571	–	1,101,591
– Satisfactory	681,327	141,151	–	822,478
– Fair	647	941	–	1,588
	1,759,994	165,663	–	1,925,657
PDNI	–	–	–	–
Impaired	–	–	599	599
Gross exposure	1,759,994	165,663	599	1,926,256
Impairment allowances	(22,508)	(1,559)	(152)	(24,219)
Net exposure	1,737,486	164,104	447	1,902,037

Notes to the financial statements

for the financial year ended 31 December 2022

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality of financing, advances and others (continued)

The credit quality of the Bank's financing, advances and others are summarised as follows: (continued)

Group and Bank 2021	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financing, advances and others				
Neither past due nor impaired ("NPDNI"):				
– Excellent	53,198,963	774,614	–	53,973,577
– Satisfactory	3,178,361	778,566	–	3,956,927
– Fair	166,537	137,945	–	304,482
	56,543,861	1,691,125	–	58,234,986
PDNI	–	414,366	–	414,366
Impaired	–	–	568,383	568,383
Gross carrying amount	56,543,861	2,105,491	568,383	59,217,735
Financing commitments				
NPDNI:				
– Excellent	8,898,782	179,252	–	9,078,034
– Satisfactory	198,506	3,584	–	202,090
– Fair	35,876	3,537	–	39,413
	9,133,164	186,373	–	9,319,537
PDNI	–	5,499	–	5,499
Impaired	–	–	32,046	32,046
Gross exposure	9,133,164	191,872	32,046	9,357,082
Impairment allowances	(463,844)	(279,621)	(272,660)	(1,016,125)
Net exposure	65,213,181	2,017,742	327,769	67,558,692
Financial guarantee contracts				
NPDNI:				
– Excellent	1,434,065	3,275	–	1,437,340
– Satisfactory	357,840	16,079	–	373,919
– Fair	428	172	–	600
	1,792,333	19,526	–	1,811,859
PDNI	–	11,045	–	11,045
Impaired	–	–	5	5
Gross exposure	1,792,333	30,571	5	1,822,909
Impairment allowances	(23,464)	(456)	–	(23,920)
Net exposure	1,768,869	30,115	5	1,798,989



41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality of financing, advances and others (continued)

No significant changes to estimation techniques or assumptions were made during the year.

Internal rating definition:-

Excellent to Good: Sound financial position with no difficulty in meeting its obligations.

Satisfactory: Adequate safety of meeting its current obligations but more time is required to meet the entire obligation in full.

Fair: Higher risks on payment obligations. Financial performance may continue to deteriorate.

Classification of financing, advances and others:-

- **Neither past due nor impaired financing**

Financing for which the customer has not missed a contractual payment (profit or principal) when contractually due and is not impaired and there is no objective evidence of impairment.

- **Past due but not impaired financing**

Financing for which its contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank.

- **Impaired financing**

In addition to Note 2.1(a)(ii), financing is classified as impaired/defaulted:

- (i) where the principal or profit or both are past due for three months or more;
- (ii) in the case of revolving credit facilities, where the outstanding amount has remained in excess of the approved limit for a period of three months or more;
- (iii) where the amount is past due or the outstanding amount has been in excess of the approved limit for three months or less and the financing exhibits indications of significant credit weakness;
- (iv) as soon as default occurs where the principal and/or profit repayments are schedule on intervals of 3 months or longer.

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for the financial year ended 31 December 2022

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iii) Credit quality of financing, advances and others (continued)

Past due but not impaired financing

	Group and Bank			
	2022		2021	
	RM'000	% to gross financing	RM'000	% to gross financing
By ageing				
Month-in-arrears 1	452,425	0.69	217,722	0.37
Month-in-arrears 2	216,377	0.33	196,644	0.33
	668,802	1.02	414,366	0.70

Impaired financing

	Group and Bank	
	2022 RM'000	2021 RM'000
By ageing		
Month-in-arrears 0	83,572	279,211
Month-in-arrears 1	11,124	9,002
Month-in-arrears 2	6,102	3,746
Month-in-arrears 3 and above	734,434	276,424
	835,232	568,383

Impaired financing of which rescheduled and restructured financing

	Group and Bank	
	2022 RM'000	2021 RM'000
Consumer	40,756	26,791
Business	69,211	74,352
	109,967	101,143

Rescheduled or restructured financings are financings that have been rescheduled or restructured due to deterioration in the customers' financial positions and the Bank has made concessions that it would not otherwise consider. Once the financing is rescheduled or restructured, its satisfactory performance is monitored for a period of six months before it can be reclassified to performing.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****(iii) Credit quality of financing, advances and others (continued)****Key macroeconomic variables**

The following table shows certain key macroeconomic variables ("MEV") used in modelling the allowance for credit losses for Stages 1 and 2. For the base, upside and downside scenarios, the projections are provided for the next 12 months and for the remaining forecast period, which represents a medium-term view.

	Base scenario		Upside scenario		Downside scenario	
	Next 12 months (2023)	Remaining forecast period (2024)	Next 12 months (2023)	Remaining forecast period (2024)	Next 12 months (2023)	Remaining forecast period (2024)
Consumer Price Index ("CPI")	1.90%	2.30%	2.04%	2.44%	1.10%	1.50%
Gross Domestic Production ("GDP")	4.45%	4.70%	5.67%	5.92%	-1.81%	-1.50%
House Price Index ("HPI")	1.74%	2.70%	2.10%	3.06%	0.68%	1.64%
Kuala Lumpur Composite Index ("KLCI")	1,640	1,677	1,742	1,779	1,029	1,066

An increase in unemployment rate or CPI will generally correlate with higher allowances for credit losses, whereas an increase in the other macroeconomic factors (KLCI, HPI and GDP) will generally correlate with lower allowances for credit losses. If there is an event or situation that cannot be reflected in the MEVs such as the unprecedented COVID-19 pandemic, post-model or ECL overlays need to be considered.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and potential impact to delinquencies and defaults. The impact estimated at portfolio and maintained by the Group and by the Bank as at 31 December 2022 are RM143,263,000 (31 December 2021: RM335,526,000).

The reduction of ECL Overlays during the financial year were mainly due to the following:

	RM'000
Deterioration of accounts to stage 2 and stage 3	(93,121)
Remeasurement of overlays and changes of assumptions used in estimating and measuring overlays	(45,935)
Reversal of overlays due to good conduct of accounts	(49,304)
Revision of the forward looking adjustments ("FLA") for the extremely worst-case scenario	(3,903)
	(192,263)

Notes to the financial statements

for the financial year ended 31 December 2022

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Credit quality of other financial assets excluding cash, short-term funds and deposits

Credit quality of other financial assets by external rating is as follows:

Group 2022	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial assets at FVOCI				
Debt instrument				
Government bonds and GG Sukuk:				
Rated AAA	8,361,333	-	-	8,361,333
Rated AA1 to AA3	2,299,242	-	-	2,299,242
Lower than A	1,140,139	151,530	-	1,291,669
	-	50,298	14,836	65,134
Gross carrying amount	11,800,714	201,828	14,836	12,017,378
Impairment allowances [^]	231	481	10,500	11,212
Derivative financial assets				
Bank and financial institution counterparties				122,144
Corporate				856
				123,000
Financial assets at FVTPL				
Government bonds and GG Sukuk:				
Rated AA1 to AA3				49,847
				5,021
				54,868
Financial assets at AC				
Government bonds and GG Sukuk:				
Rated AAA	2,934,910	-	-	2,934,910
	120,346	-	-	120,346
Net carrying amount	3,055,256	-	-	3,055,256
Other financial assets at AC				
Other unrated financial assets	578,615	-	4,086	582,701
Impairment allowances	-	-	(4,086)	(4,086)
Net carrying amount	578,615	-	-	578,615

[^] The impairment allowances are recognised in OCI reserve.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****(iv) Credit quality of other financial assets excluding cash, short-term funds and deposits (continued)**

Credit quality of other financial assets by external rating is as follows: (continued)

Group 2021	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
Financial assets at FVOCI			
Debt instrument			
Government bonds and GG	8,690,000	–	8,690,000
Sukuk:			
Rated AAA	2,391,696	–	2,391,696
Rated AA1 to AA3	1,429,133	–	1,429,133
Lower than A	15,841	–	15,841
Gross carrying amount	12,526,670	–	12,526,670
Impairment allowances [^]	7,237	–	7,237
Derivative financial assets			
Bank and financial institution counterparties			16,044
Corporate			9,993
			26,037
Financial assets at FVTPL			
Government bonds and GG			1,131,574
Sukuk:			
Rated AA1 to AA3			155,525
			1,287,099
Financial assets at AC			
Government bonds and GG	1,348,844	–	1,348,844
MARC C	–	5,289	5,289
Impairment allowance	–	(5,289)	(5,289)
Net carrying amount	1,348,844	–	1,348,844
Other financial assets at AC			
Other unrated financial assets	294,508	2,975	297,483
Impairment allowances	–	(2,975)	(2,975)
Net carrying amount	294,508	–	294,508

[^] The impairment allowances are recognised in OCI reserve.

Notes to the financial statements

for the financial year ended 31 December 2022

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(iv) Credit quality of other financial assets excluding cash, short-term funds and deposits (continued)

Credit quality of other financial assets by external rating is as follows: (continued)

Bank 2022	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Financial assets at FVOCI				
Debt instrument				
Government bonds and GG	8,361,333	-	-	8,361,333
Sukuk:				
Rated AAA	2,299,242	-	-	2,299,242
Rated AA1 to AA3	1,140,139	151,530	-	1,291,669
Lower than A	-	50,298	14,836	65,134
Gross carrying amount	11,800,714	201,828	14,836	12,017,378
Impairment allowances [^]	231	481	10,500	11,212
Derivative financial assets				
Bank and financial institution counterparties				122,144
Corporate				856
				123,000
Financial assets at FVTPL				
Government bonds and treasury bills				49,847
Sukuk:				
Rated AA1 to AA3				5,011
				54,858
Financial assets at AC				
Government bonds and GG	2,934,910	-	-	2,934,910
Sukuk:				
Rated AAA	120,346	-	-	120,346
Net carrying amount	3,055,256	-	-	3,055,256
Other financial assets at AC				
Other unrated financial assets	480,595	-	4,086	484,681
Impairment allowances	-	-	(4,086)	(4,086)
Net carrying amount	480,595	-	-	480,595

[^] The impairment allowances are recognised in OCI reserve.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(b) Credit risk (continued)****(iv) Credit quality of other financial assets excluding cash, short-term funds and deposits (continued)**

Credit quality of other financial assets by external rating is as follows: (continued)

Bank 2021	Stage 1 RM'000	Stage 3 RM'000	Total RM'000
Financial assets at FVOCI			
Debt instrument			
Government bonds and treasury bills	8,690,000	–	8,690,000
Sukuk:			
Rated AAA	2,391,696	–	2,391,696
Rated AA1 to AA3	1,429,133	–	1,429,133
Lower than A	15,841	–	15,841
Gross carrying amount	12,526,670	–	12,526,670
Impairment allowances [^]	7,237	–	7,237
Derivative financial assets			
Bank and financial institution counterparties			16,044
Corporate			9,993
			26,037
Financial assets at FVTPL			
Government bonds and treasury bills			1,131,574
Sukuk:			
Rated AA1 to AA3			155,515
			1,287,089
Financial assets at AC			
Government bonds and GG	1,348,844	–	1,348,844
MARC C	–	5,289	5,289
Impairment allowance	–	(5,289)	(5,289)
Net carrying amount	1,348,844	–	1,348,844
Other financial assets at AC			
Other unrated financial assets	239,257	2,975	242,232
Impairment allowances	–	(2,975)	(2,975)
Net carrying amount	239,257	–	239,257

[^] The impairment allowances are recognised in OCI reserve.

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

Overview

Market risk is the risk of adverse impact to the Group's and the Bank's arising from fluctuations of market prices and rates. The following are the main market risk factors that the Group and the Bank are exposed to:

- **Profit Rate Risk:** also known as the Rate of Return Risk, is the potential impact on the Group's and the Bank's profitability caused by changes in the rate of return due to general market movements or issuer/customer specific reasons;
- **Foreign Exchange Risk:** the impact of exchange rate movements on the Group's and the Bank's currency positions; and
- **Equity Instrument Risk:** the profitability impact on the Group's and the Bank's equity positions or investments caused by changes in equity prices or values.

The Group and the Bank separates the market risk exposures into either trading book or banking book portfolios. Trading book portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions as per the Board-approved Trading Book Policy Statements. Banking book portfolios primarily arise from the Group's and the Bank's profit rate management of the Bank's assets and liabilities and investment portfolio mainly for liquidity management.

Market risk governance

The management of market risk is principally carried out by using sets of policies and guidelines approved by the ALCO and/or BRC, guided by the Board-approved Risk Appetite Statement.

The ALCO is responsible under the authority delegated by the BRC for managing market risk at strategic level.

Management of market risk

The objective is to manage market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Group's and the Bank's approved risk appetite.

All market risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. The management of market risk is guided by comprehensive limits, policies and guidelines which are periodically reviewed.

The Market Risk Management Department ("MRMD") is the independent risk control function that is responsible for the implementation of market risk management framework. MRMD is also responsible for developing and reviewing the Group's and the Bank's market risk management guidelines and policies, monitoring tools, behavioural assumptions and limit setting methodologies. Escalation procedures are documented and approved by the ALCO and/or BRC. In addition, the market risk exposures and limits are reported to the ALCO and the BRC.

Other controls to ensure that market risk exposures remain within tolerable levels include regular stress testing, adhoc simulations and rigorous new product approval procedures. Stress test results are produced regularly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the Group's and the Bank's profitability, capital adequacy and liquidity. The stress test provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Group and the Bank.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(c) Market risk (continued)****(i) Profit rate risk**

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

Group 2022	Banking book						Trading book RM'000	Total RM'000	Effective profit rate %
	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-profit sensitive RM'000			
Assets									
Cash and short-term funds and deposits and placements with financial institutions	6,327,678	-	-	-	-	817,436	-	7,145,114	2.04
Financial assets at FVTPL	-	-	-	-	-	-	299,128	299,128	-0.07
Derivative financial assets	-	-	-	-	-	-	123,000	123,000	1.66
Financial assets at FVOCI	246,611	317,855	1,798,666	6,783,979	2,946,306	-	-	12,093,417	2.92
Financial assets at amortised cost	-	208,783	966,785	1,190,089	689,599	-	-	3,055,256	2.65
Financing, advances and others									
– non-impaired	52,476,405	4,998,646	1,223,793	1,455,143	4,659,256	293,383	-	65,106,626	4.65
– impaired net of allowances *	-	-	-	-	-	(204,632)	-	(204,632)	-
Other financial assets at amortised cost	-	-	-	-	-	578,615	-	578,615	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	950,508	-	950,508	-
Total assets	59,050,694	5,525,284	3,989,244	9,429,211	8,295,161	2,435,310	422,128	89,147,032	
Liabilities									
Deposits from customers	13,315,612	13,738,264	10,503,444	2,571,806	91,608	20,486,770	-	60,707,504	1.72
Investment accounts of customers	2,459,970	1,429,276	3,256,789	1,746	-	7,313,658	-	14,461,439	1.40
Deposits from banks and other financial institutions	-	70,068	-	-	-	-	-	70,068	-
Derivative financial liabilities	-	-	-	-	-	-	137,324	137,324	1.85
Bills and acceptance payable	-	-	-	-	-	22,441	-	22,441	-
Recourse obligations on financing sold to Cagamas	-	-	1,500,000	1,500,000	-	5,343	-	3,005,343	4.28
Subordinated Sukuk Murabahah	-	-	-	-	2,200,000	22,092	-	2,222,092	4.14
Other liabilities	-	-	-	-	-	2,070,964	-	2,070,964	-
Lease liabilities	1,175	2,362	11,910	59,355	220,783	-	-	295,585	-
Total liabilities	15,776,757	15,239,970	15,272,143	4,132,907	2,512,391	29,921,268	137,324	82,992,760	
On-balance sheet profit sensitivity gap	43,273,937	(9,714,686)	(11,282,899)	5,296,304	5,782,770	(27,485,958)	284,804	6,154,272	
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	42,286	-	-	-	42,286	
Total profit sensitivity gap	43,273,937	(9,714,686)	(11,282,899)	5,338,590	5,782,770	(27,485,958)	284,804	6,196,558	

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

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Group 2021	Banking book						Trading book RM'000	Total RM'000	Effective profit rate %
	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-profit sensitive RM'000			
Assets									
Cash and short-term funds and deposits and placements with financial institutions	4,468,535	-	-	-	-	754,313	-	5,222,848	1.53
Financial assets at FVTPL	-	-	-	-	-	-	1,582,494	1,582,494	2.51
Derivative financial assets	-	-	-	-	-	-	26,037	26,037	0.34
Financial assets at FVOCI	748,201	200,402	2,227,959	6,755,240	2,672,402	-	-	12,604,204	3.69
Financial assets at amortised cost	-	-	50,529	1,288,203	10,112	-	-	1,348,844	2.04
Financing, advances and others									
– non-impaired	46,991,212	4,788,799	1,040,059	1,251,679	3,656,933	920,670	-	58,649,352	4.24
– impaired net of allowances *	-	-	-	-	-	(495,583)	-	(495,583)	-
Other financial assets at amortised cost	-	-	-	-	-	294,508	-	294,508	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	264,050	-	264,050	-
Total assets	52,207,948	4,989,201	3,318,547	9,295,122	6,339,447	1,737,958	1,608,531	79,496,754	
Liabilities									
Deposits from customers	13,126,938	9,285,290	14,086,170	497,276	48,874	20,294,286	-	57,338,834	1.45
Investment accounts of customers	1,340,131	1,322,364	1,126,857	7,913	-	6,655,637	-	10,452,902	1.29
Derivative financial liabilities	-	-	-	-	-	-	20,421	20,421	0.27
Bills and acceptance payable	-	-	-	-	-	20,112	-	20,112	-
Recourse obligations on financing sold to Cagamas	-	-	-	2,000,000	-	1,720	-	2,001,720	4.36
Subordinated Sukuk Murabahah	-	-	-	-	2,000,000	14,849	-	2,014,849	4.11
Other liabilities	-	-	-	-	-	1,570,602	-	1,570,602	-
Lease liabilities	728	2,283	9,409	53,502	237,526	-	-	303,448	-
Total liabilities	14,467,797	10,609,937	15,222,436	2,558,691	2,286,400	28,557,206	20,421	73,722,888	
On-balance sheet profit sensitivity gap	37,740,151	(5,620,736)	(11,903,889)	6,736,431	4,053,047	(26,819,248)	1,588,110	5,773,866	
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	79,153	-	-	-	79,153	
Total profit sensitivity gap	37,740,151	(5,620,736)	(11,903,889)	6,815,584	4,053,047	(26,819,248)	1,588,110	5,853,019	

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

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(c) Market risk (continued)****(i) Profit rate risk (continued)**

Bank 2022	Banking book						Trading book RM'000	Total RM'000	Effective profit rate %
	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-profit sensitive RM'000			
Assets									
Cash and short-term funds and deposits and placements with financial institutions	6,311,925	-	-	-	-	816,234	-	7,128,159	2.04
Financial assets at FVTPL	-	-	-	-	-	-	272,735	272,735	-0.12
Derivative financial assets	-	-	-	-	-	-	123,000	123,000	1.66
Financial assets at FVOCI	247,498	317,855	1,798,666	6,783,979	2,946,306	-	-	12,094,304	2.92
Financial assets at amortised cost	-	208,783	966,785	1,190,089	689,599	-	-	3,055,256	2.65
Financing, advances and others									
– non-impaired	52,476,405	4,998,646	1,223,793	1,455,143	4,659,256	293,383	-	65,106,626	4.65
– impaired net of allowances *	-	-	-	-	-	(204,632)	-	(204,632)	-
Other financial assets at amortised cost	-	-	-	-	-	480,595	-	480,595	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	950,508	-	950,508	-
Total assets	59,035,828	5,525,284	3,989,244	9,429,211	8,295,161	2,336,088	395,735	89,006,551	
Liabilities									
Deposits from customers	13,316,727	13,739,569	10,509,901	2,571,806	91,608	20,592,104	-	60,821,715	1.72
Investment accounts of customers	2,483,432	1,508,975	3,257,151	1,746	-	7,313,658	-	14,564,962	1.40
Deposits from banks and financial institutions	-	70,068	-	-	-	-	-	70,068	-
Derivative financial liabilities	-	-	-	-	-	-	137,324	137,324	1.85
Bills and acceptance payable	-	-	-	-	-	22,441	-	22,441	-
Recourse obligations on financing sold to Cagamas	-	-	1,500,000	1,500,000	-	5,343	-	3,005,343	4.28
Subordinated Sukuk Murabahah	-	-	-	-	2,200,000	22,092	-	2,222,092	4.14
Other liabilities	-	-	-	-	-	1,910,462	-	1,910,462	-
Lease liabilities	1,129	2,270	11,630	59,355	220,783	-	-	295,167	5.70
Total liabilities	15,801,288	15,320,882	15,278,682	4,132,907	2,512,391	29,866,100	137,324	83,049,574	
On-balance sheet profit sensitivity gap	43,234,540	(9,795,598)	(11,289,438)	5,296,304	5,782,770	(27,530,012)	258,411	5,956,977	
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	42,286	-	-	-	42,286	
Total profit sensitivity gap	43,234,540	(9,795,598)	(11,289,438)	5,338,590	5,782,770	(27,530,012)	258,411	5,999,263	

* This is arrived at after impairment allowances from the outstanding gross impaired financing.

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(i) Profit rate risk (continued)

Bank 2021	Banking book						Trading book RM'000	Total RM'000	Effective profit rate %
	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-profit sensitive RM'000			
Assets									
Cash and short-term funds and deposits and placements with financial institutions	4,453,177	-	-	-	-	751,187	-	5,204,364	1.53
Financial assets at FVTPL	-	-	-	-	-	-	1,550,700	1,550,700	2.50
Derivative financial assets	-	-	-	-	-	-	26,037	26,037	0.34
Financial assets at FVOCI	749,064	200,402	2,227,959	6,755,240	2,672,402	-	-	12,605,067	3.69
Financial assets at amortised cost	-	-	50,529	1,288,203	10,112	-	-	1,348,844	2.04
Financing, advances and others									
– non-impaired	46,991,212	4,788,799	1,040,059	1,251,679	3,656,933	920,670	-	58,649,352	4.24
– impaired net of allowances *	-	-	-	-	-	(495,583)	-	(495,583)	-
Other financial assets at amortised cost	-	-	-	-	-	239,257	-	239,257	-
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	264,050	-	264,050	-
Total assets	52,193,453	4,989,201	3,318,547	9,295,122	6,339,447	1,679,581	1,576,737	79,392,088	
Liabilities									
Deposits from customers	13,127,720	9,286,497	14,094,624	497,276	48,874	20,308,935	-	57,363,926	1.45
Investment accounts of customers	1,371,739	1,399,335	1,126,857	8,033	-	6,655,637	-	10,561,601	1.29
Derivative financial liabilities	-	-	-	-	-	-	20,421	20,421	0.27
Bills and acceptance payable	-	-	-	-	-	20,112	-	20,112	-
Recourse obligations on financing sold to Cagamas	-	-	-	2,000,000	-	1,720	-	2,001,720	4.36
Subordinated Sukuk Murabahah	-	-	-	-	2,000,000	14,849	-	2,014,849	4.11
Other liabilities	-	-	-	-	-	1,538,375	-	1,538,375	-
Lease liabilities	683	2,191	9,082	53,502	237,526	-	-	302,984	5.70
Total liabilities	14,500,142	10,688,023	15,230,563	2,558,811	2,286,400	28,539,628	20,421	73,823,988	
On-balance sheet profit sensitivity gap	37,693,311	(5,698,822)	(11,912,016)	6,736,311	4,053,047	(26,860,047)	1,556,316	5,568,110	
Off-balance sheet profit sensitivity gap (profit rate swaps)	-	-	-	79,153	-	-	-	79,153	
Total profit sensitivity gap	37,693,311	(5,698,822)	(11,912,016)	6,815,464	4,053,047	(26,860,047)	1,556,316	5,647,253	

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

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(c) Market risk (continued)****(i) Profit rate risk (continued)****Profit rate risk in the banking book portfolio**

Profit rate risk in the banking book portfolio is managed and controlled using measurement tools known as Earnings at Risk (“EaR”) and Economic Value of Equity (“EVE”).

The Group and the Bank monitor the sensitivity of EaR and EVE under varying profit rate scenarios (i.e. simulation modeling). The model is a combination of standard and non-standard scenarios relevant to the local market. The standard scenarios include the parallel fall or rise in the profit rate curve and historical simulation. These scenarios assume no management action. Hence, it does not incorporate actions that would be taken by Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, Treasury would proactively manage and strategise to change the profit rate exposure profile to minimise losses and to optimise net revenues. The Bank’s hedging and risk mitigation strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

The table below shows the Group’s and the Bank’s profit rate sensitivity to a 150 basis points parallel shift as at reporting date.

	Impact on profit after tax/reserves – Increase/(Decrease)			
	2022		2021	
	-150bps RM million	+150bps RM million	+150bps RM million	+150bps RM million
Group				
Impact on EaR	(194.6)	194.6	(206.6)	206.6
Impact on EVE	381.7	(381.7)	294.0	(294.0)
Bank				
Impact on EaR	(192.3)	192.3	(204.7)	204.7
Impact on EVE	380.0	(380.0)	293.6	(293.6)

Control to manage the profit rate risk in the banking book portfolio includes present value of 1 basis point change (“PV01”) which measures the portfolio’s sensitivity to market rates movement.

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Market risk in the trading book portfolio

Market risk in the trading book portfolio is monitored and controlled using Value-at-Risk ("VaR"). It is a technique that estimates the potential losses that could occur on risk positions as a result of movements in market rates over a specified time horizon and to a given level of confidence. The VaR model used by the Bank are based on historical simulation which derives plausible future scenarios from past series of recorded market rates and prices. The historical simulation model used by the Bank incorporates the following features:

- Potential market movements are calculated with reference to data from the past two years;
- Historical market rates and prices are calculated with reference to foreign exchange rates and profit rates; and
- VaR is calculated using a 99 per cent confidence level and for a one-day holding period.

A summary of the VaR position of the Bank's trading book portfolios at the reporting date is as follows:

Bank	As at 31.12.2022 RM million	1.1.2021 to 31.12.2022		
		Average RM million	Maximum RM million	Minimum RM million
Profit rate risk	0.004	0.58	1.66	0.004
Foreign exchange risk	0.19	1.58	3.35	0.19
Overall	0.20	2.15	4.49	0.20

Bank	As at 31.12.2021 RM million	1.1.2021 to 31.12.2021		
		Average RM million	Maximum RM million	Minimum RM million
Profit rate risk	0.14	1.05	2.39	0.14
Foreign exchange risk	0.36	0.66	1.19	0.34
Overall	0.50	1.71	2.78	0.50

In addition to VaR, the Bank has put in place the maximum loss limits, position limits, tenor limits and PV01 limits in monitoring the trading book portfolio.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(c) Market risk (continued)****(iii) Foreign exchange risk**

The Bank manages and controls the trading book portfolio's foreign exchange risk by limiting the net open exposure to individual currencies and on an aggregate basis. The Bank also has in place the sensitivity limit. For the Bank-wide (trading book and banking book portfolios) foreign exchange risk, the Bank manage and control by limiting the net open exposure on an aggregate basis.

Sensitivity Analysis

Assuming that other risk variables remain constant, the foreign currency revaluation sensitivity for the the Bank as at reporting date is summarised as follows (only net open position for major currencies are shown in its specific currency in the table below. For other currencies, these exposures are grouped as 'Others'):

	Impact on profit after tax - Increase/(Decrease)			
	2022		2021	
	-1% Depreciation RM'000	+1% Appreciation RM'000	-1% Depreciation RM'000	+1% Appreciation RM'000
Bank				
US Dollar vs RM	(4,805)	4,805	12,136	(12,136)
Euro vs RM	4,348	(4,348)	4,576	(4,576)
Others vs RM	(143)	143	(193)	193

(d) Liquidity risk**Overview**

Liquidity risk is the potential inability of the Group and the Bank to meet its funding needs and regulatory obligation when they fall due, or will have to do it at excessive cost. This risk can arise from mismatches in the timing of cash flows.

The Group and the Bank maintains a diversified and stable funding base comprising of retail and corporate customer deposits. This is augmented by wholesale funding and highly liquid assets portfolios.

The objective of the Group's and the Bank's liquidity management is to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market remains accessible and cost effective.

Savings account, current account, investment accounts (IA) and term deposits form a critical part of the Group's and the Bank's funding profile and the Group and the Bank place considerable importance on maintaining their stability. The stability depends upon preserving depositor confidence in the Group and the Bank and the Group's and the Bank's capital strength and liquidity, and on competitive and transparent pricing.

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Overview (continued)

The Group's and the Bank's liquidity management is primarily carried out in accordance with Bank Negara Malaysia's requirements and the internal limits are approved by the ALCO and/or BRC. The limits vary to take account of the depth and liquidity of the local market in which the Group and the Bank operate. The Group and the Bank maintain a strong liquidity position and manage the liquidity profile of its assets, liabilities and commitments to ensure that cash flows are appropriately balanced and all obligations are met when due.

The management of liquidity risk is principally carried out by using sets of policies and guidelines approved by ALCO and/or BRC, guided by the Board's approved Risk Appetite Statement.

The ALCO is responsible under the authority delegated by the BRC for managing liquidity risk at strategic level.

Management of liquidity risk

All liquidity risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. Limits and other risk controls are set to meet the following objectives:

- Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring cash flows are relatively diversified across all maturities;
- Ensuring deposit base is diversified and not overly concentrated to a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market
- Maintain sufficient highly liquid financial assets;
- Not over-extending financing activities relative to the deposit base; and
- Not over-relying on non-Ringggit liabilities to fund Ringggit assets.

MRMD is also responsible for the implementation of liquidity risk management framework. It develops the Group's and the Bank's liquidity risk management guidelines, monitoring tools, behavioural assumptions and limit setting methodologies. Escalation procedures are documented and approved by the ALCO and/or BRC, with proper authorities to ratify or approve any excess. In addition, the liquidity risk exposures and limits are reported to the ALCO and the BRC.

Stress testing and scenario analysis are important tools used by the Group and the Bank to manage the liquidity risk. Stress test results are produced regularly to determine the impact of a sudden liquidity shock. The stress testing provides the Management and the BRC with an assessment of the financial impact of identified extreme events on the liquidity and funding risk exposures of the Group and the Bank.

Another key control feature of the Group's and the Bank's liquidity risk management is the liquidity contingency management plans. These plans identify the pre-emptive quantitative and qualitative indicators of stress conditions arising from systemic or other crises and provide guidance on the actions to be taken in order to minimise the adverse implications to the Group and the Bank.

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(d) Liquidity risk (continued)****Maturity analysis**

The table below analyses assets and liabilities of the Group and the Bank based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines:

Group As at 31 December 2022	On demand/ no specific maturity date RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds and deposits and placements with financial institutions	817,436	6,327,678	-	-	-	-	7,145,114
Financial assets at FVTPL	-	244,270	49,845	5,010	-	3	299,128
Derivative financial assets	-	40,263	77,540	4,949	75	173	123,000
Financial assets at FVOCI	-	246,611	317,855	376,002	1,422,664	9,730,285	12,093,417
Financial assets at amortised cost	-	-	208,783	20,292	946,493	1,879,688	3,055,256
Financing, advances and others	-	4,027,871	1,391,930	584,178	585,384	58,312,631	64,901,994
Other financial assets at amortised cost	578,615	-	-	-	-	-	578,615
Statutory deposits with Bank Negara Malaysia	950,508	-	-	-	-	-	950,508
Total assets	2,346,559	10,886,693	2,045,953	990,431	2,954,616	69,922,780	89,147,032
Liabilities							
Deposits from customers	20,486,770	13,315,612	13,738,264	6,667,213	3,836,231	2,663,414	60,707,504
Investment accounts of customers	7,313,658	2,459,970	1,429,276	3,059,148	197,641	1,746	14,461,439
Deposits from banks and other financial institutions	-	-	70,068	-	-	-	70,068
Derivative financial liabilities	-	41,938	77,808	17,477	-	101	137,324
Bills and acceptance payable	22,441	-	-	-	-	-	22,441
Recourse obligations on financing sold to Cagamas	-	-	-	1,500,000	-	1,505,343	3,005,343
Subordinated sukuk and capital securities	-	-	13,175	8,917	-	2,200,000	2,222,092
Other liabilities	2,070,964	-	-	-	-	-	2,070,964
Lease liabilities	-	1,175	2,362	3,752	8,158	280,138	295,585
Total liabilities	29,893,833	15,818,695	15,330,953	11,256,507	4,042,030	6,650,742	82,992,760
Net liquidity gap on statement of financial position	(27,547,274)	(4,932,002)	(13,285,000)	(10,266,076)	(1,087,414)	63,272,038	6,154,272

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Maturity analysis (continued)

The table below analyses assets and liabilities of the Group and the Bank based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines: (continued)

Group As at 31 December 2021	On demand/ no specific maturity date RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds and deposits and placements with financial institutions	754,313	4,468,535	-	-	-	-	5,222,848
Financial assets at FVTPL	295,395	10,225	494,559	447,071	335,244	-	1,582,494
Derivative financial assets	-	5,316	7,759	11,972	73	917	26,037
Financial assets at FVOCI	77,534	670,667	200,402	1,010,231	1,217,728	9,427,642	12,604,204
Financial assets at amortised cost	-	-	-	50,529	-	1,298,315	1,348,844
Financing, advances and others	-	2,405,500	1,325,153	691,800	505,753	53,225,563	58,153,769
Other financial assets at amortised cost	294,508	-	-	-	-	-	294,508
Statutory deposits with Bank Negara Malaysia	264,050	-	-	-	-	-	264,050
Total assets	1,685,800	7,560,243	2,027,873	2,211,603	2,058,798	63,952,437	79,496,754
Liabilities							
Deposits from customers	20,294,286	13,126,938	9,285,290	8,116,272	5,969,898	546,150	57,338,834
Investment accounts of customers	6,655,637	1,340,131	1,322,364	907,940	218,917	7,913	10,452,902
Derivative financial liabilities	-	5,176	7,565	6,387	625	668	20,421
Bills and acceptance payable	20,112	-	-	-	-	-	20,112
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	2,001,720	2,001,720
Subordinated sukuk and capital securities	-	-	3,945	10,904	-	2,000,000	2,014,849
Other liabilities	1,570,602	-	-	-	-	-	1,570,602
Lease liabilities	-	728	2,283	3,461	5,948	291,028	303,448
Total liabilities	28,540,637	14,472,973	10,621,447	9,044,964	6,195,388	4,847,479	73,722,888
Net liquidity gap on statement of financial position	(26,854,837)	(6,912,730)	(8,593,574)	(6,833,361)	(4,136,590)	59,104,958	5,773,866

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(d) Liquidity risk (continued)****Maturity analysis (continued)**

Bank As at 31 December 2022	On demand/ no specific maturity date RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds and deposits and placements with financial institutions	816,234	6,311,925	-	-	-	-	7,128,159
Financial assets at FVTPL	-	217,877	49,845	5,010	-	3	272,735
Derivative financial assets	-	40,263	77,540	4,949	75	173	123,000
Financial assets at FVOCI	-	247,498	317,855	376,002	1,422,664	9,730,285	12,094,304
Financial assets at amortised cost	-	-	208,783	20,292	946,493	1,879,688	3,055,256
Financing, advances and others	-	4,027,871	1,391,930	584,178	585,384	58,312,631	64,901,994
Other financial assets at amortised cost	480,595	-	-	-	-	-	480,595
Statutory deposits with Bank Negara Malaysia	950,508	-	-	-	-	-	950,508
Total assets	2,247,337	10,845,434	2,045,953	990,431	2,954,616	69,922,780	89,006,551
Liabilities							
Deposits from customers	20,592,104	13,316,727	13,739,569	6,670,552	3,839,349	2,663,414	60,821,715
Investment accounts of customers	7,313,658	2,483,432	1,508,975	3,059,370	197,781	1,746	14,564,962
Deposits from banks and other financial institutions	-	-	70,068	-	-	-	70,068
Derivative financial liabilities	-	41,938	77,808	17,477	-	101	137,324
Bills and acceptance payable	22,441	-	-	-	-	-	22,441
Recourse obligations on financing sold to Cagamas	-	-	-	1,500,000	-	1,505,343	3,005,343
Subordinated sukuk and capital securities	-	-	13,175	8,917	-	2,200,000	2,222,092
Other liabilities	1,910,462	-	-	-	-	-	1,910,462
Lease liabilities	-	1,129	2,270	3,613	8,017	280,138	295,167
Total liabilities	29,838,665	15,843,226	15,411,865	11,259,929	4,045,147	6,650,742	83,049,574
Net liquidity gap on statement of financial position	(27,591,328)	(4,997,792)	(13,365,912)	(10,269,498)	(1,090,531)	63,272,038	5,956,977

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

Maturity analysis (continued)

Bank As at 31 December 2021	On demand/ no specific maturity date RM'000	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds and deposits and placements with financial institutions	751,187	4,453,177	-	-	-	-	5,204,364
Financial assets at FVTPL	263,611	10,215	494,559	447,071	335,244	-	1,550,700
Derivative financial assets	-	5,316	7,759	11,972	73	917	26,037
Financial assets at FVOCI	78,397	670,667	200,402	1,010,231	1,217,728	9,427,642	12,605,067
Financial assets at amortised cost	-	-	-	50,529	-	1,298,315	1,348,844
Financing, advances and others	-	2,405,500	1,325,153	691,800	505,753	53,225,563	58,153,769
Other financial assets at amortised cost	239,257	-	-	-	-	-	239,257
Statutory deposits with Bank Negara Malaysia	264,050	-	-	-	-	-	264,050
Total assets	1,596,502	7,544,875	2,027,873	2,211,603	2,058,798	63,952,437	79,392,088
Liabilities							
Deposits from customers	20,308,935	13,127,720	9,286,497	8,120,947	5,973,677	546,150	57,363,926
Investment accounts of customers	6,655,637	1,371,739	1,399,335	907,940	218,917	8,033	10,561,601
Derivative financial liabilities	-	5,176	7,565	6,387	625	668	20,421
Bills and acceptance payable	20,112	-	-	-	-	-	20,112
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	2,001,720	2,001,720
Subordinated sukuk and capital securities	-	-	3,945	10,904	-	2,000,000	2,014,849
Other liabilities	1,538,375	-	-	-	-	-	1,538,375
Lease liabilities	-	683	2,191	3,322	5,760	291,028	302,984
Total liabilities	28,523,059	14,505,318	10,699,533	9,049,500	6,198,979	4,847,599	73,823,988
Net liquidity gap on statement of financial position	(26,926,557)	(6,960,443)	(8,671,660)	(6,837,897)	(4,140,181)	59,104,838	5,568,100

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(d) Liquidity risk (continued)****Contractual maturity of financial liabilities on an undiscounted basis**

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

Group As at 31 December 2022	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial Liabilities						
Deposits from customers	33,061,779	14,473,079	6,511,528	4,209,466	3,124,189	61,380,041
Investment accounts of customers	9,749,120	1,501,789	3,094,246	208,390	1,807	14,555,352
Deposits and placements of bank and other financial institutions	-	70,690	-	-	-	70,690
Derivative financial liabilities	41,876	78,568	19,641	8,792	2,045	150,922
<i>Forward contract</i>	41,806	77,940	17,477	-	-	137,223
<i>Islamic Profit Rate Swap</i>	70	628	2,164	8,792	2,045	13,699
Bills and acceptance payable	22,441	-	-	-	-	22,441
Recourse obligations on financing sold to Cagamas	11,110	22,222	1,527,473	31,507	1,695,306	3,287,618
Subordinated sukuk and capital securities	-	20,485	26,301	47,068	2,752,960	2,846,814
Other liabilities	1,695,964	-	-	-	375,000	2,070,964
Lease liabilities	2,550	5,081	7,792	16,121	395,745	427,289
	44,584,840	16,171,914	11,186,981	4,521,344	8,347,052	84,812,131
Commitments and Contingencies						
Financial guarantee contracts	148,283	221,488	187,671	487,916	880,898	1,926,256
	148,283	221,488	187,671	487,916	880,898	1,926,256

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group As at 31 December 2021	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial Liabilities						
Deposits from customers	32,567,363	10,079,216	7,855,452	6,427,787	614,697	57,544,515
Investment accounts of customers	8,019,903	1,432,649	796,052	341,948	8,287	10,598,839
Derivative financial liabilities	5,239	9,929	13,915	31,208	136,957	197,248
<i>Forward contract</i>	4,995	7,746	6,387	625	-	19,753
<i>Islamic Profit Rate Swap</i>	244	2,183	7,528	30,583	136,957	177,495
Bills and acceptance payable	20,112	-	-	-	-	20,112
Recourse obligations on financing sold to Cagamas	7,120	14,240	21,359	42,719	2,050,345	2,135,783
Subordinated sukuk and capital securities	-	7,479	33,843	41,810	2,593,902	2,677,034
Other liabilities	1,270,602	-	-	-	300,000	1,570,602
Lease liabilities	2,542	5,084	7,626	14,155	422,605	452,012
	41,892,881	11,548,597	8,728,247	6,899,627	6,126,793	75,196,145
Commitments and Contingencies						
Financial guarantee contracts	205,501	144,324	132,935	365,503	974,646	1,822,909
	205,501	144,324	132,935	365,503	974,646	1,822,909

**41. FINANCIAL RISK MANAGEMENT (CONTINUED)****(d) Liquidity risk (continued)****Contractual maturity of financial liabilities on an undiscounted basis (continued)**

Bank As at 31 December 2022	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial Liabilities						
Deposits from customers	33,168,234	14,474,390	6,514,897	4,212,654	3,124,189	61,494,364
Investment accounts of customers	9,767,598	1,586,919	3,094,470	208,534	1,807	14,659,328
Deposits and placements of bank and other financial institutions	-	70,690	-	-	-	70,690
Derivative financial liabilities	41,876	78,568	19,641	8,792	2,045	150,922
<i>Forward contract</i>	41,806	77,940	17,477	-	-	137,223
<i>Islamic Profit Rate Swap</i>	70	628	2,164	8,792	2,045	13,699
Bills and acceptance payable	22,441	-	-	-	-	22,441
Recourse obligations on financing sold to Cagamas	11,110	22,222	1,527,473	31,507	1,695,306	3,287,618
Subordinated sukuk and capital securities	-	20,485	26,301	47,068	2,752,960	2,846,814
Other liabilities	1,535,462	-	-	-	375,000	1,910,462
Lease liabilities	2,495	4,989	7,653	15,980	395,745	426,862
	44,549,216	16,258,263	11,190,435	4,524,535	8,347,052	84,869,501
Commitments and Contingencies						
Financial guarantee contracts	148,283	221,488	187,671	487,916	880,898	1,926,256
	148,283	221,488	187,671	487,916	880,898	1,926,256

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank As at 31 December 2021	Up to 1 month RM'000	>1 to 3 months RM'000	>3 to 6 months RM'000	>6 to 12 months RM'000	Over 1 year RM'000	Total RM'000
Financial Liabilities						
Deposits from customers	32,567,363	10,079,216	7,855,452	6,427,787	614,697	57,544,515
Investment accounts of customers	8,019,903	1,432,649	796,052	341,948	8,287	10,598,839
Derivative financial liabilities	5,239	9,929	13,915	31,208	136,957	197,248
<i>Forward contract</i>	4,995	7,746	6,387	625	–	19,753
<i>Islamic Profit Rate Swap</i>	244	2,183	7,528	30,583	136,957	177,495
Bills and acceptance payable	20,112	–	–	–	–	20,112
Recourse obligations on financing sold to Cagamas	7,120	14,240	21,359	42,719	2,050,345	2,135,783
Subordinated sukuk and capital securities	–	7,479	33,843	41,810	2,593,902	2,677,034
Other liabilities	1,238,375	–	–	–	300,000	1,538,375
Lease liabilities	2,495	4,989	7,484	13,965	422,605	451,538
	41,860,607	11,548,502	8,728,105	6,899,437	6,126,793	75,163,444
Commitments and Contingencies						
Financial guarantee contracts	205,501	144,324	132,935	365,503	974,646	1,822,909
	205,501	144,324	132,935	365,503	974,646	1,822,909

(e) Operational Risk

Overview

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems and external events, which includes legal risk and Shariah compliance risk but excludes strategic and reputational risk.

Management of operational risk

The Group and the Bank recognises and emphasises the importance of operational risk management (“ORM”) and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored and business activities are carried out within the established guidelines, procedures and limits.



41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Operational Risk (continued)

Management of operational risk (continued)

The Group's and the Bank's overall governance approach in managing operational risk is premised on the Three Lines of Defence Approach:

- **1st line of defence** – The risk owner or risk taking unit i.e. Business or Support Unit is accountable for putting in place a robust control environment within their respective units. They are responsible for the day-to-day management of operational risk. Head of Division/Department (“HOD”) are accountable for effective management of operational risk within their respective divisions.

To reinforce accountability and ownership of risk and control, a Risk Controller for each risk taking unit is appointed to assist in driving the risk and control programme for the Group and the Bank.

In addition, an Embedded Risk & Compliance Unit (“ERU”) has been established within the significant business and support units (“BU/SU”). The ERU would assist in implementing and monitoring the ORM activities within the BU/SU. The ERU's relationship and knowledge of the business allow for a more focused implementation and effective oversight of ORM within the BU/SU.

- **2nd line of defence** – Operational Risk Management Department (“ORMD”) is responsible for establishing and maintaining the ORM Framework, developing various ORM tools to facilitate the management of operational risk, monitoring the effectiveness of ORM via an integrated operational risk management system, assessing operational risk issues from the risk owner and escalating the issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, ORMD is also responsible to promote risk awareness across the Group and the Bank.

Shariah Risk Management (“SRM”) Unit of ORMD, Group Compliance Division which includes Shariah Compliance Department (“SCD”) and Group Information Security Governance (“GISGD”) complement the role of ORMD as the second line of defence. SRM is responsible for managing the Shariah compliance risk (“SCR”) by establishing and maintaining appropriate SRM guidelines, facilitating the process of identifying, assessing, controlling and monitoring SCR and promoting SCR awareness.

Group Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk as well as money laundering and terrorism financing risks through proper classification of risks and develops, reviews and enhances compliance-related training programmes as well as conducts training that promotes awareness creation.

SCD of Group Compliance Division, is responsible for reviewing and monitoring Shariah compliance of the Group's operations, activities and services at BU/SU level.

GISGD is responsible in managing technology risk by establishing, maintaining and enforcing technology risk policies and guidelines, as well as promoting Group-wide awareness on technology risk. It also works closely with Group Digital Division (“GDD”) in identifying, assessing, mitigating and monitoring of technology risk in the Group and the Bank.

- **3rd line of defence** – Group Internal Audit provides independent assurance to the Board and senior management on the effectiveness of the ORM process.

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41. FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting Financial Assets and Financial Liabilities

The Group and the Bank report financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognised financial assets in the statement of financial position RM'000	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Net amount presented in statement of financial position RM'000	Related amounts not set off in the statements of financial position		Net amount RM'000
				Financial instruments RM'000	Financial collateral received RM'000	
2022						
Derivatives assets	123,000	–	123,000	(62,402)	(130)	60,468
Derivatives liabilities	–	137,324	137,324	(62,402)	(130)	74,792
2021						
Derivatives assets	26,037	–	26,037	(14,574)	(130)	11,333
Derivatives liabilities	–	20,421	20,421	(14,574)	(130)	5,717



42. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet instruments. Fair value is the amount at which the financial assets could be exchanged or a financial liability settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the estimates of fair values as at the financial position date.

Quoted and observable market prices where available, are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on a range of methodologies and assumptions regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the assumptions could materially affect these estimates and the corresponding fair values.

Fair value information for non-financial assets and liabilities such as investments in subsidiaries and taxation are excluded, as they do not fall within the scope of MFRS 7, *Financial Instruments: Disclosure and Presentation* which requires the fair value information to be disclosed.

The fair values are based on the following methodologies and assumptions:

Deposits and placements with banks and other financial institutions

For deposits and placements with financial instruments with maturities of less than six months, the carrying value is a reasonable estimate of fair values. For deposits and placements with maturities six months and above, the estimated fair values are based on discounted cash flows using prevailing Islamic money market profit rates at which similar deposits and placements would be made with financial instruments of similar credit risk and remaining period to maturity.

Financial assets measured at FVTPL and FVOCI

The estimated fair values are generally based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been estimated by reference to market indicative yields or net tangible asset backing of the investee.

Financing, advances and others

The fair values are estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

Deposits from customers and investment accounts of customers

The fair values of deposits and investment accounts are deemed to approximate their carrying amounts as rate of returns are determined at the end of their holding periods based on the profit generated from the assets invested.

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for deposits and placements with similar remaining period to maturities.

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42. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Bills and acceptance payable

The estimated fair values of bills and acceptance payables with maturity of less than six months approximate their carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profiles.

Fair value hierarchy

MFRS 13 specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources and unobservable inputs reflect the Group's market assumptions. The fair value hierarchy is as follows:

- **Level 1** – Quoted price (unadjusted) in active markets for the identical assets or liabilities. This level includes listed equity securities and debt instruments.
- **Level 2** – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This level includes profit rate swaps and structured debt. The sources of input parameters include BNM indicative yields or counterparty credit risk.
- **Level 3** – Inputs for asset or liability that are not based on observable market data (unobservable inputs). This level includes equity instruments and debt instruments with significant unobservable components.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statement of financial position. The table does not include those short-term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values.

**42. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)****Fair value hierarchy (continued)**

Group 31 December 2022	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value	Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 3 RM'000		
Financial assets							
Financial assets at FVTPL	-	299,128	-	299,128	-	299,128	299,128
Derivative financial assets	-	123,000	-	123,000	-	123,000	123,000
Financial assets at FVOCI	7,000	12,017,378	69,039	12,093,417	-	12,093,417	12,093,417
Financial assets at AC	-	-	-	-	3,008,360	3,008,360	3,055,256
Financing, advances and others	-	-	-	-	68,151,645	68,151,645	64,901,994
Financial liabilities							
Derivative financial liabilities	-	137,324	-	137,324	-	137,324	137,324
Recourse obligations on financing sold to Cagamas	-	-	-	-	3,011,090	3,011,090	3,005,343
Subordinated sukuk and capital securities	-	-	-	-	2,181,013	2,181,013	2,222,092

Group 31 December 2021	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value	Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 3 RM'000		
Financial assets							
Financial assets at FVTPL	-	1,582,494	-	1,582,494	-	1,582,494	1,582,494
Derivative financial assets	-	26,037	-	26,037	-	26,037	26,037
Financial assets at FVOCI	17,004	12,526,670	60,530	12,604,204	-	12,604,204	12,604,204
Financial assets at AC	-	-	-	-	1,330,502	1,330,502	1,348,844
Financing, advances and others	-	-	-	-	61,303,303	61,303,303	58,153,769
Financial liabilities							
Derivative financial liabilities	-	20,421	-	20,421	-	20,421	20,421
Recourse obligations on financing sold to Cagamas	-	-	-	-	2,044,330	2,044,330	2,001,720
Subordinated sukuk and capital securities	-	-	-	-	2,009,745	2,009,745	2,014,849

Notes to the financial statements

for the financial year ended 31 December 2022

42. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value hierarchy (continued)

Bank 31 December 2022	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value	Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 3 RM'000		
Financial assets							
Financial assets at FVTPL	-	272,735	-	272,735	-	272,735	272,735
Derivative financial assets	-	123,000	-	123,000	-	123,000	123,000
Financial assets at FVOCI	7,000	12,017,378	69,926	12,094,304	-	12,094,304	12,094,304
Financial assets at AC	-	-	-	-	3,008,360	3,008,360	3,055,256
Financing, advances and others	-	-	-	-	68,151,645	68,151,645	64,901,994
Financial liabilities							
Derivative financial liabilities	-	137,324	-	137,324	-	137,324	137,324
Recourse obligations on financing sold to Cagamas	-	-	-	-	3,011,090	3,011,090	3,005,343
Subordinated sukuk and capital securities	-	-	-	-	2,181,013	2,181,013	2,222,092

Bank 31 December 2021	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value	Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 3 RM'000		
Financial assets							
Financial assets at FVTPL	-	1,550,700	-	1,550,700	-	1,550,700	1,550,700
Derivative financial assets	-	26,037	-	26,037	-	26,037	26,037
Financial assets at FVOCI	17,004	12,526,670	61,393	12,605,067	-	12,605,067	12,605,067
Financial assets at AC	-	-	-	-	1,330,502	1,330,502	1,348,844
Financing, advances and others	-	-	-	-	61,303,303	61,303,303	58,153,769
Financial liabilities							
Derivative financial liabilities	-	20,421	-	20,421	-	20,421	20,421
Recourse obligations on financing sold to Cagamas	-	-	-	-	2,044,330	2,044,330	2,001,720
Subordinated sukuk and capital securities	-	-	-	-	2,009,745	2,009,745	2,014,849



42. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Unobservable inputs used in measuring fair value

The following tables show the valuation techniques used in the determination of fair values within Level 3, as well as the key unobservable inputs used in the valuation models.

(a) Financial instruments carried at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Financial assets measured at FVOCI	Net tangible assets	Net tangible assets	Higher net tangible assets results in higher fair value

(b) Financial instruments not carried at fair value

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Other financial assets at amortised cost

The fair values of securities that are actively traded is determined by quoted mid prices. For non-actively traded securities, the fair values are estimated using valuation techniques such as 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.

(ii) Financing and advances

The fair values of variable rate financing are estimated to approximate their carrying values. For fixed rate 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 with similar credit profiles. In respect of impaired financing, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

(iii) Subordinated Sukuk Murabahah and Recourse obligations on financing sold to Cagamas

The fair values of subordinated obligations are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for borrowings with similar risk profiles.

43. CAPITAL COMMITMENTS

	Group and Bank	
	2022 RM'000	2021 RM'000
Property and equipment Contracted but not provided for in the financial statements	277,699	205,214

Notes to the financial statements

for the financial year ended 31 December 2022

42. COMMITMENTS AND CONTINGENCIES

(a) Commitment and contingencies

The off-Balance Sheet and counterparties credit risk for the Group and the Bank are as follows:

31 December 2022

Nature of item	Principal Amount RM'000		Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Credit related exposures				
Direct credit substitutes	533,884		533,884	578,339
Transaction related contingent items	985,002		492,501	483,516
Short-term self-liquidating trade related contingencies	407,370		81,474	80,143
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	1,392,315		696,158	575,432
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	7,809,279		–	–
	11,127,850		1,804,017	1,717,430

	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Derivative Financial Instruments				
Foreign exchange related contracts				
– less than one year	7,713,420	122,827	212,579	78,664
Profit rate related contracts				
– one year to less than five years	42,286	173	501	325
	7,755,706	123,000	213,080	78,989
Total	18,883,556	123,000	2,017,097	1,796,419

**42. COMMITMENTS AND CONTINGENCIES (CONTINUED)****(a) Commitment and contingencies (continued)**

The off-Balance Sheet and counterparties credit risk for the Group and the Bank are as follows: (continued)

31 December 2021

Nature of item	Principal Amount RM'000	Credit Equivalent Amount RM'000	Risk Weighted Asset RM'000
Credit related exposures			
Direct credit substitutes	501,511	501,511	503,088
Transaction related contingent items	903,458	451,729	438,976
Short-term self-liquidating trade related contingencies	417,940	83,588	83,012
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:			
– exceeding one year	1,246,592	623,295	503,494
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	8,110,490	–	–
	11,179,991	1,660,123	1,528,570
Derivative Financial Instruments			
Foreign exchange related contracts			
– less than one year	7,505,850	25,120	66,277
Profit rate related contracts			
– one year to less than five years	79,153	917	1,735
	7,585,003	26,037	68,012
Total	18,764,994	1,776,922	1,596,582

Notes to the financial statements

for the financial year ended 31 December 2022

42. COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Contingent liabilities

Perbadanan Harta Intelek Malaysia (“MyIPO” or “Plaintiff”) vide a Writ and Statement of Claim dated 18 October 2021, filed a claim against BIMB Investment Management Berhad (“BIMB Invest” or “First Defendant”), a wholly owned subsidiary of the Bank and Ahmad Azwan Bin Aboo Mansor (“Second Defendant”)

The Plaintiff has filed a statement of claim that the Defendants are liable for loss and damage caused by fraudulent misrepresentation, negligence, and breach of statutory duty in respect of placement of monies amounting to RM85.5 million with the First Defendant upon representation made by Second Defendant.

BIMB Invest had on 8 December 2021 filed a Defense and subsequently, the Reply to Defense by the Plaintiff was filed on 5 January 2022.

The Court has fixed the next Case Management on 12 September 2022 with the directions, as follows;

- The Plaintiff is to file and serve its Affidavit in Reply on or before 29 July 2022;
- First Defendant is to file and serve its Affidavit in Reply on or before 12 August 2022;
- Both Parties are to file respective written submission simultaneously on or before 23 August 2022; and
- Both Parties are to file respective written submission in Reply simultaneously on or before 30 August 2022.

Hearing of Enclosure 32 and Case Management for Writ was fixed on 12 September 2022 with full trial fixed on the 27th, 28th and 29th of May 2024.

The potential liability of BIMB Invest if there was an adverse decision related to the claim is estimated to be approximately RM59.8 million.

The possible obligation towards BIMB Invest to settle the litigation claim is subject to decision by the court and as the case is still preliminary, the settlement to the litigation claim may not be probable at this juncture and therefore no provision is recognised in the financial statements.

45. CAPITAL ADEQUACY

Total capital and capital adequacy ratios of the Group and the Bank have been computed based on Bank Negara Malaysia (“BNM”)’s Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020 and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 3 May 2019. The Group and the Bank is required to meet minimum Common Equity Tier I (“CET I”), Tier I and Total Capital adequacy ratios of 4.5%, 6.0% and 8.0% respectively.

To ensure that banks build up adequate capital buffer outside period of stress, a Capital Conservation Buffer (“CCB”) of 2.5% above the minimum capital adequacy was introduced by BNM. The CCB is maintained in the form of CET I Capital above the minimum CET I Capital, Tier I Capital and Total Capital adequacy at 2.5% starting 1 January 2019 onwards.

Therefore, the minimum regulatory capital adequacy ratios requirement for CET I capital ratio, Tier I capital ratio and Total Capital ratio are 7.0%, 8.5% and 10.5% respectively starting year 2019 onwards. The Group and the Bank have adopted the Standardised Approach for Credit Risk and Market Risk and the Basic Indicator Approach for Operational Risk.

**45. CAPITAL ADEQUACY (CONTINUED)**

The capital adequacy ratios of the Group and the Bank are set out below:

	Group		Bank	
	2022	2021	2022	2021
Common Equity Tier I ("CET I") Capital Ratio	13.578%	13.179%	13.230%	12.799%
Tier I Capital Ratio	14.640%	13.179%	14.298%	12.799%
Total Capital Ratio	19.392%	18.561%	19.074%	18.203%

The components of CET I, Tier I and Tier II capital:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Paid-up share capital	3,645,043	3,445,757	3,645,043	3,445,757
Retained earnings	3,096,604	2,965,080	3,105,912	2,965,659
Other reserves	54,596	(10,899)	(56,368)	(121,843)
<u>Less:</u>				
Deferred tax assets	(212,349)	(193,214)	(211,377)	(191,773)
Regulatory reserves	(136,000)	-	(136,000)	-
Investment in subsidiaries	-	-	(100,905)	(100,905)
Intangible assets	(54,578)	-	(54,578)	-
Total CET I	6,393,316	6,206,724	6,191,727	5,996,895
Capital securities	500,000	-	500,000	-
Total Tier I Capital	6,893,316	6,206,724	6,691,727	5,996,895
Sukuk Murabahah	1,700,000	2,000,000	1,700,000	2,000,000
Loss provisions [^]	537,883	534,465	535,095	532,094
Total Tier II Capital	2,237,883	2,534,465	2,235,095	2,532,094
Total Capital	9,131,199	8,741,189	8,926,822	8,528,989

[^] Impairment allowances on non-impaired financing and regulatory reserve, subject to maximum of 1.25% of total credit risk-weighted assets less credit absorbed by unrestricted investment accounts.

Notes to the financial statements

for the financial year ended 31 December 2022

45. CAPITAL ADEQUACY (CONTINUED)

The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Credit risk	53,650,821	50,180,739	53,513,221	50,080,971
Less: Credit risk absorbed by unrestricted investment accounts	(10,620,157)	(7,423,579)	(10,705,652)	(7,513,437)
	43,030,664	42,757,160	42,807,569	42,567,534
Market risk	84,876	489,559	84,876	489,559
Operational risk	3,971,313	3,847,886	3,909,361	3,797,811
	47,086,853	47,094,605	46,801,806	46,854,904

46. RELATED PARTY TRANSACTIONS

Identity of related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group 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 and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties that have material transactions and their relationship with the Bank are as follows:

Parties	Relationship
Lembaga Tabung Haji	Major shareholder
Syarikat Takaful Malaysia Berhad	Other related companies
Subsidiaries of Bank Islam Malaysia Berhad as disclosed in Note 13	Subsidiaries
Associate company of Lembaga Tabung Haji	Other related companies
Koperasi Kakitangan Kumpulan BIMB Holdings Malaysia Berhad	Co-operative society in which the employees have interest

Related party transactions have been entered into in the normal course of business under normal trade terms.

**46. RELATED PARTY TRANSACTIONS (CONTINUED)**

- (a) The related party transactions of the Bank, other than key management personnel compensation, are as follows (continued):

	Transaction amounts for	
	2022 RM'000	2021 RM'000
Major shareholder		
<u>Income</u>		
Wakalah fee	59	308
Office rental	68	65
Fees and commission	401	-
<u>Expenses</u>		
Income attributable to depositors	40,164	68,936
Income attributable to investment account holders	12,074	12,149
Finance cost on subordinated sukuk and capital securities	4,318	3,145
Office rental	1,250	1,260
Depreciation of right-of-use assets	13,193	13,193
Profit expense on lease	16,550	17,043
Other rental	359	335
Subsidiaries		
<u>Income</u>		
Fees and commission	4,466	5,518
Office rental	563	1,526
Others	59	115
<u>Expenses</u>		
Fees and commission	17,589	5,830
Income attributable to depositors	181	206
Income attributable to investment account holders	2,469	5,756
Office rental	196	179

Notes to the financial statements

for the financial year ended 31 December 2022

46. RELATED PARTY TRANSACTIONS (CONTINUED)

- (a) The related party transactions of the Bank, other than key management personnel compensation, are as follows (continued):

	Transaction amounts for	
	2022 RM'000	2021 RM'000
<i>Other related companies</i>		
<u>Income</u>		
Income from financing, advances and others	608	116
Fees and commission income	89	342
Bancatakaful service fee	39,070	25,190
Others	1,684	2,023
<u>Expenses</u>		
Income attributable to depositors	14,800	13,572
Income attributable to investment account holders	403	637
Office rental	3,160	3,191
Other rental	14	13
Takaful fee	4,129	4,607
<i>Co-operative society in which the employees have interest</i>		
<u>Income</u>		
Income from financing, advances and others	2,562	2,550
<u>Expenses</u>		
Income attributable to depositors	4	4
Income attributable investment account holders	18	10
Others	183	1,768

The inter-company charges of the Group and the Bank with related parties were mainly transacted in Central region.

**46. RELATED PARTY TRANSACTIONS (CONTINUED)**

(b) The outstanding balances of the Bank with related parties, are as follows:

	2022 RM'000	2021 RM'000
Major shareholder		
Amount due from		
Financing, advances and others	10	9
Amount due to		
Deposits from customers	2,156,712	2,317,337
Investment account of customers	400,000	600,000
Income payable to depositors	2,815	20,412
Income payable to investment account holders	8,252	11,305
Subordinated sukuk and capital securities	135,000	100,000
Finance cost payable on subordinated sukuk and capital securities	1,328	688
Subsidiaries		
Amount due from		
Other receivables	12	854
Amount due to		
Deposits from customers	112,203	23,877
Investment account of customers	102,144	108,369
Income payable to investment account holders	1,379	330
Income payable to depositors	64	106
Other payables	2,688	10
Other related companies		
Amount due from		
Financing, advances and others	20,866	3,993
Other receivables	54	176
Amount due to		
Deposits from customers	742,940	1,094,392
Investment account of customers	26,186	34,768
Income payable to depositors	1,226	6,385
Income payable to investment account holders	6	2
Commitments and contingencies	14,361	13,216
Co-operative society in which the employees have interest		
Amount due from		
Financing, advances and others	53,075	57,987
Amount due to		
Deposits from customers	147	119
Investment account of customers	-	581
Income payable to depositors	1	1
Income payable to investment account holders	-	4

Notes to the financial statements

for the financial year ended 31 December 2022

47. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

Credit exposures with connected parties as per BNM's revised Guidelines on Credit Transactions and Exposures with Connected Parties are as follows:

	Group and Bank	
	2022 RM'000	2021 RM'000
Outstanding credit exposures with connected parties	1,952,597	2,132,777
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	2.69%	3.24%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0.00%	0.00%

The above disclosure on Credit Transaction and Exposures with Connected Parties is presented in accordance with Para 9.1 of Bank Negara Malaysia's Revised Guidelines on Credit Transaction and Exposures with Connected Parties.



Pillar 3 Disclosure

as at 31 December 2022

OVERVIEW

The Pillar 3 Disclosure for financial year ended 31 December 2022 for Bank Islam Malaysia Berhad (“the Bank”) and its subsidiaries (“the Group”) describes the risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements governed by Bank Negara Malaysia’s (“BNM”) “Capital Adequacy Framework for Islamic Banks (“CAFIB”) – Disclosure Requirements (“Pillar 3”)

The Group adopts the following approaches in determining the capital requirements of Pillar 1 in accordance with BNM’s Guidelines on CAFIB (Basel II – Risk Weighted Assets (“RWA”)) since January 2008:

- Credit and Market Risk – the Standardised Approach (“SA”); and
- Operational Risk – the Basic Indicator Approach (“BIA”).

Under the Standardised Approach, standard risk weights are used to assess the capital requirements whilst under the Basic Indicator Approach, the capital requirements are computed based on a fixed percentage over the Group’s average gross income for a fixed number of quarterly periods.

As required under Pillar 2, the Group has also developed an Internal Capital Adequacy Assessment Process (“ICAAP”) framework which closely integrates the risk and capital assessment processes and ensures that adequate levels of capital are maintained to support the Group’s current and projected demand for capital under expected and stressed conditions. The ICAAP was adopted in 2012 and has been fully implemented since 2013. The ICAAP is updated and approved on an annual basis by the Management Committee, Board Risk Committee (“BRC”) and Board of Directors (“Board”).

BASIS OF DISCLOSURE

The Pillar 3 Disclosure is prepared in accordance with BNM’s Pillar 3 Disclosure Guidelines issued in July 2010 and the Group’s internal policy on Pillar 3 Disclosure; which aims to enhance transparency on the risk management practices and capital adequacy of the Bank and the Group. The disclosures include both qualitative and quantitative disclosures with respect to capital adequacy, credit risk, market risk, liquidity risk, operational risk, management of Investment Account (IA) and key aspects of Shariah governance.

Whilst this document discloses the Group’s assets both in terms of exposures and capital requirements, the information disclosed herein may not be directly comparable with the information in the Full-Year Financial Statements 2022 published by the Group.

These disclosures have been reviewed and verified by the Group Internal Auditor and attested by the Group Chief Executive Officer.

MEDIUM AND LOCATION OF DISCLOSURE

The Group’s Pillar 3 Disclosure is made available at www.bankislam.com.

Pillar 3 Disclosure

as at 31 December 2022

MINIMUM REGULATORY CAPITAL REQUIREMENTS

The Group's main activity is Islamic banking business which focuses on retail banking and financing operations. The following tables show the minimum regulatory capital requirement to support the Group's and the Bank's risk weighted assets.

Group	31.12.2022		31.12.2021	
	Risk-weighted assets RM'000	Minimum capital requirement at 8% RM'000	Risk-weighted assets RM'000	Minimum capital requirement at 8% RM'000
Credit Risk	53,650,821	4,292,066	50,180,739	4,014,459
Less: Credit Risk absorbed by IA	(10,620,157)	(849,613)	(7,423,579)	(593,886)
Market Risk	84,876	6,790	489,559	39,165
Operational Risk	3,971,313	317,705	3,847,886	307,831
Total	47,086,853	3,766,948	47,094,605	3,767,569

Bank	31.12.2022		31.12.2021	
	Risk-weighted assets RM'000	Minimum capital requirement at 8% RM'000	Risk-weighted assets RM'000	Minimum capital requirement at 8% RM'000
Credit Risk	53,513,221	4,281,058	50,080,971	4,006,478
Less: Credit Risk absorbed by IA	(10,705,652)	(856,452)	(7,513,437)	(601,075)
Market Risk	84,876	6,790	489,559	39,165
Operational Risk	3,909,361	312,749	3,797,811	303,825
Total	46,801,806	3,744,145	46,854,904	3,748,393

The Group does not have any capital requirement for Large Exposure Risk as there is no amount in excess of the lowest threshold arising from equity holdings as specified in BNM's CAFIB (Risk-Weighted Assets) Guideline.

1. SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on the Bank (including the offshore banking operations in the Federal Territory of Labuan) and its subsidiaries.

There are no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group. There were no capital deficiencies in any of the subsidiary companies of the Group as at the financial year end.



2. CAPITAL ADEQUACY

2.1 Capital Management

The Group's primary objectives when managing capital are to maintain a strong capital position to support business growth and to maintain investors, depositors, customers, and market confidence. In line with this, the Group manages its capital actively and ensures that the capital adequacy ratios which take into account the risk profile of the Group, are above the regulatory minimum requirement.

To ensure that the Group has sufficient capital to support all its business and risk-taking activities, the Group has implemented a sound capital management process in its management systems and processes. A comprehensive capital management framework has been adopted by the Group as a key enabler for value creation which is important to the long-term survival of the Group. This comprehensive capital management process includes thorough risk assessment and risk management techniques that are embedded within the Group's risk governance.

The assessment is based on the approved business plan, its estimation of current risks inherent in the Group and the impact of capital stress tests on the Group's capital plan. The Group aims to achieve the following capital management objectives:

- Meeting regulatory capital requirements;
- Optimising returns to shareholders;
- Maintaining adequate levels and an optimum mix of different sources of capital to support the underlying risks of its business;
- Ensuring adequate capital to withstand shocks and stress;
- Ensuring sufficient capital to expand its business ventures and inorganic growth; and
- Allocating an appropriate amount of capital to business units to optimise return on capital.

The Group's capital management is guided by the Capital Management Plan, approved by the Board, to ensure the management of capital is consistent and aligned with the Group's Risk Appetite Statement and ICAAP Document Policy.

The Group's capital management processes comprise:

- Capital Structuring – ensuring that the amount of regulatory and statutory capital available is consistent with the Group's growth plan, risk appetite, and desired level of capital adequacy. Capital structuring focuses on selecting appropriate, most cost-effective mix of capital instruments;
- Capital Allocation – ensuring that the capital is employed efficiently across the Group based on risk-adjusted return on capital; and
- Capital Optimisation – seeking an optimal level of capital by facilitating the optimisation of the risk profile of the balance sheet. This will be done through:
 - reshaping of the balance sheet;
 - capital planning, allocation and optimisation; and
 - a sound management of the capital buffer.

As such, the four fundamental components of a sound capital planning process include:

- Internal control and governance;
- Capital policy and risk capture;
- Forward-looking view; and
- Management framework for preserving capital.

Pillar 3 Disclosure

as at 31 December 2022

2. CAPITAL ADEQUACY (CONTINUED)

2.1 Capital Management (continued)

The Group's Capital Management Plan is updated annually and approved by the Board for implementation at the beginning of each financial year. The capital plan is drawn up to cover at least a three-year horizon and takes into account, amongst others, the Group's strategic objectives and business plans, regulatory capital requirements, capital benchmarking against the industry, available supply of capital and capital raising options, performance of business sectors based on a Risk Adjusted Return on Capital ("RAROC") approach, as well as ICAAP and stress testing results.

The Group has fully issued Subordinated Sukuk Murabahah under its Subordinated Sukuk Murabahah Programme of up to RM1.0 billion in nominal value ("Subordinated Sukuk Murabahah Programme") which was approved by the Securities Commission Malaysia ("SC") on 7 October 2014. On 6 September 2018, the Group successfully lodged with SC under Lodge and Launch Framework, a Sukuk Murabahah Programme of up to RM10.0 billion in nominal value, which allows issuances of Subordinated Sukuk Murabahah and Senior Sukuk Murabahah. The purpose of the Subordinated Sukuk Murabahah issuance under both programmes is to enhance the capital adequacy of the Group, in line with the requirements under the Basel III capital framework. Both programmes are qualified as Tier 2 regulatory capital of the Bank and the Group in accordance with BNM's CAFIB (Capital Components) Guideline.

Additionally, on 27 June 2022, the Group successfully lodged with SC under Lodge and Launch Framework, a Sukuk Wakalah Programme of up to RM5.0 billion in nominal value, for the issuances of Additional Tier-1 Capital Sukuk Wakalah. Subsequently, on 24 August 2022, the Group issued RM500 million Additional Tier 1 Sukuk Wakalah under the RM5.0 billion Sukuk Wakalah Programme. This shall qualify as Tier 1 regulatory capital of the Bank and the Group.

Table below depicts a summary of the Subordinated Sukuk Murabahah and Sukuk Wakalah Programme of the Group:

Capital Instrument	Capital Component	Main Features
1) Subordinated Sukuk Murabahah Programme of up to RM1.0 billion (Programme 1)		
<p>a) Tranche 1: RM300 million at 5.75%</p> <ul style="list-style-type: none"> Issued on 22 April 2015 Mature on 22 April 2025 <p>Note: Tranche 1 was called on 22 April 2020</p> <p>b) Tranche 2: RM400 million at 5.50%</p> <ul style="list-style-type: none"> Issued on 15 December 2015 Mature on 15 December 2025 <p>Note: Tranche 2 was called on 15 December 2020</p> <p>c) Tranche 3: RM300 million at 5.08%</p> <ul style="list-style-type: none"> Issued on 13 November 2017 Mature on 12 November 2027 	Tier 2 Capital	<ul style="list-style-type: none"> The tenure of both programmes are as follows: <ul style="list-style-type: none"> Programme 1 – up to thirty (30) years from the date of the first issue under the Subordinated Sukuk Murabahah Programme. Programme 2 – perpetual. The tenure of each issuance of the Subordinated Sukuk Murabahah under both programmes are as follows: <ul style="list-style-type: none"> Programme 1 – shall be not less than five (5) years and up to thirty (30) years from the issue date and provided that the Subordinated Sukuk Murabahah matures on or prior to the expiry of the tenure of the Subordinated Sukuk Murabahah Programme. Programme 2 – shall be not less than five (5) years from the issue date. Each of the Subordinated Sukuk Murabahah may have a call option to allow the Group to redeem the relevant tranche of the Subordinated Sukuk Murabahah (in whole or in part) on any periodic profit payment date after a minimum period of five (5) years from the issue date of that tranche, subject to the relevant early redemption conditions being satisfied. Unsecured.



2. CAPITAL ADEQUACY (CONTINUED)

2.1 Capital Management (continued)

Capital Instrument	Capital Component	Main Features
2) Sukuk Murabahah Programme of up to RM10.0 billion (Programme 2)		
a) Tranche 1: RM300 million at 5.15% <ul style="list-style-type: none"> Type: Subordinated Sukuk Murabahah Issued on 7 November 2018 Mature on 7 November 2028 b) Tranche 2: RM400 million at 3.75% <ul style="list-style-type: none"> Type: Subordinated Sukuk Murabahah Issued on 26 March 2020 Mature on 26 March 2030 c) RM700 million at 3.60% <ul style="list-style-type: none"> Type: Subordinated Sukuk Murabahah Issued on 21 October 2020 Mature on 21 October 2030 d) RM300 million at 4.10% <ul style="list-style-type: none"> Type: Subordinated Sukuk Murabahah Issued on 12 November 2021 Mature on 12 November 2031 	Tier 2 Capital	<ul style="list-style-type: none"> Subordinated Sukuk Murabahah shall be utilised to finance the Group's Islamic banking activities, working capital requirements and other corporate purposes and/or, if required, to redeem any outstanding Sukuk Murabahah issued under both programmes. All utilisations shall be Shariah Compliant. Upon the occurrence of a Non-Viability Event, BNM, jointly with PIDM, shall have the option to require the entire or part of the nominal value of the outstanding Subordinated Sukuk Murabahah, and all other amounts owing under the Subordinated Sukuk Murabahah, to be written off. No Conversion into Equity.
3) Additional Tier 1 Capital Sukuk Wakalah Programme of up to RM5.0 billion		
RM500 million at 5.16% <ul style="list-style-type: none"> Issued on 24 August 2022 Mature on 22 August 2121 (perpetual) 	Tier 1 Capital	<ul style="list-style-type: none"> Tenure of the Sukuk Wakalah is perpetual, subject to the Call Option (where applicable). Each Series of the Sukuk Wakalah issued under the Sukuk Wakalah Programme may have a call option (to be determined prior to the relevant issue date) to allow the Group to redeem (in whole or in part) that Series of the Sukuk Wakalah on any Periodic Distribution Date on or after the fifth (5th) anniversary of the issue date of that Series of the Sukuk Wakalah at the Dissolution Distribution Amount. Unsecured. The proceeds from the Sukuk Wakalah Programme shall be utilised to finance the Group's working capital requirements and/or other general corporate purposes and to defray fees and expenses related to the Sukuk Wakalah Programme. It may also be utilised to refinance/for redemption of any earlier issuance of Sukuk Wakalah under the Sukuk Wakalah Programme. All utilisations shall be Shariah Compliant. Upon the occurrence of a Non-Viability Event, the Group shall irrevocably, without the need for the consent of the Sukuk Trustee or the Sukukholders, write-off the Sukuk Wakalah (in whole or in part) if so required by BNM and/or PIDM at their full discretion. No Conversion into Equity. Non-Convertible and non-Exchangeable

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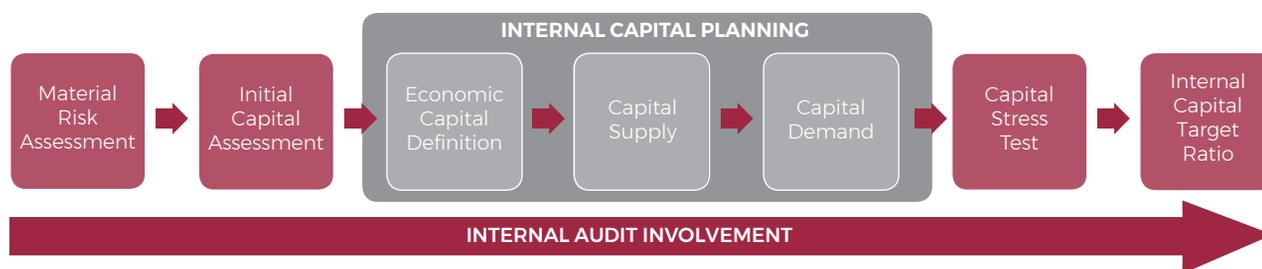
2. CAPITAL ADEQUACY (CONTINUED)

2.1 Capital Management (continued)

Total outstanding Subordinated Sukuk Murabahah and Sukuk Wakalah issued under all programmes which are qualified as Tier 1 and Tier 2 regulatory capital of the Bank and the Group as of 31 December 2022 is RM2.2 billion.

2.2 Internal Capital Adequacy Assessment Process (“ICAAP”)

The Group has carried out the internal assessment process on capital as prescribed in BNM’s CAFIB - ICAAP (“Pillar 2”) to complement its current capital management practices. The first ICAAP Document Policy was formalised and approved by the Board in March 2013 and is being reviewed on an annual basis. The Group’s ICAAP helps to suggest the minimum internal capital requirement for its current and future business strategies and financial plans for the next 3 years via a comprehensive risk assessment process on its portfolio risk exposures, its risk management practices towards its material risks and potential capital planning buffer required in the event of stress.



The Group’s ICAAP is conducted on a consolidated basis covering all the Bank’s legal entities as suggested by BNM’s Pillar 2 Guideline.

The Group’s ICAAP methodology can be summarised as follows:

Under ICAAP, the following risk types are identified and measured:

- Risks captured under Pillar 1 (i.e. Credit Risk, Market Risk, and Operational Risk);
- Risk not fully captured under Pillar 1 (e.g. Migration and Residual Risk); and
- Risk not covered under Pillar 1 (e.g. Credit Concentration Risk, Profit Rate in the Banking Book, Shariah Non-Compliance Risk, Regulatory/Compliance Risk, Contagion Risk, and IT Risk).

2.3 Stress Testing

Regular stress testing (including reverse stress testing) is performed to assess the Group’s ability to maintain adequate capital under both normal business cycle and unfavourable economic conditions. The stress testing is embedded within the risk and capital management process of the Group and is a key function of capital planning and business planning processes. Stress Testing also plays an important role in:

- Identifying the possible events or future changes in the financial and economic conditions of the country and globally that could potentially have unfavourable effects on the Group’s exposures;
- Identifying the different portfolios response to changes in key economic variables (profit rate, foreign exchange rate, GDP, etc);
- Evaluating the Group’s ability to withstand such changes, i.e. its capacity in terms of its capital and earnings, to absorb potentially significant losses; and
- Analysing the Group’s ability to meet the minimum regulatory capital requirement at all times throughout a reasonably severe economic crisis.

The Group has put in place a stress testing programme (including reverse stress testing) which has taken into account all risks deemed material to the Group, namely credit risk, market risk, liquidity risk and operational risk including Shariah non-compliance risk, regulatory compliance risk, contagion risk and IT risk.

In line with the Group’s Stress Testing Policy, ad-hoc and more frequent stress testing has been conducted to assess the impact of deterioration on specific risk areas, in line with stressed macroeconomic variables. The impact of COVID-19 pandemic outbreak such as repayment assistance, vulnerable portfolio and liquidity risk to the Group were assessed to ensure the Group’s ability to maintain adequate capital under stressed conditions.



2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios

The Group is required to comply with the Common Equity Tier 1 (“CET 1”) Capital Ratio, Tier 1 Capital Ratio and Total Capital Ratio (“TCR”) as prescribed by BNM. The Group has been in compliance with all prescribed capital adequacy ratios throughout the period.

Total capital and capital adequacy ratios of the Group have been computed based on the updated BNM’s CAFIB - Capital Components Guideline issued on 9 December 2020 and BNM’s CAFIB – RWA Guideline issued on 3 May 2019. The minimum regulatory capital adequacy ratios requirement for CET 1 capital ratio, Tier 1 capital ratio and TCR including capital buffers i.e., Capital Conservation Buffers (“CCB”) are 7.0%, 8.5% and 10.5% respectively.

The CCB is intended to encourage the build-up of capital buffers by individual Islamic banking institutions during normal times that can be drawn down during stress periods.

The table below shows the composition of the regulatory capital and capital adequacy ratios as of 31 December 2022, determined by the requirements of the CAFIB. The capital adequacy ratios of the Group and Bank are set as per below:

(a) The capital adequacy ratios of the Group and of the Bank:

	Group		Bank	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
Before effect of IA				
Before deducting proposed dividends				
CET 1 Capital Ratio	11.08%	11.39%	10.77%	11.03%
Tier 1 Capital Ratio	11.95%	11.39%	11.64%	11.03%
Total Capital Ratio	16.05%	16.03%	15.76%	15.69%
After deducting proposed dividends				
CET 1 Capital Ratio	10.73%	10.82%	10.41%	10.45%
Tier 1 Capital Ratio	11.60%	10.82%	11.28%	10.45%
Total Capital Ratio	15.70%	15.47%	15.40%	15.11%

	Group		Bank	
	31.12.2022	31.12.2021	31.12.2022	31.12.2021
After effect of IA				
Before deducting proposed dividends				
CET 1 Capital Ratio	13.58%	13.18%	13.23%	12.80%
Tier 1 Capital Ratio	14.64%	13.18%	14.30%	12.80%
Total Capital Ratio	19.39%	18.56%	19.07%	18.20%
After deducting proposed dividends				
CET 1 Capital Ratio	13.15%	12.53%	12.80%	12.13%
Tier 1 Capital Ratio	14.21%	12.53%	13.86%	12.13%
Total Capital Ratio	18.96%	17.91%	18.64%	17.53%

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2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios (continued)

(b) CET I, Tier I and Tier II capital components of the Group and of the Bank (continued):

	31.12.2022	
	Group RM'000	Bank RM'000
Tier I Capital		
Paid-up share capital	3,645,043	3,645,043
Share Premium	-	-
Retained earnings	3,096,604	3,105,912
Other reserves	54,596	(56,368)
Less: Deferred tax assets	(212,349)	(211,377)
Less: 55% of fair value	-	-
Less: Regulatory reserve attributable to financing	(136,000)	(136,000)
Less: Investment in subsidiaries	-	(100,905)
Less: Intangible Assets	(54,578)	(54,578)
Total Common Equity Tier I Capital	6,393,316	6,191,727
Total Additional Tier I Capital	500,000	500,000
Total Tier I Capital	6,893,316	6,691,727
Subordinated Sukuk	1,700,000	1,700,000
Collective assessment allowance [^]	537,883	535,095
Total Tier II Capital	2,237,883	2,235,095
Total Capital	9,131,199	8,926,822

[^] Collective assessment allowance on non-impaired financing and regulatory reserve, subject to maximum of 1.25% of total credit risk-weighted assets after deducting IA as Risk Absorbent.

**2. CAPITAL ADEQUACY (CONTINUED)****2.4 Capital Adequacy Ratios (continued)****(b) CET 1, Tier I and Tier II capital components of the Group and of the Bank (continued):**

	31.12.2021	
	Group RM'000	Bank RM'000
Tier I Capital		
Paid-up share capital	3,445,757	3,445,757
Share Premium	-	-
Retained earnings	2,965,080	2,965,659
Other reserves	(10,899)	(121,843)
Less: Deferred tax assets	(193,214)	(191,773)
Less: 55% of fair value	-	-
Less: Regulatory reserve attributable to financing	-	-
Less: Investment in subsidiaries	-	(100,905)
Total Common Equity Tier I Capital	6,206,724	5,996,895
Total Additional Tier I Capital	-	-
Total Tier I Capital	6,206,724	5,996,895
Subordinated Sukuk	2,000,000	2,000,000
Collective assessment allowance [^]	534,465	532,094
Total Tier II Capital	2,534,465	2,532,094
Total Capital	8,741,189	8,528,989

[^] Collective assessment allowance on non-impaired financing and regulatory reserve, subject to maximum of 1.25% of total credit risk-weighted assets after deducting IA as Risk Absorbent.

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2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows:

(i) Group

31 December 2022 Exposure Class	Gross Exposure RM'000	Net Exposure RM'000	Risk- Weighted Asset RM'000	Minimum Capital Requirement At 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	12,113,373	12,113,373	-	-
Public Sector Entities	2,958,245	2,936,320	591,451	47,316
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,694,857	1,694,857	338,972	27,118
Corporate	19,498,516	19,032,779	9,608,732	768,699
Regulatory Retail	22,618,237	22,581,227	21,781,936	1,742,555
Residential Mortgages	25,971,590	25,965,665	16,961,580	1,356,926
Higher Risk Assets	2,538	2,538	3,807	305
Other Assets	2,947,702	2,947,702	1,248,192	99,855
Defaulted Exposures	1,601,818	1,541,551	1,319,732	105,579
Total for On-Balance Sheet Exposures	89,406,876	88,816,012	51,854,402	4,148,352
Off-Balance Sheet Exposures				
Credit-related Exposures	1,646,533	1,645,018	1,484,364	118,749
Derivative Financial Instruments	213,080	213,080	78,989	6,319
Defaulted Exposures	157,484	157,343	233,066	18,645
Total for Off-Balance Sheet Exposures	2,017,097	2,015,441	1,796,419	143,714
Total On and Off-Balance Sheet Exposures	91,423,973	90,831,453	53,650,821	4,292,066
Less: Credit Risk absorbed by IA			(10,620,157)	(849,613)
	Long Position	Short Position		
Market Risk				
Benchmark Rate Risk	7,768,278	(7,713,549)	54,729	55,377
Foreign Exchange Risk	29,500	(272)	29,228	2,360
Inventory Risk	-	-	-	-
Total Market Risk	7,797,778	(7,713,821)	83,957	6,790
Operational Risk			3,971,313	317,705
Total RWA and Capital Requirements			47,086,854	3,766,948

Note: As at 31 December 2022, the Group did not have any exposures under securitisation.

**2. CAPITAL ADEQUACY (CONTINUED)****2.4 Capital Adequacy Ratios (continued)**

(c) *The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):*

(i) Group (continued)

31 December 2021 Exposure Class	Gross Exposure RM'000	Net Exposure RM'000	Risk- Weighted Asset RM'000	Minimum Capital Requirement At 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	9,052,249	9,052,249	–	–
Public Sector Entities	1,701,095	1,690,995	461,944	36,955
Banks, Developments Financial Institutions (“DFIs”) and Multilateral Development Banks (“MDBs”)	1,026,027	1,026,027	206,060	16,485
Corporate	19,388,649	19,013,390	10,336,801	826,944
Regulatory Retail	20,743,307	20,708,120	20,057,433	1,604,595
Residential Mortgages	23,669,331	23,662,639	15,511,861	1,240,949
Higher Risk Assets	3,173	3,173	4,760	381
Other Assets	1,937,277	1,937,277	991,753	79,340
Defaulted Exposures	1,128,766	1,089,559	1,013,545	81,084
Total for On-Balance Sheet Exposures	78,649,874	78,183,429	48,584,157	3,886,733
Off-Balance Sheet Exposures				
Credit-related Exposures	1,623,839	1,614,088	1,478,572	118,286
Derivative Financial Instruments	116,795	116,795	68,005	5,440
Defaulted Exposures	36,288	36,278	50,005	4,000
Total for Off-Balance Sheet Exposures	1,776,922	1,767,161	1,596,582	127,726
Total On and Off-Balance Sheet Exposures				
	80,426,796	79,950,590	50,180,739	4,014,459
Less: Credit Risk absorbed by IA			(7,423,579)	(593,886)
Market Risk				
	Long Position	Short Position		
Benchmark Rate Risk	8,792,939	(7,505,740)	1,287,199	99,335
Foreign Exchange Risk	28,311	(390,224)	(361,914)	390,224
Inventory Risk			–	–
Total Market Risk	8,821,250	(7,895,964)	925,285	489,559
Operational Risk			3,847,886	307,831
Total RWA and Capital Requirements			47,094,605	3,767,569

Note: As at 31 December 2021, the Group did not have any exposures under securitisation.

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2. CAPITAL ADEQUACY (CONTINUED)

2.4 Capital Adequacy Ratios (continued)

(c) The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):

(ii) Bank

31 December 2022 Exposure Class	Gross Exposure RM'000	Net Exposure RM'000	Risk- Weighted Asset RM'000	Minimum Capital Requirement at 8% RM'000	
Credit Risk					
On-Balance Sheet Exposures					
Sovereign/Central Banks	12,113,373	12,113,373	-	-	
Public Sector Entities	2,958,245	2,936,320	591,451	47,316	
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,677,905	1,677,905	335,581	26,846	
Corporate	19,498,516	19,032,779	9,608,732	768,699	
Regulatory Retail	22,618,237	22,581,227	21,781,936	1,742,555	
Residential Mortgages	25,971,590	25,965,665	16,961,580	1,356,926	
Higher Risk Assets	2,538	2,538	3,807	305	
Other Assets	2,819,804	2,819,804	1,113,983	89,119	
Defaulted Exposures	1,601,818	1,541,551	1,319,732	105,579	
Total for On-Balance Sheet Exposures	89,262,025	88,671,160	51,716,802	4,137,344	
Off-Balance Sheet Exposures					
Credit-related Exposures	1,646,533	1,645,018	1,484,364	118,749	
Derivative Financial Instruments	213,080	213,080	78,989	6,319	
Defaulted Exposures	157,484	157,343	233,066	18,645	
Total for Off-Balance Sheet Exposures	2,017,097	2,015,441	1,796,419	143,714	
Total On and Off-Balance Sheet Exposures	91,279,122	90,686,601	53,513,221	4,281,058	
Less: Credit Risk absorbed by IA			(10,705,652)	(856,452)	
	Long Position	Short Position			
Market Risk					
Benchmark Rate Risk	7,768,278	(7,713,549)	54,729	55,377	4,430
Foreign Exchange Risk	29,500	(272)	29,228	29,500	2,360
Inventory Risk	-	-	-	-	-
Total Market Risk	7,797,778	(7,713,821)	83,957	84,877	6,790
Operational Risk			3,909,361	312,749	
Total RWA and Capital Requirements			46,801,807	3,744,144	

Note: As at 31 December 2022, the Bank did not have any exposures under securitisation.

**2. CAPITAL ADEQUACY (CONTINUED)****2.4 Capital Adequacy Ratios (continued)**

(c) *The breakdown of risk-weighted assets by exposures in each major risk category is as follows (continued):*

(ii) Bank (continued)

31 December 2021 Exposure Class	Gross Exposure RM'000	Net Exposure RM'000	Risk- Weighted Asset RM'000	Minimum Capital Requirement at 8% RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	9,052,249	9,052,249	-	-
Public Sector Entities	1,701,095	1,690,995	461,944	36,956
Banks, Developments Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	1,007,556	1,007,556	202,366	16,189
Corporate	19,388,649	19,013,389	10,336,801	826,944
Regulatory Retail	20,743,307	20,708,121	20,057,433	1,604,595
Residential Mortgages	23,669,331	23,662,639	15,511,861	1,240,949
Higher Risk Assets	3,173	3,173	4,760	381
Other Assets	1,846,888	1,846,888	895,679	71,654
Defaulted Exposures	1,128,766	1,089,559	1,013,545	81,084
Total for On-Balance Sheet Exposures	78,541,014	78,074,569	48,484,389	3,878,752
Off-Balance Sheet Exposures				
Credit-related Exposures	1,623,839	1,614,088	1,478,572	118,286
Derivative Financial Instruments	116,795	116,795	68,005	5,440
Defaulted Exposures	36,288	36,278	50,005	4,000
Total for Off-Balance Sheet Exposures	1,776,922	1,767,161	1,596,582	127,726
Total On and Off-Balance Sheet Exposures				
	80,317,936	79,841,730	50,080,971	4,006,478
Less: Credit Risk absorbed by IA			(7,513,437)	(601,075)
	Long Position	Short Position		
Market Risk				
Benchmark Rate Risk	8,792,939	(7,505,740)	1,287,199	99,335
Foreign Exchange Risk	28,311	(390,224)	(361,914)	390,224
Inventory Risk			-	-
Total Market Risk	8,821,250	(7,895,964)	925,285	489,559
Operational Risk			3,797,811	303,825
Total RWA and Capital Requirements			46,854,904	3,748,393

Note: As at 31 December 2021, the Bank did not have any exposures under securitisation.

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3. RISK MANAGEMENT

3.1 Overview

The Group's mission with respect to risk management is to advance its risk management capabilities, culture and practices so as to be in line with internationally accepted standards and practices.

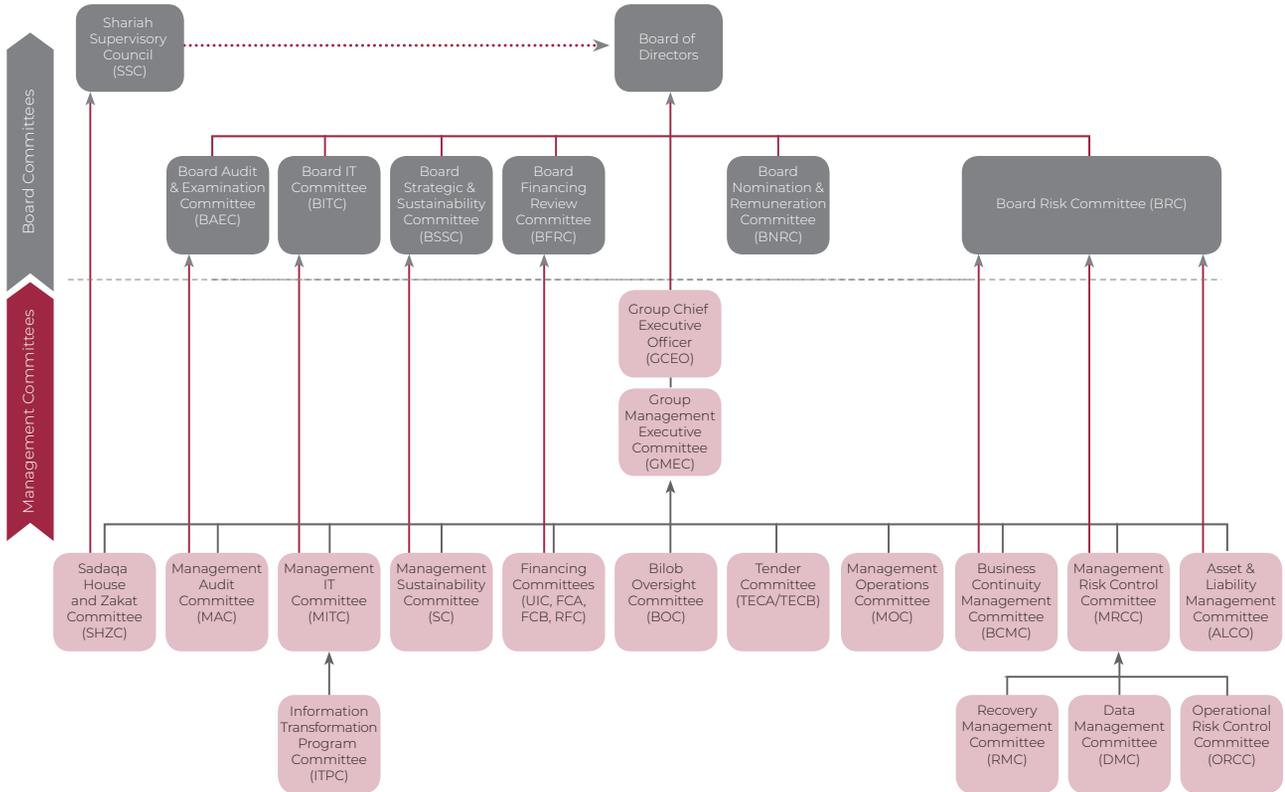
In that regard, the specific objectives of managing risk are to:

- Inculcate a risk-awareness culture throughout the Group;
- Establish a standard approach and methodology in managing risks namely credit, market, liquidity, operational, IT & cyber risk, compliance risks and contagion risk across the Group;
- Clarify functional structures including objectives, roles and responsibilities;
- Implement and use a risk management information system that meets the international standards on confidentiality, integrity and its availability;
- Develop and use tools, such as economic capital, value at risk, and stress testing to support the measurement of risks and enhance risk-based decisions;
- Ensure that risk policies and overall risk appetite are in line with business targets; and
- Ensure that the Group's capital can support current and planned business needs in terms of risk exposures.

3.2 Risk Management Functional and Governance Structure

The Group has aligned its organisational responsibilities with the objective of ensuring a common view of risks across the Group. As a matter of prudence and good governance, the Group's core risk management functions, which report to the Board Risk Committee ("BRC"), are independent and segregated from the business divisions and centralised at head office.

The following illustrates the Group's governance structure:





3. RISK MANAGEMENT (CONTINUED)

3.2 Risk Management Functional and Governance Structure (continued)

The Group recognises the fact that the essence of banking and financial services is centred on risk taking activities. The Group therefore:

- Recognises that it has to manage risks effectively to achieve its business targets;
- Reaches an optimum level of risk-return in order to maximise stakeholders' value; and
- Ensures effective and integrated risk management processes that are commensurate with the size and complexity of the current and future operations of the Group within its risk appetite and tolerance.

The Group has established the Group Risk Appetite Statement Policy that forms an integral part of the Group's strategy and business plans. Risk appetite is an expression of the maximum level of risk that the Group is prepared to accept in support of a stated strategy, impacting all businesses from a credit, market and operational risk viewpoint.

4. CREDIT RISK

4.1 Overview

Credit risk is the risk of a customer or counterparty failing to fulfil its financial obligations in accordance with agreed terms. It arises from all transactions that could lead to actual, contingent or potential claims against any party, customer or obligor (collectively referred to as counterparties). The types of credit risks that the Group considers to be material include: Default Risk, Counterparty Risk, Credit Concentration Risk, Residual/Credit Mitigation Risk and Migration Risk.

4.2 Credit Risk Governance

The management of credit risk is principally carried out by using sets of policies and guidelines approved by the Management Risk Control Committee ("MRCC") and/or BRC, guided by the Boards' approved Group Risk Appetite Statement Policy.

The Group has several levels of Financing Committees, which assess and approve credits at their specified authority levels.

MRCC is responsible under the authority delegated by BRC for managing credit risk at strategic level. MRCC reviews the Group's credit risk policies and guidelines, aligns credit risk management with business strategies and planning, reviews credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance levels.

The Group's credit risk management governance includes the establishment of detailed credit risk policies, guidelines and procedures which document the Group's financing standards, discretionary powers for financing approval, credit risk ratings methodologies and models, acceptable collaterals and valuation, and the review, rehabilitation and restructuring of problematic and delinquent financing.

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4. CREDIT RISK

4.3 Management of Credit Risk

The management of credit risk is being performed by the Group Credit Management Division ("CMD") and Group Risk Management Division ("RMD") and two other units outside of CMD and RMD domain, namely, Credit Administration Department and Recovery & Rehabilitation Division. The combined objectives are, amongst others:

- To build a high quality credit portfolio which is in line with the Group's overall strategy and risk appetite;
- To ensure that the Group is compensated for the risk taken, balancing/optimising the risk/return relationship;
- To develop an increasing ability to recognise, measure and avoid or mitigate potential credit risk problem areas; and
- To conform with statutory, regulatory and internal credit requirements.

The Group monitors its credit exposures either on a portfolio basis or individual basis through annual reviews. Credit risk is proactively monitored through a set of early warning signals that could trigger immediate reviews of (a certain part of) the portfolio. The affected portfolio or financing is placed on a watchlist to enforce close monitoring and prevent financing from turning impaired and to increase chances of full recovery.

A detailed limit structure is in place to ensure that risks taken are within the risk appetite as set by the Board and to avoid credit risk concentration on a single customer, sector, product, etc.

Credit risk arising from dealing and investing activities are managed by the establishment of limits which include counterparty limits and permissible acquisition of private entities' instruments, subject to a specified minimum rating threshold. Furthermore, the dealing and investing activities are monitored by an independent middle office unit.

4.4 Capital Treatment for Credit Risk

The Group adopts the Standardised Approach to compute the credit risk capital requirement under BNM's CAFIB.



4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances

The table below presents the Group's and the Bank's gross financing and advances analysed by credit quality:

	Group and Bank	
	31.12.2022 RM'000	31.12.2021 RM'000
Neither past due nor impaired	64,437,823	58,234,986
Past due but not impaired	668,802	414,366
Impaired	835,232	568,383
	65,941,857	59,217,735
Gross Impaired Financing as a percentage of Gross Financing and Advances	1.27%	0.96%

(a) Neither Past Due nor Impaired

Financings classified as neither past due nor impaired are financings of which the customers have not missed contractual payments (profit or principal) when contractually due and are not impaired as there is no objective evidence of impairment.

The credit quality of gross financing and advances which are neither past due nor impaired is as follows:

	Group and Bank	
	31.12.2022 RM'000	31.12.2021 RM'000
Excellent to Good	57,611,552	52,111,710
Satisfactory	6,486,313	5,813,008
Fair	339,958	310,268
	64,437,823	58,234,986

Internal rating definition:

- **Excellent to Good:** Sound financial position of the customer with no difficulty in meeting its obligations.
- **Satisfactory:** Adequate safety of the customer meeting its current obligations but more time is required to meet the entire obligations in full.
- **Fair:** High risks on payment obligations. Financial performance may continue to deteriorate.

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4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances (continued)

(b) Past Due but Not Impaired

Financings classified as past due but not impaired are financings of which their contractual profit or principal payments are past due, but the Group and the Bank believe that impairment is not appropriate on the basis of the level of collateral available and/or the stage of collection amounts owed to the Group and the Bank.

Analysis of the past due but not impaired financing and advances by ageing:

By ageing	Group and Bank	
	31.12.2022 RM'000	31.12.2021 RM'000
Month-in-arrears 1	452,425	217,722
Month-in-arrears 2	216,377	196,644
	668,802	414,366

Analysis of the past due but not impaired financing and advances by sector:

	Group and Bank	
	31.12.2022 RM'000	31.12.2021 RM'000
Primary agriculture	139	–
Mining and quarrying	–	–
Manufacturing (including agro-based)	4,229	9,910
Electricity, gas and water	–	–
Wholesale & retail trade, and hotels & restaurants	5,033	667
Construction	8,880	342
Real estate	19	–
Transport, storage and communications	1,102	25,536
Finance, insurance and business activities	798	183
Education, health and others	922	27
Household sectors	647,681	377,701
Other sectors	–	–
	668,802	414,366



4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances

A financing is classified as impaired when the principal or profit or both are past due for three months or more, or where a financing is in arrears for less than three months, but the financing exhibits indications of significant credit weakness.

The financing or group of financings is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the financing (a 'loss event') and that the loss event has an impact on the estimated future cash flows of the financing or group of financings that can be reliably estimated.

The Group and the Bank first assess individually whether the objective evidence of impairment exists individually for financings which are individually significant, and collectively for financings which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financing, the financing is included in a group of financings with similar credit risk characteristics and collectively assessed for impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financing's carrying amount and the present value of the estimated future cash flows. The carrying amount of the financing is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of profit or loss.

	Group and Bank	
	31.12.2022 RM'000	31.12.2021 RM'000
Impairment financing by assessment type:		
Individually Assessed	516,711	423,603
of which:		
Month-in-Arrears 0	64,818	268,316
Month-in-Arrears 1	5,544	3,478
Month-in-Arrears 2	3,701	1,479
Month-in-Arrears 3 and above	442,648	150,330
Collectively Assessed	318,521	144,780
	835,232	568,383

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4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances (continued)

(c) Impaired Financing and Advances (continued)

31 December 2022 RM'000	Impaired Financing at 31.12.2022	Individual Assessment Allowance				Collective Assessment Allowance at 31.12.2022	Total Impairment Allowances for Financing At 31.12.2022
		Individual Assessment as at 01.01.2022	Net Charge for the Financial Year	Amounts Written Off/ Other Movements	Individual Assessment as at 31.12.2022		
Primary Agriculture	-	-	-	-	-	9,684	9,684
Mining and Quarrying	257,925	185,000	75,830	(3,834)	256,996	4,092	261,088
Manufacturing (including Agro-based)	37,452	1,914	130,568	(128,754)	3,728	16,315	20,043
Electricity, Gas and Water	467	-	-	-	-	46,082	46,082
Wholesale & Retail Trade and Restaurants & Hotels	75,788	6,831	2,016	(6,829)	2,018	47,677	49,695
Construction	32,449	11,344	(3,959)	(3,482)	3,903	49,382	53,285
Real Estate	-	-	-	-	-	-	-
Transport, Storage and Communication	20,222	888	5,464	-	6,352	29,379	35,731
Finance, Insurance and Business Services	37,872	-	1,021	-	1,021	78,201	79,222
Education, Health and Others	2,158	361	(361)	-	-	14,534	14,534
Household Sectors	370,899	14,616	14,262	-	28,878	441,621	470,499
Other Sectors	-	-	-	-	-	-	-
Total	835,232	220,954	224,841	(142,899)	302,896	736,967	1,039,863

**4. CREDIT RISK (CONTINUED)****4.5 Credit Quality of Gross Financing and Advances (continued)****(c) Impaired Financing and Advances (continued)**

31 December 2021 RM'000	Impaired Financing at 31.12.2021	Individual Assessment Allowance				Collective Assessment Allowance at 31.12.2021	Total Impairment Allowances for Financing At 31.12.2021
		Individual Assessment as at 01.01.2021	Net Charge for the Financial Year	Amounts Written Off/ Other Movements	Individual Assessment as at 31.12.2021		
Primary Agriculture	-	-	-	-	-	14,579	14,579
Mining and Quarrying	-	-	-	-	-	2,887	2,887
Manufacturing (including Agro-based)	10,307	6,775	1,578	(6,439)	1,914	104,621	106,535
Electricity, Gas and Water	-	-	-	-	-	43,233	43,233
Wholesale & Retail Trade and Restaurants & Hotels	76,992	23,765	5,868	(23,116)	6,517	48,216	54,733
Construction	285,246	14,432	187,722	(5,810)	196,344	74,274	270,618
Real Estate	-	-	-	-	-	-	-
Transport, Storage and Communication	15,311	4,567	55	(3,210)	1,412	35,947	37,359
Finance, Insurance and Business Services	5,932	258	(257)	-	-	92,613	92,613
Education, Health and Others	1,391	519	(369)	-	150	19,286	19,436
Household Sectors	173,204	14,879	482	(745)	14,617	407,356	421,973
Other Sectors	-	-	-	-	-	-	-
Total	568,383	65,195	195,079	(39,320)	220,954	843,012	1,063,966

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4. CREDIT RISK (CONTINUED)

4.5 Credit Quality of Gross Financing and Advances (continued)

(d) Gross Financing and Advances – Exposures by Geographical Areas

31 December 2022 RM'000	Gross Financing	Of Which:		Individual Allowances	Collective Allowances
		Past Due But Not Impaired Financing	Impaired Financing		
Central Region	30,904,086	306,748	510,998	290,032	422,768
Eastern Region	9,980,174	93,516	95,756	8,580	77,717
Northern Region	8,825,148	90,902	146,491	–	88,023
Southern Region	11,281,525	118,043	55,567	4,005	96,403
East Malaysia Region	4,950,924	59,593	26,420	279	52,056
Grand Total	65,941,857	668,802	835,232	302,896	736,967

31 December 2021 RM'000	Gross Financing	Of Which:		Individual Allowances	Collective Allowances
		Past Due But Not Impaired Financing	Impaired Financing		
Central Region	26,946,146	215,749	395,781	210,034	436,151
Eastern Region	9,368,591	58,516	68,146	10,063	157,554
Northern Region	8,066,342	43,096	74,751	–	93,755
Southern Region	10,247,330	73,033	17,458	857	105,491
East Malaysia Region	4,589,326	23,972	12,247	–	50,061
Grand Total	59,217,735	414,366	568,383	220,954	843,012

**4. CREDIT RISK (CONTINUED)****4.6 Gross Credit Exposures****(a) Geographic Distribution of Credit Exposures****(i) Group**

31 December 2022 Exposure Class	Central Region RM'000	Eastern Region RM'000	Northern Region RM'000	Southern Region RM'000	East Malaysia Region RM'000	Total RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	12,113,373	-	-	-	-	12,113,373
Public Sector Entities	2,391,846	125,988	55,417	360,841	27,466	2,961,558
Banks, Developments Financial Institutions and Multilateral Development Banks	1,694,858	-	-	-	-	1,694,858
Corporate	16,881,638	1,017,194	795,619	1,445,454	679,693	20,819,598
Regulatory Retail	8,900,694	4,070,123	3,642,169	3,606,221	2,544,262	22,763,469
Residential Mortgages	9,501,123	4,741,727	4,294,956	5,866,906	1,699,066	26,103,778
Higher Risk Assets	942	857	315	321	106	2,541
Other Assets	2,874,903	-	-	-	72,799	2,947,702
Total for On-Balance Sheet Exposures	54,359,377	9,955,889	8,788,476	11,279,743	5,023,392	89,406,877
Off-Balance Sheet Exposures						
Credit-related Exposures	1,389,368	64,284	115,307	84,268	150,789	1,804,016
Derivative Financial Instruments	213,080	-	-	-	-	213,080
Total for Off-Balance Sheet Exposures	1,602,448	64,284	115,307	84,268	150,789	2,017,096
Total On and Off-Balance Sheet Exposures	55,961,825	10,020,173	8,903,783	11,364,011	5,174,181	91,423,973

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4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(i) Group (continued)

31 December 2021 Exposure Class	Central Region RM'000	Eastern Region RM'000	Northern Region RM'000	Southern Region RM'000	East Malaysia Region RM'000	Total RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	9,052,249	-	-	-	-	9,052,249
Public Sector Entities	1,128,435	128,848	87,712	329,923	26,177	1,701,095
Banks, Developments Financial Institutions and Multilateral Development Banks	1,025,652	299	-	75	-	1,026,026
Corporate	16,303,740	1,080,165	728,181	1,464,805	783,541	20,360,432
Regulatory Retail	8,208,436	3,790,825	3,296,613	3,285,672	2,244,038	20,825,584
Residential Mortgages	8,764,194	4,344,115	3,924,785	5,174,453	1,536,322	23,743,869
Higher Risk Assets	1,921	438	217	98	668	3,342
Other Assets	1,936,666	-	-	-	611	1,937,277
Total for On-Balance Sheet Exposures	46,421,293	9,344,690	8,037,508	10,255,026	4,591,357	78,649,874
Off-Balance Sheet Exposures						
Credit-related Exposures	1,255,100	81,379	70,193	109,475	143,976	1,660,123
Derivative Financial Instruments	116,799	-	-	-	-	116,799
Total for Off-Balance Sheet Exposures	1,371,899	81,379	70,193	109,475	143,976	1,776,922
Total On and Off-Balance Sheet Exposures	47,793,192	9,426,069	8,107,701	10,364,501	4,735,333	80,426,796

**4. CREDIT RISK (CONTINUED)****4.6 Gross Credit Exposures (continued)****(a) Geographic Distribution of Credit Exposures (continued)****(ii) Bank**

31 December 2022 Exposure Class	Central Region RM'000	Eastern Region RM'000	Northern Region RM'000	Southern Region RM'000	East Malaysia Region RM'000	Total RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	12,113,373	-	-	-	-	12,113,373
Public Sector Entities	2,391,846	125,987	55,417	360,841	27,466	2,961,557
Banks, Developments Financial Institutions and Multilateral Development Banks	1,677,905	-	-	-	-	1,677,905
Corporate	16,881,638	1,017,194	795,619	1,445,454	679,693	20,819,598
Regulatory Retail	8,900,694	4,070,123	3,642,169	3,606,221	2,544,262	22,763,469
Residential Mortgages	9,501,123	4,741,727	4,294,956	5,866,906	1,699,066	26,103,778
Higher Risk Assets	942	857	315	321	106	2,541
Other Assets	2,747,005	-	-	-	72,799	2,819,804
Total for On-Balance Sheet Exposures	54,214,526	9,955,888	8,788,476	11,279,743	5,023,392	89,262,025
Off-Balance Sheet Exposures						
Credit-related Exposures	1,389,368	64,284	115,307	84,268	150,789	1,804,016
Derivative Financial Instruments	213,080	-	-	-	-	213,080
Total for Off-Balance Sheet Exposures	1,602,448	64,284	115,307	84,268	150,789	2,017,096
Total On and Off-Balance Sheet Exposures	55,816,974	10,020,172	8,903,783	11,364,011	5,174,181	91,279,121

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4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(a) Geographic Distribution of Credit Exposures (continued)

(ii) Bank (continued)

31 December 2021 Exposure Class	Central Region RM'000	Eastern Region RM'000	Northern Region RM'000	Southern Region RM'000	East Malaysia Region RM'000	Total RM'000
Credit Risk						
On-Balance Sheet Exposures						
Sovereign/Central Banks	9,052,249	-	-	-	-	9,052,249
Public Sector Entities	1,128,435	128,848	87,712	329,923	26,177	1,701,095
Banks, Developments Financial Institutions and Multilateral Development Banks	1,007,181	299	-	75	-	1,007,555
Corporate	16,303,740	1,080,165	728,182	1,464,805	783,541	20,360,433
Regulatory Retail	8,208,436	3,790,825	3,296,612	3,285,672	2,244,038	20,825,583
Residential Mortgages	8,764,194	4,344,115	3,924,785	5,174,453	1,536,322	23,743,869
Higher Risk Assets	1,921	438	217	98	668	3,342
Other Assets	1,846,277	-	-	-	611	1,846,888
Total for On-Balance Sheet Exposures	46,312,433	9,344,690	8,037,508	10,255,026	4,591,357	78,541,014
Off-Balance Sheet Exposures						
Credit-related Exposures	1,255,100	81,379	70,193	109,475	143,976	1,660,123
Derivative Financial Instruments	116,799	-	-	-	-	116,799
Total for Off-Balance Sheet Exposures	1,371,899	81,379	70,193	109,475	143,976	1,776,922
Total On and Off-Balance Sheet Exposures	47,684,332	9,426,069	8,107,701	10,364,501	4,735,333	80,317,936



4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector

(i) Group

31 December 2022 Exposure Class	Primary Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Wholesale & Retail Trade and Restaurant & Hotels Construction RM'000	Real Estate RM'000	Transport, Storage & Communication RM'000	Finance, Insurance and Business Services RM'000	Education, Health and Others RM'000	Household Sector RM'000	Other Sectors RM'000	Total RM'000
Credit Risk												
On-Balance Sheet Exposures												
Sovereign/Central Banks	-	-	-	-	-	-	-	5,066,974	-	-	7,046,399	12,113,373
Public Sector Entities	1,087	-	-	-	68,478	23,260	-	296,354	2,572,172	206	-	2,961,557
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	1,616,853	-	-	78,005	1,694,858
Corporate	950,160	57,811	685,073	2,443,393	836,658	1,878,143	4,084,110	4,100,132	544,740	193,302	1,773,088	20,819,598
Regulatory Retail	5,755	5,193	59,533	2,878	301,287	43,218	36,356	123,176	65,852	21,973,514	5,899	22,763,469
Residential Mortgages	-	-	-	-	-	-	-	-	-	26,103,778	-	26,103,778
Higher Risk Assets	-	-	-	-	-	-	-	-	-	2,542	-	2,542
Other Assets	-	-	-	-	-	-	-	-	-	-	2,947,702	2,947,702
Total for On-Balance Sheet Exposures	957,002	63,004	744,606	2,446,271	1,137,945	1,944,621	4,120,466	11,203,489	3,182,764	48,273,342	11,851,093	89,406,877
Off-Balance Sheet Exposures												
Credit-related Exposures	2,098	5,688	165,008	97,426	102,407	12,300	102,594	141,396	122,381	438,449	180,420	1,804,016
Derivative Financial Instruments	-	-	668	-	105	-	9	147,800	44,319	-	20,179	213,080
Total for Off-Balance Sheet Exposures	2,098	5,688	165,676	97,426	102,512	12,300	102,603	289,196	166,700	438,449	200,599	2,017,096
Total On and Off-Balance Sheet Exposures	959,100	68,692	910,282	2,543,697	1,240,457	1,956,921	4,223,069	11,492,685	3,349,464	48,711,791	12,051,692	91,423,973

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4. CREDIT RISK (CONTINUED)
4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector (continued)

(i) Group (continued)

31 December 2021 Exposure Class	Primary Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Wholesale & Retail Trade and Restaurant & Hotels RM'000	Construction RM'000	Real Estate RM'000	Transport, Storage & Communication RM'000	Finance, Insurance and Business Services RM'000	Education, Health and Others RM'000	Household Sector RM'000	Other Sectors RM'000	Total RM'000
Credit Risk													
On-Balance Sheet													
Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	3,789,685	-	-	5,262,565	9,052,250
Public Sector Entities	1,162	-	-	-	-	58,695	8,852	-	234,644	1,397,518	244	-	1,701,095
Banks, Developments Financial Institutions and Multilateral	-	-	-	-	-	-	-	-	-	-	-	-	-
Development Banks	-	-	-	-	-	-	-	-	943,022	-	374	82,629	1,026,025
Corporate	1,079,683	64,205	966,355	2,793,913	702,350	3,739,417	1,885,932	1,956,311	4,093,785	834,970	143,296	2,100,216	20,360,433
Regulatory Retail	6,426	3,945	52,606	1,023	157,189	103,232	42,637	29,645	81,752	48,037	20,294,212	4,880	20,825,584
Residential Mortgages	-	-	1,005	-	-	-	-	-	-	-	23,742,863	-	23,743,868
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	3,342	-	3,342
Other Assets	-	-	-	-	-	-	-	-	-	-	-	1,937,277	1,937,277
Total for On-Balance Sheet Exposures	1,087,271	68,150	1,019,966	2,794,936	859,539	3,901,344	1,937,401	1,985,956	9,142,888	2,280,525	44,184,331	9,387,567	78,649,874
Off-Balance Sheet													
Exposures													
Credit-related Exposures	25,443	7,189	110,873	70,971	103,172	409,607	10,372	89,420	109,493	184,349	381,302	157,952	1,660,123
Derivative Financial Instruments	-	-	361	-	24,175	37	-	-	27,773	50,613	-	13,840	116,799
Total for Off-Balance Sheet Exposures	25,443	7,189	111,234	70,971	127,347	409,644	10,372	89,420	137,266	234,962	381,302	171,772	1,776,922
Total On and Off-Balance Sheet Exposures	1,112,714	75,339	1,131,200	2,865,907	986,886	4,310,988	1,947,773	2,075,376	9,280,154	2,515,487	44,565,633	9,559,339	80,426,796

**4. CREDIT RISK (CONTINUED)****4.6 Gross Credit Exposures (continued)****(b) Distribution of Credit Exposures by Sector (continued)****(ii) Bank**

31 December 2022 Exposure Class	Primary Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Wholesale & Retail Trade and Restaurant & Hotels RM'000	Construction RM'000	Real Estate RM'000	Transport, Storage & Communication RM'000	Finance, Insurance and Business Services RM'000	Education, Health and Others RM'000	Household Sector RM'000	Other Sectors RM'000	Total RM'000
Credit Risk													
On-Balance Sheet Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	5,066,974	-	-	7,046,399	12,113,373
Public Sector Entities	1,087	-	-	-	-	68,478	23,260	-	296,354	2,572,172	206	-	2,961,557
Banks, Developments Financial Institutions and Multilateral Development Banks	-	-	-	-	-	-	-	-	1,616,853	-	-	61,052	1,677,905
Corporate	950,160	57,811	685,073	2,443,393	836,658	3,272,988	1,878,143	4,084,110	4,100,132	544,740	193,302	1,773,088	20,819,598
Regulatory Retail	5,755	5,193	59,533	2,877	301,287	140,808	43,218	36,356	123,176	65,852	21,973,514	5,899	22,763,468
Residential Mortgages	-	-	-	-	-	-	-	-	-	-	26,103,778	-	26,103,778
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	2,542	-	2,542
Other Assets	-	-	-	-	-	-	-	-	-	-	-	2,819,804	2,819,804
Total for On-Balance Sheet Exposures	957,002	63,004	744,606	2,446,270	1,137,945	3,482,274	1,944,621	4,120,466	11,203,489	3,182,764	48,273,342	11,706,242	89,262,025
Off-Balance Sheet Exposures													
Credit-related Exposures	2,098	5,688	165,008	97,426	102,407	433,849	12,300	102,594	141,396	122,381	438,449	180,420	1,804,016
Derivative Financial Instruments	-	-	668	-	105	-	-	9	147,800	44,319	-	20,179	213,080
Total for Off-Balance Sheet Exposures	2,098	5,688	165,676	97,426	102,512	433,849	12,300	102,603	289,196	166,700	438,449	200,599	2,017,096
Total On and Off-Balance Sheet Exposures	959,100	68,692	910,282	2,543,696	1,240,457	3,916,123	1,956,921	4,223,069	11,492,685	3,349,464	48,711,791	11,906,841	91,279,121

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4. CREDIT RISK (CONTINUED)
4.6 Gross Credit Exposures (continued)

(b) Distribution of Credit Exposures by Sector (continued)

(ii) Bank (continued)

31 December 2021 Exposure Class	Primary Agriculture RM'000	Mining and Quarrying RM'000	Manufacturing RM'000	Electricity, Gas and Water RM'000	Wholesale & Retail Trade and Restaurant & Hotels RM'000	Construction RM'000	Real Estate RM'000	Transport, Storage & Communication RM'000	Finance, Insurance and Business Services RM'000	Education, Health and Others RM'000	Household Sector RM'000	Other Sectors RM'000	Total RM'000
Credit Risk													
On-Balance Sheet													
Exposures													
Sovereign/Central Banks	-	-	-	-	-	-	-	-	3,789,685	-	-	5,262,565	9,052,250
Public Sector Entities	1,162	-	-	-	-	58,695	8,852	-	234,643	1,397,518	244	-	1,701,094
Banks, Developments Financial Institutions and Multilateral	-	-	-	-	-	-	-	-	943,023	-	374	64,158	1,007,555
Development Banks	-	-	-	-	-	-	-	-	4,093,785	834,969	143,296	2,100,216	20,360,432
Corporate	1,079,683	64,205	966,355	2,793,913	702,350	3,739,417	1,885,932	1,956,311	81,752	48,037	20,294,212	4,880	20,825,585
Regulatory Retail	6,426	3,945	52,606	1,023	157,190	103,232	42,637	29,645	-	-	23,742,863	-	23,743,868
Residential Mortgages	-	-	1,005	-	-	-	-	-	-	-	3,342	-	3,342
Higher Risk Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	-	-	-	-	-	-	-	-	-	-	-	1,846,888	1,846,888
Total for On-Balance Sheet Exposures	1,087,271	68,150	1,019,966	2,794,936	859,540	3,901,344	1,937,401	1,985,956	9,142,888	2,280,524	44,184,331	9,278,707	78,541,014
Off-Balance Sheet													
Exposures													
Credit-related Exposures	25,443	7,189	110,873	70,971	103,172	409,607	10,372	89,420	109,493	184,349	381,302	157,952	1,660,123
Derivative Financial Instruments	-	-	361	-	24,175	37	-	-	27,773	50,613	-	13,840	116,799
Total for Off-Balance Sheet Exposures	25,443	7,189	111,234	70,971	127,347	409,644	10,372	89,420	137,266	234,962	381,302	171,772	1,776,922
Total On and Off-Balance Sheet Exposures	1,112,714	75,339	1,131,200	2,865,907	986,887	4,310,988	1,947,773	2,075,376	9,280,154	2,515,486	44,565,633	9,450,479	80,317,936

**4. CREDIT RISK (CONTINUED)****4.6 Gross Credit Exposures (continued)****(c) Residual Contractual Maturity Breakdown****(i) Group**

31 December 2022 Exposure Class	Up to 1 Year RM'000	> 1 – 5 Years RM'000	Over 5 Years RM'000	Total RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	6,612,283	2,713,450	2,787,640	12,113,373
Public Sector Entities	843,501	344,240	1,773,816	2,961,557
Banks, Developments Financial Institutions and Multilateral Development Banks	1,494,131	200,727	–	1,694,858
Corporate	5,711,877	7,526,468	7,581,253	20,819,598
Regulatory Retail	103,854	3,201,349	19,458,266	22,763,469
Residential Mortgages	28,135	145,653	25,929,990	26,103,778
Higher Risk Assets	–	188	2,353	2,541
Other Assets	1,424,346	–	1,523,357	2,947,703
Total for On-Balance Sheet Exposures	16,218,127	14,132,075	59,056,675	89,406,877
Off-Balance Sheet Exposures				
Credit-related Exposures	799,082	399,012	605,922	1,804,016
Derivative Financial Instruments	212,579	501	–	213,080
Total for Off-Balance Sheet Exposures	1,011,661	399,513	605,922	2,017,096
Total On and Off-Balance Sheet Exposures	17,229,788	14,531,588	59,662,597	91,423,973

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4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown (continued)

(i) Group (continued)

31 December 2021 Exposure Class	Up to 1 Year RM'000	> 1 – 5 Years RM'000	Over 5 Years RM'000	Total RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	4,574,778	2,811,303	1,666,169	9,052,250
Public Sector Entities	106,851	814,612	779,632	1,701,095
Banks, Developments Financial Institutions and Multilateral Development Banks	823,210	200,384	2,432	1,026,026
Corporate	5,152,471	6,005,414	9,202,547	20,360,432
Regulatory Retail	134,369	3,018,105	17,673,110	20,825,584
Residential Mortgages	17,442	136,540	23,589,887	23,743,869
Higher Risk Assets	–	34	3,307	3,341
Other Assets	457,052	–	1,480,225	1,937,277
Total for On-Balance Sheet Exposures	11,266,173	12,986,392	54,397,309	78,649,874
Off-Balance Sheet Exposures				
Credit-related Exposures	656,789	448,316	555,018	1,660,123
Derivative Financial Instruments	114,431	2,368	–	116,799
Total for Off-Balance Sheet Exposures	771,220	450,684	555,018	1,776,922
Total On and Off-Balance Sheet Exposures	12,037,393	13,437,076	54,952,327	80,426,796

**4. CREDIT RISK (CONTINUED)****4.6 Gross Credit Exposures (continued)****(c) Residual Contractual Maturity Breakdown (continued)****(ii) Bank**

31 December 2022 Exposure Class	Up to 1 Year RM'000	> 1 – 5 Years RM'000	Over 5 Years RM'000	Total RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	6,612,283	2,713,450	2,787,640	12,113,373
Public Sector Entities	843,501	344,240	1,773,816	2,961,557
Banks, Developments Financial Institutions and Multilateral Development Banks	1,477,178	200,727	–	1,677,905
Corporate	5,711,877	7,526,468	7,581,253	20,819,598
Regulatory Retail	103,854	3,201,349	19,458,266	22,763,469
Residential Mortgages	28,135	145,653	25,929,990	26,103,778
Higher Risk Assets	–	188	2,353	2,541
Other Assets	1,296,448	–	1,523,356	2,819,804
Total for On-Balance Sheet Exposures	16,073,276	14,132,075	59,056,674	89,262,025
Off-Balance Sheet Exposures				
Credit-related Exposures	799,082	399,012	605,922	1,804,016
Derivative Financial Instruments	212,579	501	–	213,080
Total for Off-Balance Sheet Exposures	1,011,661	399,513	605,922	2,017,096
Total On and Off-Balance Sheet Exposures	17,084,937	14,531,588	59,662,596	91,279,121

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4. CREDIT RISK (CONTINUED)

4.6 Gross Credit Exposures (continued)

(c) Residual Contractual Maturity Breakdown

(ii) Bank (continued)

31 December 2021 Exposure Class	Up to 1 Year RM'000	> 1 – 5 Years RM'000	Over 5 Years RM'000	Total RM'000
Credit Risk				
On-Balance Sheet Exposures				
Sovereign/Central Banks	4,574,778	2,811,303	1,666,169	9,052,250
Public Sector Entities	106,851	814,612	779,632	1,701,095
Banks, Developments Financial Institutions and Multilateral Development Banks	804,739	200,384	2,432	1,007,555
Corporate	5,152,471	6,005,414	9,202,547	20,360,432
Regulatory Retail	134,369	3,018,105	17,673,110	20,825,584
Residential Mortgages	17,442	136,540	23,589,887	23,743,869
Higher Risk Assets	–	34	3,307	3,341
Other Assets	366,663	–	1,480,225	1,846,888
Total for On-Balance Sheet Exposures	11,157,313	12,986,392	54,397,309	78,541,014
Off-Balance Sheet Exposures				
Credit-related Exposures	656,789	448,316	555,018	1,660,123
Derivative Financial Instruments	114,431	2,368	–	116,799
Total for Off-Balance Sheet Exposures	771,220	450,684	555,018	1,776,922
Total On and Off-Balance Sheet Exposures	11,928,533	13,437,076	54,952,327	80,317,936

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in the calculation of credit risk-weighted assets. The following are the rating agencies or External Credit Assessment Institutions (“ECAI”) ratings used by the Group and are recognised by BNM as per the CAFIB Guideline:

- Standard & Poor’s (“S&P”)
- Moody’s Investors Services (“MOODY’S”)
- Fitch Ratings (“FITCH”)
- Rating Agency Malaysia Berhad (“RAM”)
- Malaysian Rating Corporation Berhad (“MARC”)

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

- Sovereigns and central banks
- Banking institutions
- Corporates



4. CREDIT RISK (CONTINUED)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Unrated and Rated Counterparties

As a general rule, the rating specific to the credit exposure is used, i.e., the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue nor an issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least *pari passu* with the obligation that is rated, as stipulated in the CAFIB Guideline.

Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The below table summarises the rules governing the assignment of risk weights under the Standardised Approach:

Rating Category	S & P	MOODY'S	FITCH	RAM	MARC
1	AAA to AA-	Aaa to Aa3	AAA to AA-	AAA to AA3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	BBB1 to BBB3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	BB1 to BB3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caal and below	CCC+ and below	C1 and below	C+ and below

The below table summarises risk weight mapping matrix for each credit quality rating category:

Rating Category	Risk Weights Based on Credit Rating of the Counterparty Exposure Class				
	Sovereign and Central Banks	Corporate	Banking Institutions		
			Maturity > 6 months	Maturity <= 6 months	Maturity <= 3 months
1	0%	20%	20%	20%	
2	20%	50%	50%	20%	
3	50%	100%	50%	20%	
4	100%	100%	100%	50%	20%
5	100%	150%	100%	50%	
6	150%	150%	150%	150%	
Unrated	100%	100%	50%	20%	

Under CAFIB, exposures to and/or guaranteed by the Federal Government of Malaysia and Bank Negara Malaysia are accorded a preferential sovereign risk weight of 0%.

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4. CREDIT RISK (CONTINUED)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group:

(i) As at 31 December 2022

Risk Weights	Exposures After Netting & Credit Risk Mitigation (CRM)										Total Exposures After Netting & CRM RM'000	Total Risk Weighted Asset RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIS & MDBS RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000				
0%	12,113,373	1,890,688	-	5,275,289	373,678	-	-	1,699,510	-	-	21,352,538	-
20%	-	252,932	1,863,619	3,544,125	60	-	-	-	-	-	5,660,736	1,132,147
35%	-	-	-	-	-	7,367,798	-	-	-	-	7,367,798	2,578,729
50%	-	507,004	1,221	3,311,106	366,153	4,907,979	-	-	-	-	9,093,464	4,546,732
75%	-	-	-	572,678	1,144,318	7,468,822	-	-	-	-	9,185,817	6,889,363
100%	-	354,619	-	8,462,662	20,775,534	6,664,591	-	1,248,192	-	-	37,505,598	37,505,598
150%	-	-	-	478,981	67,256	110,597	8,667	-	-	-	665,501	998,252
Total Exposures	12,113,373	3,005,243	1,864,840	21,644,841	22,726,999	26,519,787	8,667	2,947,702	8,667	2,947,702	90,831,452	53,650,821
RWA by Exposures	-	658,707	373,334	11,975,020	21,917,745	17,464,822	13,001	1,248,192	13,001	1,248,192	53,650,821	
Average Risk Weight	0.0%	21.9%	20.0%	55.3%	96.4%	65.9%	150.0%	42.3%	150.0%	42.3%	59.1%	
Deduction from Capital Base												

**4. CREDIT RISK (CONTINUED)****4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)**

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Group (continued):

(ii) As at 31 December 2021

Risk Weights	Exposures After Netting & Credit Risk Mitigation (CRM)										Total Exposures After Netting & CRM RM'000	Total Risk Weighted Asset RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIS & MDBS RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000				
0%	9,052,249	826,833	-	3,904,705	196,450	-	-	945,524			14,925,761	-
20%	-	170,004	1,076,679	3,768,647	97	-	-	-			5,015,427	1,003,085
35%	-	-	-	-	-	6,996,669	-	-			6,996,669	2,448,834
50%	-	547,870	7,322	3,841,980	398,237	5,098,127	-	-			9,893,536	4,946,768
75%	-	-	-	571,402	1,120,993	4,575,502	-	-			6,267,898	4,700,924
100%	-	230,234	-	8,755,974	19,047,746	7,365,935	-	991,753			36,391,642	36,391,642
150%	-	-	-	359,641	28,089	60,084	11,843	-			459,657	689,486
Total Exposures	9,052,249	1,774,941	1,084,001	21,202,349	20,791,612	24,096,317	11,843	1,937,277			79,950,590	50,180,739
RWA by Exposures	-	538,170	218,997	12,398,706	20,129,762	15,885,585	17,765	991,753			50,180,738	
Average Risk Weight	0.0%	30.3%	20.2%	58.5%	96.8%	65.9%	150.0%	51.2%			62.8%	
Deduction from Capital Base												



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4. CREDIT RISK (CONTINUED)

4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank:

(i) As at 31 December 2022

Risk Weights	Exposures After Netting & Credit Risk Mitigation (CRM)										Total Exposures After Netting & CRM RM'000	Total Risk Weighted Asset RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIS & MDBS RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000				
0%	12,113,373	1,890,688	-	5,275,289	373,678	-	-	1,705,821	-	-	21,358,849	-
20%	-	252,932	1,846,666	3,544,125	60	-	-	-	-	-	5,643,783	1,128,757
35%	-	-	-	-	-	7,367,798	-	-	-	-	7,367,798	2,578,729
50%	-	507,004	1,221	3,311,106	366,153	4,907,979	-	-	-	-	9,093,464	4,546,732
75%	-	-	-	572,678	1,144,318	7,468,822	-	-	-	-	9,185,817	6,889,363
100%	-	354,619	-	8,462,662	20,775,534	6,664,591	-	1,113,983	-	-	37,371,389	37,371,388
150%	-	-	-	478,981	67,256	110,597	8,667	-	-	-	665,501	998,252
Total Exposures	12,113,373	3,005,243	1,847,887	21,644,841	22,726,999	26,519,787	8,667	2,819,804	8,667	2,819,804	90,686,601	53,513,221
RWA by Exposures	-	658,707	369,944	11,975,020	21,917,745	17,464,822	13,001	1,113,983	13,001	1,113,983	53,513,222	
Average Risk Weight	0.0%	21.9%	20.0%	55.3%	96.4%	65.9%	150.0%	39.5%	150.0%	39.5%	59.0%	
Deduction from Capital Base												

**4. CREDIT RISK (CONTINUED)****4.7 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)**

The following presents the credit exposures by risk weights after the effect of credit risk mitigation of the Bank (continued):

(ii) As at 31 December 2021

Risk Weights	Exposures After Netting & Credit Risk Mitigation (CRM)										Total Exposures After Netting & CRM RM'000	Total Risk Weighted Asset RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIS & MDBS RM'000	Corporate RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000				
0%	9,052,249	826,833	-	3,904,705	196,450	-	-	-	951,209	-	14,931,446	-
20%	-	170,004	1,058,208	3,768,647	97	-	-	-	-	-	4,996,956	999,391
35%	-	-	-	-	-	6,996,669	-	-	-	-	6,996,669	2,448,834
50%	-	547,870	7,322	3,841,980	398,237	5,098,127	-	-	-	-	9,893,536	4,946,768
75%	-	-	-	571,402	1,120,993	4,575,502	-	-	-	-	6,267,898	4,700,924
100%	-	230,234	-	8,755,974	19,047,746	7,365,935	-	-	895,679	-	36,295,568	36,295,568
150%	-	-	-	359,641	28,089	60,084	-	-	11,843	-	459,657	689,486
Total Exposures	9,052,249	1,774,941	1,065,530	21,202,349	20,791,612	24,096,317	11,843	1,846,888	79,841,730	50,080,970	50,080,970	
RWA by Exposures	-	538,170	215,303	12,398,706	20,129,762	15,885,585	17,765	895,679	895,679	50,080,970	50,080,970	
Average Risk Weight	0.0%	30.3%	20.2%	58.5%	96.8%	65.9%	150.0%	48.5%	62.7%	62.7%	62.7%	
Deduction from Capital Base												

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4. CREDIT RISK (CONTINUED)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI

a) Ratings of Sovereigns and Central Banks by Approved ECAIs

31 December 2022 Exposure Class	Moody's S&P Fitch	Ratings of sovereigns and central banks by approved ECAIS					Unrated Unrated Unrated
		Aaa to Aa3 AAA to AA- AAA to AA-	A1 to A3 A+ to A- A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB-	Ba1 to B3 BB+ to B- BB+ to B-	Ca1 to C CCC+ to D CCC+ to D	
<u>On and Off Balance-Sheet Credit Exposures</u>							
Sovereign and Central Banks*		-	12,113,373	-	-	-	-
Total		-	12,113,373	-	-	-	-

31 December 2021 Exposure Class	Moody's S&P Fitch	Ratings of sovereigns and central banks by approved ECAIS					Unrated Unrated Unrated
		Aaa to Aa3 AAA to AA- AAA to AA-	A1 to A3 A+ to A- A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB-	Ba1 to B3 BB+ to B- BB+ to B-	Ca1 to C CCC+ to D CCC+ to D	
<u>On and Off Balance-Sheet Credit Exposures</u>							
Sovereign and Central Banks*		-	9,052,249	-	-	-	-
Total		-	9,052,249	-	-	-	-

* These exposures refer to exposures to Federal Government of Malaysia and Bank Negara Malaysia which are accorded a preferential sovereign risk weight of 0%.

b) Ratings of Corporate by Approved ECAIs

31 December 2022 Exposure Class	Moody's S&P Fitch RAMs MARC	Ratings of corporate by approved ECAIS				Unrated Unrated Unrated Unrated Unrated
		Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A-	Baa1 to Baa3 BBB+ to BB- BBB+ to BB- BBB to BB BBB+ to BB-	B+ to C B+ to D B+ to D B to D B+ to D	
<u>On and Off Balance-Sheet Credit Exposures</u>						
Public Sector Entities		252,932	-	-	-	2,752,311
Insurance Cos, Securities Firms & Fund Manager						
Corporate		3,459,814	51,646	153,258	-	17,980,124
Total		3,712,746	51,646	153,258	-	20,732,435



4. CREDIT RISK (CONTINUED)

4.8 Disclosures of Rated and Unrated Exposures According to Ratings by ECAI (continued)

b) Ratings of Corporate by Approved ECAIs (continued)

31 December 2021 Exposure Class	Moody's S&P Fitch RAMs MARC	Ratings of corporate by approved ECAIs				Unrated
		Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	A1 to A3 A+ to A- A+ to A- A to A3 A+ to A-	Baa1 to Ba3 BBB+ to BB- BBB+ to BB- BBB to BB BBB+ to BB-	B+ to C B+ to D B+ to D B to D B+ to D	
On and Off Balance-Sheet Credit Exposures						
Public Sector Entities		170,004	-	-	-	1,604,937
Insurance Cos, Securities Firms & Fund Manager						
Corporate		3,757,659	27,107	77,480	-	17,334,814
Total		3,927,663	27,107	77,480	-	18,939,751

c) Ratings of Banking Institutions by Approved ECAIs

31 December 2022 Exposure Class	Moody's S&P Fitch RAMs MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	Ratings of banking institutions by approved ECAIs				Unrated
			A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB-	Ba1+ to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B-	Caal to C CCC+ to D CCC+ to D C1 to D C+ to D	
On and Off Balance-Sheet Credit Exposures							
Banks, MDBs, and DFIs		1,207,092	262,483	-	-	-	395,265
Total		1,207,092	262,483	-	-	-	395,265

31 December 2021 Exposure Class	Moody's S&P Fitch RAMs MARC	Aaa to Aa3 AAA to AA- AAA to AA- AAA to AA3 AAA to AA-	Ratings of banking institutions by approved ECAIs				Unrated
			A1 to A3 A+ to A- A+ to A- A1 to A3 A+ to A-	Baa1 to Baa3 BBB+ to BBB- BBB+ to BBB- BBB1 to BBB3 BBB+ to BBB-	Ba1+ to B3 BB+ to B- BB+ to B- BB1 to B3 BB+ to B-	Caal to C CCC+ to D CCC+ to D C1 to D C+ to D	
On and Off Balance-Sheet Credit Exposures							
Banks, MDBs, and DFIs		743,371	151,728	-	-	-	188,903
Total		743,371	151,728	-	-	-	188,903

Note: There are no exposures under Short-term ratings for the period under review.

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4. CREDIT RISK (CONTINUED)

4.9 Credit Risk Mitigation (CRM)

As a first way out, the assessment of credit when granting a financing facility is based on a particular customer's cash flow as the main source of payment and not on the collateral offered. However, the acceptance of tangible security as collateral would offer a second way out in the event of business failure thereby improving recovery rates.

The types of collateral accepted by the Group would have an impact on the calculation of the Group's capital adequacy as the quality and the type of collateral determine whether the Group is able to obtain capital relief and the extent of such relief. Capital relief is defined as the assignment of a lower or zero risk weight to the counterparty exposure by setting off or reducing the counterparty exposure against the collateral value.

The main types of collaterals obtained by the Group to mitigate credit risks are as follows:

- (a) Cash on lien
- (b) Landed property
- (c) Shariah compliant quoted shares and unit trusts
- (d) Malaysian Federal Government Securities
- (e) Rated/Unrated Islamic Securities/Sukuk
- (f) Guarantee

The reliance that can be placed on CRM is carefully assessed in light of issues such as compliance with Shariah rules and principles, legal enforceability, market value and counterparty credit risk of the guarantor. The Group has put in place policies and procedures which govern the determination of eligibility of various collaterals to protect the Group's position from the onset of a customer relationship on the CRM, for instance, in requiring standard terms and conditions or specifically agreed upon documentation to ensure the legal enforceability of the credit risk mitigants.

In order to obtain a fair assessment of collateral securing the financing facility, a valuation is performed periodically ranging from weekly to annually, depending on the type, liquidity and volatility of the collateral value.

In mitigating the counterparty credit risks arising from foreign exchange and derivatives transactions, the Group enters into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between the two parties, creates a greater legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.



4. CREDIT RISK (CONTINUED)

4.9 Credit Risk Mitigation (CRM) (continued)

The Group manages its credit risk concentrations by diversifying its portfolios through several measures. The Group monitors credit risk limits via, among others, sector limits, programme limits, deviation limits and Single Counterparty Exposure Limits (SCEL). The following tables disclose the extent to which exposures are covered by eligible credit risk mitigants.

Disclosure of Credit Risk Mitigation (CRM):

31 December 2022 Exposure class	Exposures before CRM RM'000	Exposures covered by guarantees RM'000	Exposures covered by eligible financial and non-financial collateral RM'000
On-Balance Sheet Exposures			
Sovereign/Central Banks	12,113,373	-	-
Public Sector Entities	2,958,245	-	92,495
Banks, DFIs and MDBs	1,677,905	-	-
Corporates	19,498,516	2,533,329	1,281,624
Regulatory Retail	22,618,237	355,970	221,676
Residential Mortgages	25,971,590	447	94,862
Higher Risk Assets	2,538	-	-
Other Assets	2,819,804	-	-
Defaulted Exposures	1,601,818	290,778	118,332
Total for On-Balance Sheet Exposures	89,262,026	3,180,524	1,808,989
Off-Balance Sheet Exposures			
Credit-related Exposures	1,646,532	115	31,946
Derivative Financial Instruments	213,080	-	-
Defaulted Exposures	157,484	4,571	418
Total for Off-Balance Sheet Exposures	2,017,096	4,686	32,364
Total On and Off-Balance Sheet Exposures	91,279,122	3,185,210	1,841,353

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4. CREDIT RISK (CONTINUED)

4.9 Credit Risk Mitigation (CRM) (continued)

Disclosure of Credit Risk Mitigation (CRM) (continued):

31 December 2021 Exposure class	Exposures before CRM RM'000	Exposures covered by guarantees RM'000	Exposures covered by eligible financial and non-financial collateral RM'000
On-Balance Sheet Exposures			
Sovereign/Central Banks	9,052,249	–	–
Public Sector Entities	1,701,095	–	10,101
Banks, DFIs and MDBs	1,007,555	–	–
Corporates	19,388,649	706,085	1,224,343
Regulatory Retail	20,743,307	194,327	136,111
Residential Mortgages	23,669,331	452	100,983
Higher Risk Assets	3,173	–	–
Other Assets	1,846,888	–	–
Defaulted Exposures	1,128,766	384,941	69,715
Total for On-Balance Sheet Exposures	78,541,013	1,285,805	1,541,253
Off-Balance Sheet Exposures			
Credit-related Exposures	1,623,840	4,805	56,026
Derivative Financial Instruments	116,795	–	–
Defaulted Exposures	36,288	4,752	10
Total for Off-Balance Sheet Exposures	1,776,923	9,557	56,036
Total On and Off-Balance Sheet Exposures	80,317,936	1,295,362	1,597,289

**4. CREDIT RISK (CONTINUED)****4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank****(i) As at 31 December 2022**

Nature of item	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted asset RM'000
<i>Credit related Exposures</i>				
Direct credit substitutes	533,884		533,884	578,339
Assets sold with recourse	–		–	–
Transaction related contingent items	985,002		492,501	483,516
Short term self-liquidating trade related contingencies	407,370		81,474	80,143
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– not exceeding one year	–		–	–
– exceeding one year	1,392,315		696,158	575,432
Unutilised credit card lines	–		–	–
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	7,809,279		–	–
	11,127,850		1,804,017	1,717,430
<i>Derivative Financial Instruments</i>				
Foreign exchange related contracts				
– less than one year	7,713,420	122,827	212,579	78,664
– one year to less than five years				
– Five years and above	–	–	–	–
Profit rate related contracts				
– less than one year	–	–	–	–
– one year to less than five years	42,286	173	501	325
– five years and above	–	–	–	–
Equity related contracts				
– less than one year	–	–	–	–
– one year to less than five years	–	–	–	–
– Five years and above	–	–	–	–
	7,755,706	123,000	213,080	78,989
Total	18,883,556	123,000	2,017,097	1,796,419

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4. CREDIT RISK (CONTINUED)

4.10 Off-Balance Sheet and Counterparties Credit Risk for the Group and the Bank (continued)

(ii) As at 31 December 2021

Nature of item	Principal amount RM'000	Positive fair value of derivative contracts RM'000	Credit equivalent amount RM'000	Risk weighted asset RM'000
Credit related Exposures				
Direct credit substitutes	501,511		501,511	503,088
Assets sold with recourse	–		–	–
Transaction related contingent items	903,458		451,729	438,976
Short term self-liquidating trade related contingencies	417,940		83,588	83,012
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– not exceeding one year	–		–	–
– exceeding one year	1,246,592		623,295	503,494
Unutilised credit card lines	–		–	–
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness	8,110,490		–	–
	11,179,991		1,660,123	1,528,570
Derivative Financial Instruments				
Foreign exchange related contracts				
– less than one year	7,505,850	25,120	114,431	66,277
– one year to less than five years				
– Five years and above	–	–	–	–
Profit rate related contracts				
– less than one year	–	–	–	–
– one year to less than five years	79,153	917	2,368	1,735
– five years and above	–	–	–	–
Equity related contracts				
– less than one year	–	–	–	–
– one year to less than five years	–	–	–	–
– Five years and above	–	–	–	–
	7,585,003	26,037	116,799	68,012
Total	18,764,994	26,037	1,776,922	1,596,582



5. MARKET RISK

5.1 Overview

All the Group's financial instruments are subject to the risk that market prices and rates will move, resulting in profit or losses to the Group. The following are the main market risk factors that the Group is exposed to:

- **Profit Rate Risk:** also known as the Rate of Return Risk is the potential impact on the Group's profitability and capital caused by changes in the rate of return, due to general market movements or issuer/customer specific reasons;
- **Foreign Exchange Risk:** the impact of exchange rate movements on the Group's currency positions;
- **Equity Investment Risk:** the profitability impact on the Group's equity positions or investments caused by changes in equity prices or values;

The Group separates the market risk exposures into either trading book or banking book portfolios. Trading book portfolios include those positions arising from market making, proprietary position taking and other marked-to-market positions as per the Board approved Trading Book Policy Statements. Banking book portfolios primarily arise from the Group's profit rate management of the Group's asset & liabilities and investment portfolio mainly for liquidity management.

5.2 Market Risk Governance

The management of market risk is principally carried out by using sets of policies and guidelines approved by Asset & Liability Committee ("ALCO") and/or BRC, guided by the Board's approved Group Risk Appetite Statement Policy.

ALCO is responsible under the authority delegated by BRC for managing market risk at strategic level.

5.3 Management of Market Risk

The objective is to manage market risk exposures in order to optimise return on risk while maintaining a market risk profile consistent with the Group's approved risk appetite.

All market risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. The management of market risk is guided by comprehensive limits, policies and guidelines which are periodically reviewed.

Market Risk Management Department ("MRMD") is an independent risk control function and is responsible for ensuring effective implementation of market risk management framework. MRMD is also responsible for developing and reviewing the Group's market risk management guidelines and policies, monitoring tools, behavioural assumptions and limit setting methodologies. Strict escalation procedures are documented and approved by ALCO and/or BRC. In addition, the market risk exposures and limits are regularly reported to ALCO and BRC.

Other controls to ensure that market risk exposures remain within tolerable levels include regular stress testing, ad-hoc simulations, and rigorous new product approval procedures. Stress test results are produced regularly to determine the impact of changes in profit rates, foreign exchange rates and other risk factors on the Group's profitability, capital adequacy and liquidity. The stress test provides the Management and BRC with an assessment of the financial impact of identified extreme events on the market risk exposures of the Group.

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5. MARKET RISK (CONTINUED)

5.3 Management of Market Risk (continued)

a) Profit rate risk in the banking book portfolio

Profit rate risk in the banking book portfolio is managed and controlled using measurement tools known as Earnings-at-Risk (“EaR”) and Economic Value of Equity (“EVE”). The Group monitors the sensitivity of EaR and EVE under varying profit rate scenarios (i.e., simulation modelling). The model is a combination of standard and non-standard scenarios relevant to the local market. The standard scenarios include the parallel fall or rise in the profit rate curve and historical simulation. These scenarios assume no management action. Hence, it does not incorporate actions that would be taken by Treasury to mitigate the impact of the profit rate risk. In reality, depending on the view on future market movements, Treasury would proactively manage and strategise to change the profit rate exposure profile to minimise losses and to optimise net revenues. The Group’s hedging and risk mitigation strategies range from the use of derivative financial instruments, such as profit rate swaps, to more intricate hedging strategies to address inordinate profit rate risk exposures.

The table below shows the Group’s and Bank’s profit rate sensitivity to a 150 basis points parallel shift as at reporting date.

Group	31 December 2022 (Decrease)/Increase		31 December 2021 (Decrease)/Increase	
	-150bps RM million	+150bps RM million	-150bps RM million	+150bps RM million
	Impact on EaR	(194.6)	194.6	(206.6)
Impact on EVE	381.7	(381.7)	294.0	(294.0)

Bank	31 December 2022 (Decrease)/Increase		31 December 2021 (Decrease)/Increase	
	-150bps RM million	+150bps RM million	-150bps RM million	+150bps RM million
	Impact on EaR	(192.3)	192.3	(204.7)
Impact on EVE	380.0	(380.0)	293.6	(293.6)



5. MARKET RISK (CONTINUED)

5.3 Management of Market Risk (continued)

b) Market Risk in the trading book portfolio

Market risk in the trading book portfolio is monitored and managed using Value-at-Risk (“VaR”). It is a technique that estimates the potential losses that could occur as a result of market rates movements over a specified time horizon and to a given level of confidence. The VaR model used by the Bank is based on historical simulation which derives plausible future scenarios from the past series of recorded market rates and prices. The historical simulation model used by the Bank incorporates the following features:

- Potential market movements are calculated with reference to data from the past two years;
- Historical market rates are calculated with reference to foreign exchange rates and profit rates; and
- VaR is calculated using a 99 per cent confidence level and for a one-day holding period.

A summary of the VaR position of the Bank’s trading book portfolios as at the reporting date is as follows:

Bank	As at 31.12.2022	1.1.2021 to 31.12.2022		
	RM million	Average RM million	Maximum RM million	Minimum RM million
Profit Rate Risk	0.004	0.58	1.66	0.004
Foreign Exchange Risk	0.19	1.58	3.35	0.19
Overall	0.20	2.15	4.49	0.20

Bank	As at 31.12.2021	1.1.2021 to 31.12.2021		
	RM million	Average RM million	Maximum RM million	Minimum RM million
Profit Rate Risk	0.14	1.05	2.39	0.14
Foreign Exchange Risk	0.36	0.66	1.19	0.34
Overall	0.50	1.71	2.78	0.50

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5. MARKET RISK (CONTINUED)

5.3 Management of Market Risk (continued)

c) Foreign Exchange Risk

The Bank manages and controls the trading book portfolio's foreign exchange risk by limiting the net open exposure to individual currencies and on an aggregate basis. For the Bank-wide (trading and banking portfolios) foreign exchange risk, the Bank manages and controls by limiting the net open exposure on an aggregate basis.

Sensitivity Analysis

The Bank has a sensitivity limit for managing the foreign exchange risk in place. The foreign currency revaluation sensitivity for the Bank as at reporting date is summarised as follows (only net open position for major currencies are shown in its specific currency in the table below. For other currencies, these exposures are grouped as "Others"):

Bank	31 December 2022		31 December 2021	
	-1% Depreciation RM'000	+1% Appreciation RM'000	-1% Depreciation RM'000	+1% Appreciation RM'000
US Dollar	(4,805)	4,805	12,136	(12,136)
Euro	4,348	(4,348)	4,576	(4,576)
Others	(143)	143	(193)	193

5.4 Capital Treatment for Market Risk

The Group adopts the Standardised Approach to compute the market risk capital requirement under BNM's CAFIB.

6. LIQUIDITY RISK

6.1 Overview

Liquidity risk is the risk of adverse impact to the financial condition of the Group, or the soundness of the Group being adversely affected by an inability (or perceived inability) to meet its contractual obligations. This risk can arise from mismatches in the timing of cash flows.

The Group maintains a diversified and stable funding base comprising retail and corporate customer deposits. This is augmented by wholesale funding and highly liquid assets portfolios.

The objectives of the Group's liquidity management are to ensure that all foreseeable funding commitments and deposit withdrawals can be met when due and that wholesale market access remains accessible and cost effective.

Savings accounts, current accounts, investment accounts (IA) and term deposits form a critical part of the Group's funding profile and the Group places considerable importance on maintaining their stability. The stability depends upon preserving depositors' confidence in the Group and the Group's capital strength and liquidity, and on competitive and transparent pricing.



6. LIQUIDITY RISK (CONTINUED)

6.1 Overview (continued)

The Group's liquidity management is primarily carried out in accordance with Bank Negara Malaysia's requirements and the internal limits approved by ALCO and/or BRC. The limits vary, taking into account the depth and liquidity of the market in which the Group operates. The Group maintains a strong liquidity position and manages the liquidity profile of its assets, liabilities, and commitments to ensure that cash flows are appropriately balanced, and all obligations are met when due.

The Group's liquidity management process includes:

- Daily projection of cash flows and ensuring that the Group has sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Projecting cash flows and considering the level of liquid assets necessary in relation thereto;
- Maintaining liabilities of appropriate term relative to the asset base;
- Maintaining a diverse range of funding sources with adequate back-up facilities;
- Monitoring depositor concentration in order to avoid undue reliance on large individual depositors and ensure a satisfactory overall funding mix; and
- Managing the maturities and diversifying funding liabilities across products and counterparties.

6.2 Liquidity Risk Governance

The management of liquidity risk is principally carried out by using sets of policies and guidelines approved by ALCO and/or BRC, guided by the Board's approved Group Risk Appetite Statement Policy. ALCO is responsible under the authority delegated by BRC for managing liquidity risk at strategic level.

6.3 Management of Liquidity Risk

All liquidity risk exposures are managed by Treasury, who has the necessary skills, tools, management and governance to manage such risks. Limits and triggers are set to meet the following objectives:

- Maintaining sufficient liquidity surplus and reserves to sustain a sudden liquidity shock;
- Ensuring that cash flows are relatively diversified across all maturities;
- Ensuring that the deposit base is not overly concentrated on a relatively small number of depositors;
- Maintaining sufficient borrowing capacity in the Interbank market and highly liquid financial assets to back it up; and
- Not over-extending financing activities relative to the deposit base.

MRMD is an independent risk control function and is responsible for ensuring efficient implementation of liquidity risk framework. It is also responsible for developing the Group's liquidity risk management guidelines, monitoring tools, behavioural assumptions and limit setting methodologies. Strict escalation procedures are documented and approved by ALCO and/or BRC, with proper authorities to ratify or approve the excess. In addition, the liquidity risk exposures and limits are regularly reported to ALCO and BRC.

Stress testing and scenario analysis are important tools used by the Group to manage the liquidity risk. Stress test results are produced regularly to determine the impact of a sudden liquidity shock. The stress-testing provides the Management and BRC with an assessment of the financial impact of identified extreme events on the liquidity and funding risk exposures of the Group.

Another key control feature of the Group's liquidity risk management is the liquidity contingency management plans. These plans identify the pre-emptive quantitative and qualitative indicators of stress conditions arising from systemic or other crises and provide guidance on actions to be taken in order to minimise the adverse implications to the Group.

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7. OPERATIONAL RISK

7.1 Overview

Operational Risk is defined as the “risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, which includes legal risk and Shariah non-compliance risk but excludes strategic and reputational risk”.

It is inherent in all banking products, activities, processes and systems and the effective management of operational risk has always been a fundamental element of a bank’s risk management programme.

7.2 Operational Risk Governance

The Group’s operational risk management (“ORM”) is guided by its ORM Policy, Guideline and Group Enterprise-Wide Risk Management Policy, as well as its Group Risk Appetite Statement Policy which are designed to provide a sound and well-controlled operational environment within the Group.

BRC is a committee of Board to oversee the Management’s activities in managing risks for the Group, including operational risk. Its roles, with regard to ORM, include reviewing and recommending ORM Policy, strategies and risk appetite for Board’s approval.

MRCC, under the authority delegated by BRC is responsible to perform the oversight function and to ensure effective management of issues relating to operational risk at strategic level. Operational Risk Control Committee (“ORCC”) which is a sub-committee of MRCC is primarily responsible in ensuring effective implementation and maintenance of policies, processes, and systems for managing operational risk for the Group.

Notwithstanding the above, the various Business & Support Units (“BU/SU”) are responsible for managing operational risk within their respective domains on a day-to-day basis and ensuring that their business & operational activities are carried out within the established ORM policies, guidelines, procedures and limits. To reinforce accountability and ownership of risk & control at BU/SU level, a Risk Controller (“RC”) for each BU/SU is appointed and Embedded Risk and Compliance Unit (“ERU”) is established at selected BU/SU to assist in driving the risk & control programme for the Group.

Ultimately, all staff of the Group are to ensure they properly discharge their day-to-day responsibilities and are well-equipped with the necessary knowledge including the policies and procedures in executing their job functions. This is in line with our Risk Management Tagline, i.e., “Managing Risk is Everyone’s Business”.



7. OPERATIONAL RISK (CONTINUED)

7.3 Management of Operational Risk

The Group recognises and emphasises the importance of ORM and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored, and business activities are carried out within the established ORM policies, guidelines, procedures, and limits.

The Group's overall governance approach in managing operational risk is premised on the Three Lines of Defence Approach:

a) 1st Line of Defence – The risk owner or risk-taking unit i.e., BU/SU is accountable for putting in place a robust control environment within their respective units. They are responsible for the day-to-day management of operational risk. To reinforce accountability and ownership of risk and control within 1st Line of Defence, the RC is appointed at each BU/SU and ERU is established at selected BU/SU.

2nd Line of Defence – Operational Risk Management Department (“ORMD”) is responsible for establishing and maintaining the ORM Policy and its supporting guidelines/manuals, developing methodologies and various ORM tools to facilitate the management of operational risk, monitoring the effectiveness of ORM, assessing operational risk issues from the risk owner and escalating operational risk issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, ORMD is also responsible to promote risk awareness across the Group. Shariah Risk Management Unit (“SRMU”), which forms part of ORMD, is responsible for managing the Shariah non-compliance risk (“SNCR”) by establishing and maintaining appropriate guidelines on Shariah Risk Management (SRM) by facilitating the process of identifying, assessing, controlling, and monitoring SNCR and promoting SNCR awareness.

Group Compliance Division, which includes Shariah Compliance Department and Group Information Security & Governance Division (“ISGD”) complement the role of ORMD as the 2nd Line of Defence.

Group Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk, corruption risk, money laundering and terrorism financing risks through proper classification of risks and developing, reviewing, and enhancing compliance-related training programmes, as well as conducting trainings that promote awareness creation. Shariah Compliance Department under Group Compliance Division is responsible for reviewing and monitoring Shariah compliance of the Group's operations, activities, and services at BU/ SU level.

ISGD is responsible in managing information technology risk by establishing, maintaining, and enforcing information technology risk policies/guidelines and it works closely with Group Technology Division in identifying, assessing, mitigating, and monitoring of information technology risk in the Group.

b) 3rd Line of Defence – Group Internal Audit including Shariah Audit Department provides independent assurance to the Board and senior management on the effectiveness of the ORM and SRM process.

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7. OPERATIONAL RISK (CONTINUED)

7.4 ORM Tools & Mitigation Strategies

The Group employs ORM tools comprising proactive and reactive tools which are in line with the best practices in managing and mitigating operational risks, namely:

Overview of ORM Tools				
Proactive Tools				Reactive Tools
Risk Control Self-Assessment	Key Risk Indicator	Operational Risk Review	New Product Services Approval Process	Risk Loss Event Management & Reporting
<ul style="list-style-type: none"> Self-assessment to identify and assess operational risks by Risk Owners; The tool creates ownership and increases operational risk awareness. 	<ul style="list-style-type: none"> A forward-looking tool to identify potential risks and to enable counter measures and risk mitigation actions before an incident occurs (early warning system); To assist management to focus on high-risk issues. 	<ul style="list-style-type: none"> End-to-end review of activities to identify risks and ensure appropriate controls are in place and are effective; To ensure controls are aligned with RCSA and able to mitigate the identified risk. 	<ul style="list-style-type: none"> To ensure risks are identified and adequate controls are in place prior to launching of new product/ services. 	<ul style="list-style-type: none"> Centralised group-wide loss database which provides line of business loss reporting overview, tracks frequency of events and facilitates detailed reviews of the incident and its impact.
Risk Analysis & Reporting				
<ul style="list-style-type: none"> Analysis and reporting of qualitative and quantitative results from various ORM tools. 				
Scenario Analysis				
<ul style="list-style-type: none"> A systematic and forward-looking tool of obtaining expert opinions to derive new risks, test the efficiency of existing controls and highlights unexpected risks. 				

In addition, a comprehensive Business Continuity Management (“BCM”) function has been established within the Group to ensure that in the event of material disruptions from internal or external events, critical business functions can be maintained or restored in a timely manner. This ensures minimal adverse impact on customers, staff and products and services. BCM constitutes an essential component of the Group’s risk management process by providing a controlled response to potential operational risk that could have a significant impact on the Group’s critical processes and revenue streams. The Group is also continuously reviewing its critical business operations’ resilience through regular testing and dependencies assessment on its assets (systems, data, third parties, facilities, processes and people) in order to ensure it has the required capability and resources to effectively prepare for different disruption events.



7. OPERATIONAL RISK (CONTINUED)

7.4 ORM Tools & Mitigation Strategies (continued)

As part of the risk transfer strategy, the Group obtains a 3rd party Takaful coverage to cover for the Group's high impact loss events.

The Group also ensures that the group-wide Operational Risk awareness programme is conducted on an ongoing basis. This training programme emphasises on inculcating an operational risk culture among staff, effective implementation of ORM tools, fraud awareness, BCM and other aspects of ORM.

7.5 Capital Treatment for Operational Risk

Operational Risk capital charge is calculated using the BIA as per BNM's CAFIB. The BIA for operational risk capital charge calculation applies an alpha (15%) to the average of positive gross income that was achieved over the previous three years by the Group. The RWA amount is computed by multiplying the minimum capital required with a multiplier of 12.5 (reciprocal of 8%).

8. SHARIAH GOVERNANCE

8.1 Overview

By virtue of BNM's Shariah Governance Policy Document ("SGPD"), the Group has established a sound and robust Shariah governance framework with the emphasis placed on the roles of its key functionalities, which include having in place an effective and responsible Board and Management and an independent Shariah Supervisory Council ("SSC") that is supported by strong and competent internal Shariah functions.

As part of the robust Shariah governance framework, to date, the Group has put in place the Group Shariah Compliance Policy, Shariah Compliance Guideline, Shariah Compliance Marketing Guideline, Business Zakat Guideline and Charity Fund Management Guideline. These help to ensure the Group's business activities and behaviors are in compliance with Shariah rules and principles, provisions of the Islamic Financial Services Act ("IFSA") 2013, BNM's SGPD and its other rules and regulations, and the resolutions of BNM, Securities Commission ("SC") and Labuan Financial Services Authority ("LFSA")'s Shariah Advisory Council and the SSC.

8.2 Shariah Risk Management

The Group's Shariah risk management as part of operational risk management is guided by Operational Risk Management ("ORM") Policy and Guidelines which set out the high-level framework supporting the Shariah Compliance Policy and detail out the Shariah risk management processes and tools. The policy and guidelines serve to provide a consistent group-wide framework for managing SNCR across the Group.

In addition to this, the Group Risk Loss Event Management and Reporting ("RLEMR") Guideline provides sound mechanism on Shariah non-compliance ("SNC") management and reporting, in order to ensure the Group strictly complies with Shariah rules and principles, as well as the regulatory requirements. The guideline has been established to be in line with the mechanism set out by BNM's Operational Risk Reporting Requirement – Operational Risk Integrated Online Network ("ORION") and to ensure compliance with section 28(3) of the IFSA 2013 which requires any SNC event to be immediately reported to BNM. Additionally, pursuant to this guideline, any actual SNC events caused by operational lapses including negligence, breach of policies and lack of due care by staff may be subject to disciplinary action.

Being part of operational risk, Shariah risk management leverages on the same ORM principles, processes, and tools. The responsibility of managing SNCR is spearheaded by the Group's Shariah Risk Management Unit ("SRMU"). In general, all ORM tools are extended to the process of managing SNCR. However, the tools are modified to suit the regulatory requirements on Shariah governance in order to provide a robust and consistent approach in managing SNCR.

Pillar 3 Disclosure

as at 31 December 2022

8. SHARIAH GOVERNANCE (CONTINUED)

8.2 Shariah Risk Management (continued)

Extensive and continuous Shariah risk awareness initiatives have been conducted for the Group's staff and Risk Controllers ("RC") to ensure understanding towards Shariah requirements/rulings, effective identification of SNC risks, establishment of controls to prevent SNC event, and to keep updated on the latest Shariah requirements/rulings issued by Shariah Division, SSC and regulators, and any occurrence of Shariah non-compliance event. In the year 2022, five (5) Shariah risk awareness sessions were conducted involving Bank's staff from HQ and branches. In addition, it is compulsory for all staff to participate in Shariah training via e-Learning as a refresher course.

8.3 Shariah Non-Compliance ("SNC") Events

An SNC event is a result of the Group's failure to comply with the Shariah rules and principles as determined by the Bank's Shariah Supervisory Council, as well as other relevant body or institution such as the Shariah Advisory Council of BNM, Securities Commission and Labuan Financial Services Authority.

Throughout the year 2022, there were three (3) incidences of SNC events, whereby the events were related to improper execution of aqad for deposit-based product, granting of financing facilities to a company with SNC activities and absence of commodity trading for Tawarruq-based deposit. To prevent similar recurrence, the Group is continuously improving its Shariah compliance culture through the issuance of reminders, conducting on-going awareness trainings, as well as establishing additional controls to ensure compliance with Shariah requirements.

8.4 Shariah Non-Compliant Income

31 December 2022	31 December 2021
RM 39,312.59	RM41,182.96

The main contributors of the SNC income for 2022 were commissions from SNC merchants of card business (RM22,055.73) and commissions from third party investment product offering (RM17,132.03). The amount was disposed to charitable causes upon SSC's approval.

All SNC events and rectification plans were presented and approved by the Board/ SSC and reported to BNM in accordance with the prescribed reporting requirement by the regulator.

9. INVESTMENT ACCOUNT

9.1 Overview

Islamic Financial Services Act 2013 ("IFSA") distinguishes Investment Account (IA) from Islamic deposits, where Shariah contracts that need to be applied for IA products are non-principal guaranteed, while Shariah contracts for deposit products are principal guaranteed.

In line with the implementation of the IFSA, the Group has developed investment account products based on Mudarabah and Wakalah contracts.

Mudarabah is a contract between a customer as capital provider and the Group as an entrepreneur under which the customer provides capital to be managed by the Group and any profit generated is shared according to a mutually agreed profit-sharing ratio (PSR) whilst financial losses are borne by the customer provided that such losses are not due to the Group's misconduct, negligence or breach of specified terms.



9. INVESTMENT ACCOUNT (CONTINUED)

9.1 Overview (continued)

Wakalah refers to a contract where a customer, as the principal, authorises the Group as his agent to perform a particular task on matters that may be delegated i.e., investment, with or without imposition of a fee. In this context, the Shariah contract applied is Wakalah bi al-Istithmar (Wakalah for the purpose of investment).

In terms of offering, the Group currently has the following two categories of IA:

Unrestricted Investment Account (UA)	Restricted Investment Account (RA)
Unrestricted Investment Account refers to a type of IA where the customer/Investment Account Holder (IAH) provides the Bank with the mandate to make the ultimate investment decision without specifying any particular restrictions or conditions.	Restricted Investment Account (RA) refers to a type of IA where the IAH provides a specific investment mandate to the Bank such as purpose, asset class, economic sector and period for investment.

The Bank will apply risk management controls over portfolio, legal and operational activities; including asset allocation, liquidity adherence to investment objectives and parameters, valuation, monitoring performance, Shariah compliance and others as per guided in the Bank Negara Malaysia (BNM)'s Investment Account Policy. Notwithstanding the above, in times of adversity in the markets, the Bank may manage its asset allocation to safeguard the investment portfolio provided that such investment is within the investment objectives of the fund.

IA product is not capital guaranteed and is not protected by the Perbadanan Insurans Deposit Malaysia (PIDM). Among the risks associated with IA include but not limited to the following:

- (a) Risk of Capital Loss – refers to the potential decrease in the value of the original investment amount.
- (b) Market Risk – refers to the potential impact of adverse price on the economic value of an asset.
- (c) Liquidity Risk – refers to the potential inability of the Bank to meet short term withdrawal demands from the IAH.
- (d) Credit Risk – refers to the potential event that may arise when substantial amount of assets for the fund goes into default.
- (e) Legal Risk – IAH should ensure that, in entering into this investment it is not in breach of any laws, regulations, contractual or any other legal limitations that may apply to investors. This investment is issued subject to all applicable laws, regulations and guidelines. In the event of change in such laws, regulations or guidelines, Bank Islam may be obliged to change some or all the terms and conditions of the investment, including the possibility of an early termination.
- (f) Shariah Non-Compliance Risk – refers to the possible failures to comply with the rulings of BNM's Shariah Advisory Council (SAC) and standards on Shariah matters issued by BNM or decisions or advice of Bank Islam's Shariah Supervisory Council.

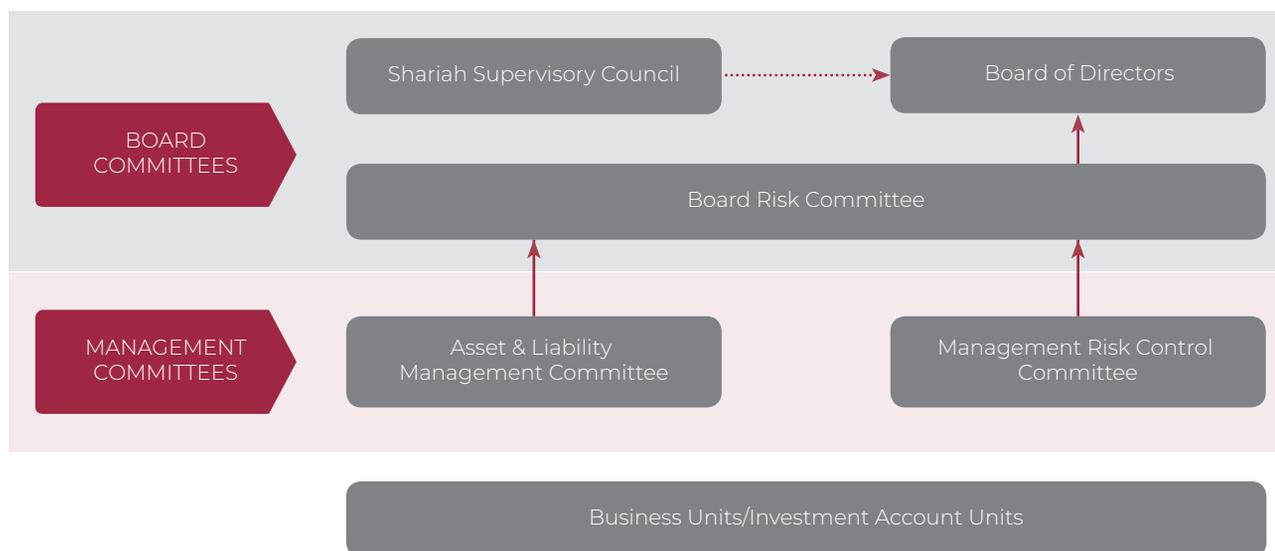
Pillar 3 Disclosure

as at 31 December 2022

9. INVESTMENT ACCOUNT (CONTINUED)

9.2 Governance Structure

To safeguard the IAH's interest, the investment mandates, strategies and parameters are carried out in accordance with the Group's governance set-up. The IA governance structure adopted by the Group is as depicted in the following diagram:



The roles and responsibilities of the above respective committees are as follows:

Committee	Responsibility
Board of Directors (Board)	Responsible to establish an effective governance arrangement to facilitate effective monitoring and control of the overall management and conduct of the IA. The adequacy of the governance arrangement shall be commensurate with the nature, scale, complexity, and risk profile associated with the conduct of the IA.
Board Risk Committee (BRC)	Assists the Board in performing independent oversight and provides recommendations in respect of the management, operations, and performance of the IA, as well as to play the role of Board Investment Committee.
Shariah Supervisory Council	Advises and provides clarification on relevant Shariah rulings, decisions, or policies on Shariah matters and endorses the terms and conditions stipulated in IA documentation and ensures that information published is in compliance with Shariah.
Management Risk Control Committee	Assists BRC in performing independent oversight and provides recommendations in respect of the management, operations, and performance of the IA.
Asset & Liability Management Committee	<ul style="list-style-type: none"> Responsible to perform the oversight function and to deliberate key issues related to the Bank's asset and liability management and market risk. Approves and reviews proposals with regard to acquisition, allocation and management of funds to be consistent with the regulatory requirements, liquidity needs and market factors, and also other matters which are market and liquidity risk related and where necessary, making recommendations to the Board Risk Committee and/or the Board.

**9. INVESTMENT ACCOUNT (CONTINUED)****9.3 IA Performance**

	31 December 2022	31 December 2021
	RM	RM
Gross Exposure: Financing funded by UA	14,564,961,537.77	RM10,561,600,658.98
	%	%
Return on Assets ("ROA")	4.23%	3.92%
Average Net Distributable Income	4.08%	3.49%
Average/Proportion Net Distributable Income Attributable to the IAH	1.43%	1.28%
Average Profit Sharing Ratio/Return to the IAH	35.16%	36.68%
	RM'000	RM'000
Impaired assets/financing funded by UA (bank-wide)	835,231.84	568,382.80
Total allowance for UA	20,993.16	54,648.62
Collective allowance provisions funded by UA	NA	NA
Individual allowance provisions funded by UA	NA	NA

Pillar 3 Disclosure

as at 31 December 2022

GROUP CHIEF EXECUTIVE OFFICER ATTESTATION

In accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Bank (CAFIB) Disclosure Requirements (Pillar 3), I hereby attest that to the best of my knowledge, the disclosures contained in Bank Islam Malaysia Berhad's Pillar 3 Disclosure report for the financial year ended 31 December 2022 are consistent with the manner in which the Group and the Bank assesses and manages its risk, and are not misleading in any particular way.



Mohd Muazzam Mohamed

Group Chief Executive, Bank Islam Malaysia Berhad



Shareholdings' Analysis

as at 31 March 2023

ANALYSIS OF HOLDINGS (MALAYSIAN & FOREIGN)

Size of Shareholdings	No. of Shareholders		No. of Shares		%	
	Malaysian	Foreign	Malaysian	Foreign	Malaysian	Foreign
1-99	672	8	6,774	143	-	-
100-1,000	2,747	34	1,675,001	21,675	0.07	-
1,001-10,000	4,973	63	20,394,259	266,686	0.91	0.01
10,001-100,000	1,388	75	37,948,305	2,963,913	1.69	0.13
100,001-112,200,254 (*)	277	66	604,617,066	39,321,942	26.94	1.75
112,200,255 and above (**)	3	-	1,536,789,350	-	68.50	-
Directors' shareholdings	-	-	-	-	-	-
Total	10,060	246	2,201,430,755	42,574,359	98.11	1.89

* Less than 5% of issued shareholdings

** 5% and above of issued shareholdings

DISTRIBUTION TABLE ACCORDING TO CATEGORY OF HOLDERS

Category of Shareholders	No. of Shareholders			No. of Shares			%		
	Malaysian		Foreign	Malaysian		Foreign	Malaysian		Foreign
	Bumi	Non-Bumi		Bumi	Non-Bumi		Bumi	Non-Bumi	
1. Individual	2,164	5,662	86	9,358,755	51,433,075	1,029,338	0.42	2.29	0.05
2. Body Corporate									
a. Banks/Finance Companies	55	3	-	1,508,537,223	518,000	-	67.23	0.02	-
B. Investments Trusts/ Foundation/ Charities	1	-	-	2,678,140	-	-	0.12	-	-
C. Other Types of Companies	66	56	1	14,316,536	8,255,659	452,090	0.64	0.37	0.02
3. Government Agencies/Institutions	15	-	-	66,550,488	-	-	2.96	-	-
4. Nominees	1,407	630	159	58,294,573	481,488,296	41,092,931	2.59	21.46	1.83
5. Trustee	-	-	-	-	-	-	-	-	-
6. Others	-	1	-	-	10	-	-	-	-
Total	3,708	6,352	246	1,659,735,715	541,695,040	42,574,359	73.96	24.14	1.90

Shareholdings' Analysis

as at 31 March 2023

LIST OF DIRECTORS SHAREHOLDINGS

Name of Director	No. of Shares Held Through Own Name	No. of Shares Held Through Nominees	Total Shares	%
Tan Sri Dr. Ismail Hj. Bakar	-	-	-	-
Datuk Nik Mohd Hasyudeen Yusoff	-	-	-	-
Azizan Ahmad	-	-	-	-
Mohd Yuzaidi Mohd Yusoff	-	-	-	-
Mashitah Haji Osman	-	-	-	-
Dato' Sri Amrin Awaluddin	-	-	-	-
Mohd Asri Awang	-	-	-	-
Datuk Bazlan Osman	-	-	-	-
Nuraini Ismail	-	-	-	-
Total	-	-	-	-

LIST OF SUBSTANTIAL SHAREHOLDERS HOLDINGS OF 5% AND ABOVE

No.	Name	NRIC/ Regn. No.	Shareholdings	Total Shareholdings	%
1.	Lembaga Tabung Haji	ACT5351995	1,088,416,900	1,088,416,900	48.50
2.	Citigroup Nominees (Tempatan) Sdn Bhd	199301012273		353,882,323	15.77
	Employees Provident Fund Board				
	Employees Provident Fund Board (AMUNDI)		10,309,000		
	Employees Provident Fund Board (AM INV)		3,617,800		
	Employees Provident Fund Board (CIMB PRIN)		6,153,100		
	Employees Provident Fund Board		301,220,150		
	Employees Provident Fund Board (ASIANISLAMIC)		10,542,800		
	Employees Provident Fund Board (RHBISLAMIC)		941,300		
	Employees Provident Fund Board (F.TEMISLAMIC)		1,761,100		
	Employees Provident Fund Board (ABERISLAMIC)		702,500		
	Employees Provident Fund Board (BNP NAJMAH EQ)		4,433,700		
	Employees Provident Fund Board (CPIAM EQ)		3,400,000		
	Employees Provident Fund Board (NIAM EQ)		5,164,800		
	Employees Provident Fund Board (CGS CIMB)		5,636,073		
3.	Amanahraya Trustees Berhad	200701008892	147,152,300	147,152,300	6.56
	Amanah Saham Bumiputera				
Total			1,589,451,523		70.83

**TOP 30 HOLDERS**

No.	Name	Total Shareholdings	%
1.	LEMBAGA TABUNG HAJI	1,088,416,900	48.50
2.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	301,220,150	13.42
3.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	147,152,300	6.56
4.	PERMODALAN NASIONAL BERHAD	87,792,606	3.91
5.	KUMPULAN WANG PERSARAAN (DIPERBADANKAN)	79,014,680	3.52
6.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 2	26,934,202	1.20
7.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD URUSHARTA JAMAAH SDN BHD (2)	20,909,921	0.93
8.	MAJLIS UGAMA ISLAM SABAH	11,717,299	0.52
9.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PBTB FOR TAKAFULINK DANA EKUITI	11,019,330	0.49
10.	LEMBAGA TABUNG ANGGKATAN TENTERA	10,879,452	0.48
11.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA 3	10,799,171	0.48
12.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (ASIANISLAMIC)	10,542,800	0.47
13.	PERTUBUHAN KESELAMATAN SOSIAL	10,514,900	0.47
14.	MAJLIS UGAMA ISLAM SABAH	10,421,700	0.46
15.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (AMUNDI)	10,309,000	0.46
16.	AMIN BAITULMAL JOHOR	8,316,000	0.37
17.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM MALAYSIA	8,138,800	0.36
18.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC DIVIDEND FUND	8,072,000	0.36
19.	AMANAHRAYA TRUSTEES BERHAD PUBLIC ISLAMIC SELECT ENTERPRISES FUND	7,149,700	0.32
20.	HSBC NOMINEES (TEMPATAN) SDN BHD HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (MEF)	6,928,900	0.31
21.	CIMB ISLAMIC NOMINEES (TEMPATAN) SDN BHD AFFIN HWANG ASSET MANAGEMENT BERHAD FOR MAJLIS UGAMA ISLAM DAN ADAT RESAM MELAYU PAHANG	6,836,800	0.30
22.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR AIA BHD	6,698,400	0.30
23.	MAJLIS AGAMA ISLAM SELANGOR	6,573,488	0.29
24.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CIMB PRIN)	6,153,100	0.27
25.	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA 3 – DIDIK	5,980,364	0.27
26.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (CGS CIMB)	5,636,073	0.25
27.	MAJLIS AGAMA ISLAM NEGERI PULAU PINANG	5,544,000	0.25
28.	MAJLIS AMANAH RAKYAT	5,544,000	0.25
29.	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD (NIAM EQ)	5,164,800	0.23
30.	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK DANA UNGGUL	5,132,027	0.23
TOTAL		1,935,512,863	86.23

Properties Owned by BIMB Group

PROPERTY LISTING FOR BANK ISLAM MALAYSIA BERHAD

Location	Description of Existing Use	Tenure	Age of Building (years)	Land, Built-up Area (square metre)	Net Book Value as at 31.12.2022 (RM)	Date of Acquisition
HS (D) 80625 Lot 147, Seksyen 87 Jalan Tun Razak 50750 Kuala Lumpur	Building site	Leasehold for 99 years expiring on 29.12.2093	NA	6,410	11,509,482.07	30.12.1994
H S (M) 2660 & 2661 Lot 50624 & 50625 Batu 5 1/2 Jalan Cheras 56100 Kuala Lumpur	Vacant land	Leasehold for 99 years expiring on 02.04.2085	NA	Lot 50624 – 171 Lot 50625 – 403	56,356.42	03.04.1986
Lot No. PT 805-HSD 1323 Mukim Bagan Nakhoda Omar, Sabak Bernam, Selangor	Vacant land	Leasehold for 99 years expiring on 03.02.2101	NA	405,000	526,146.67	07.03.2007

PROPERTY LISTING FOR SYARIKAT AL-IJARAH SDN BHD

Location	Description of Existing Use	Tenure	Age of Building (years)	Land, Built-up Area (square metre)	Net Book Value as at 31.12.2022 (RM)	Date of Acquisition
No. PT Lot 002600 & 002601 No. HS (D) 815 & 816 No. 71 & 73, Jalan Taman Selat Off Jalan Bagan Luar 12720 Butterworth Pulau Pinang	4-storey shophouse/ office for Bank Islam Operation	Freehold	37	Lot 002600 – 171 Lot 002601 – 273	577,723.59	30.09.1985



Directory of Main and Regional Offices



→ Central Region

01

Level 28
Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : 03 2707 8563

02

2 & 4, Jalan 6C/7
Seksyen 16
43650 Bandar Baru Bangi
Selangor
Tel : 03 8655 9280

03

1st Floor, No. 1
Jalan Elektron EU16/E
Seksyen U16, Denai Alam
40160 Shah Alam, Selangor
Tel : 03-5021 1595

W.P. KUALA LUMPUR

- **Bandar Tasik Permaisuri**
Tel : 03 9764 9966
Fax : NA
- **Bandar Wawasan**
Tel : 03 2705 2939
Fax : 03 2705 2938
- **Bukit Damansara**
Tel : 03 2708 4988
Fax : 03 2708 4989
- **Jalan Tun Razak**
Tel : 03 2706 2900
Fax : 03 2706 2909
- **KL Sentral**
Tel : 03 2706 9999
Fax : 03 2706 9998
- **Medan Mara**
Tel : 03 2707 2900
Fax : 03 2707 2909
- **Menara Bank Islam**
Tel : 03 2705 2979
Fax : 03 2705 2978
- **Menara TM**
Tel : 03 2706 2910
Fax : 03 2706 2919

• Selangor

Tel : 03 6414 9933
Fax : 03 6414 9939

• Semarak

Tel : 03 2708 4979
Fax : 03 2708 4978

• Seri Petaling

Tel : 03 9764 2000
Fax : 03 9764 2009

• Taman Melawati

Tel : 03 4815 9955
Fax : 03 4815 9959

• Taman Tun Dr Ismail

Tel : 03 7612 8000
Fax : 03 7612 8009

• UIA Gombak

Tel : 03 6413 8010
Fax : 03 6413 8016

• UM KL

Tel : 03 7669 9397
Fax : 03 7669 9396

• Wangsa Maju

Tel : 03 4810 7999
Fax : NA

SELANGOR

• Ampang

Tel : 03 4810 0030
Fax : 03 4810 0039

• Ara Damansara

Tel : 03 7680 0930
Fax : 03 7680 0938

• Bandar Baru Bangi

Tel : 03 8691 0022
Fax : 03 8691 0029

• Bandar Botanic Klang

Tel : 03 3000 8400
Fax : 03 3000 8409

• Bandar Kinrara

Tel : 03 8600 3939
Fax : 03 8600 3935

• Banting

Tel : 03 3008 2100
Fax : 03 3008 2109

• Bukit Jelutong

Tel : 03 5021 0140
Fax : 03 5021 0149

• Cyberjaya

Tel : 03 8688 0999
Fax : NA

• Denai Alam

Tel : 03 5036 1080
Fax : 03 5036 1089

• Kajang

Tel : 03 8691 9988
Fax : 03 8691 9989

• Kelana Jaya

Tel : 03 7688 1020
Fax : 03 7688 1029

• Klang

Tel : 03 3050 9090
Fax : 03 3050 9099

• Kota Damansara

Tel : 03 6414 9988
Fax : 03 6414 9989

• Petaling Jaya

Tel : 03 7650 2929
Fax : 03 7650 2928

• PJ New Town

Tel : 03 7613 8000
Fax : 03 7613 8009

• Putra Heights

Tel : 03 8603 3140
Fax : 03 8603 3149

• Rawang

Tel : 03 6420 2010
Fax : 03 6420 2019



Directory of Main and Regional Offices

- **Saujana Utama**
Tel : 03 6414 9977
Fax : NA
- **Seksyen 18 Shah Alam**
Tel : 03 5022 2410
Fax : 03 5022 2419
- **Semenyih**
Tel : 03 8690 1133
Fax : NA
- **Setia Alam**
Tel : 03 5036 1070
Fax : 03 5036 1079

- **Shah Alam**
Tel : 03 5040 7999
Fax : 03 5040 7998

- **Sri Gombak**
Tel : 03 6414 9966
Fax : 03 6414 9969

- **Subang Jaya**
Tel : 03 8603 3120
Fax : 03 8603 3129

- **Sungai Besar**
Tel : 03 3006 1999
Fax : 03 3006 1998

- **Sungai Buloh**
Tel : 03 6413 8070
Fax : 03 6413 8079

- **Tanjung Karang**
Tel : 03 3007 1999
Fax : 03 3007 1998

- **UITM Shah Alam**
Tel : 03 5021 0130
Fax : 03 5021 0139

W.P. PUTRAJAYA

- **Putrajaya**
Tel : 03 8682 1111
Fax : 03 8682 1119



PERLIS

- **Kangar**
Tel : 04 908 9988
Fax : 04 908 9989

KEDAH

- **Alor Setar**
Tel : 04 776 9999
Fax : 04 776 9998

- **Alor Setar 2**
Tel : 04 702 0011
Fax : 04 702 0018

- **Baling**
Tel : 04 449 1999
Fax : 04 449 1998

- **Guar Chempedak**
Tel : 04 454 9988
Fax : 04 454 9989

- **Jitra**
Tel : 04 901 9999
Fax : 04 901 9998

- **Kulim**
Tel : 04 481 9595
Fax : 04 481 9599

- **Langkawi**
Tel : 04 933 1000
Fax : 04 933 1009

- **Pokok Sena**
Tel : 04 704 0990
Fax : 04 704 0999

- **Sik**
Tel : 04 454 9977
Fax : 04 454 9979

- **Sungai Petani**
Tel : 04 454 9999
Fax : 04 454 9998

- **Universiti Utara Malaysia**
Tel : 04 901 9988
Fax : 04 901 9989

PULAU PINANG

- **Bandar Baru Perda**
Tel : 04 372 4979
Fax : 04 372 4978

- **Bayan Baru**
Tel : 04 371 9898
Fax : 04 371 9899

- **Butterworth**
Tel : 04 372 4989
Fax : 04 372 4988

- **Georgetown**
Tel : 04 286 4199
Fax : 04 286 4198

- **Kepala Batas**
Tel : 04 565 1909
Fax : 04 565 1908

PERAK

- **Bagan Serai**
Tel : 05 732 9988
Fax : 05 732 9989

- **Ipoh**
Tel : 05 220 7699
Fax : NA

- **Meru Raya**
Tel : 05 220 0500
Fax : 05 220 0509

- **Parit Buntar**
Tel : 05 732 9999
Fax : 05 732 9998

- **Seri Iskandar**
Tel : 05 348 1999
Fax : 05 348 1998

- **Sri Manjung**
Tel : 05 617 9988
Fax : 05 617 9989

- **Taiping**
Tel : 05 834 1000
Fax : 05 834 1009

- **Tanjung Malim**
Tel : 05 481 5999
Fax : 05 481 5998

- **Teluk Intan**
Tel : 05 617 9979
Fax : NA



→ Eastern Region

01 No. 8033, 2nd Floor
Bandar Satelit Pasir Tumboh
16150 Kota Bharu
Kelantan
Tel : 09 949 0999

02 2nd Floor
Putra Square Branch
25200 Kuantan
Pahang
Tel : 09 520 9970

03 3rd & 4th Floor, Lot 35308
Dataran Austin Gong Badak
Mukim Kuala Nerus
20200 Kuala Terengganu
Terengganu
Tel : 09 637 9999

KELANTAN

- **Bandar Baru Tunjung**
Tel : 09 708 2000
Fax: 09 708 2009
- **Gua Musang**
Tel : 09 918 1000
Fax: NA
- **Kota Bharu**
Tel : 09 706 1540
Fax: 09 706 1549
- **Kuala Krai**
Tel : 09 978 1999
Fax: 09 978 1998
- **Kubang Kerian**
Tel : 09 706 7999
Fax: 09 706 7998
- **Machang**
Tel : 09 979 9988
Fax: 09 979 9989

- **Padang Garong**
Tel : 09 706 7980
Fax: 09 706 7989
- **Pasir Mas**
Tel : 09 707 2990
Fax: NA
- **Pasir Puteh**
Tel : 09 759 0420
Fax: 09 759 0429
- **Pasir Tumboh**
Tel : 09 706 1555
Fax: 09 706 1559
- **Tanah Merah**
Tel : 09 949 0999
Fax: 09 949 0998
- **Wakaf Bharu**
Tel : 09 706 7979
Fax: 09 706 7978

PAHANG

- **Jengka**
Tel : 09 592 0999
Fax: NA
- **Jerantut**
Tel : 09 380 2906
Fax: NA
- **Kuala Rompin**
Tel : 09 408 0020
Fax: 09 408 0021
- **Kuantan**
Tel : 09 520 9999
Fax: NA
- **Muadzam Shah**
Tel : 09 431 2090
Fax: 09 431 2099
- **Pekan**
Tel : 09 431 2020
Fax: NA
- **Putra Square**
Tel : 09 556 0820
Fax: 09 556 0829

- **Raub**
Tel : 09 345 0120
Fax: 09 345 0129

• Temerloh

Tel : 09 285 0084
Fax: 09 285 0088

TERENGGANU

- **Chukai**
Tel : 09 856 9988
Fax: 09 856 9989
- **Dungun**
Tel : 09 817 9980
Fax: NA
- **Jerteh**
Tel : 09 650 2000
Fax: NA
- **Kuala Nerus**
Tel : 09 637 6380
Fax: NA
- **Kuala Terengganu**
Tel : 09 637 6390
Fax: 09 637 6399
- **Padang Hiliran**
Tel : 09 637 5180
Fax: NA



→ Southern Region

01 15th Floor, Menara TH
Jalan Ayer Molek
80000 Johor Bahru
Johor
Tel : 07 266 8950

02 JC 526 & 527, Tingkat 1
Jalan Bestari 5
77200 Jasin
Melaka
Tel : 06 221 9055

Directory of Main and Regional Offices

JOHOR

- **Austin Height**
Tel : 07 266 9080
Fax : 07 266 9089
- **Bandar Penawar**
Tel : 07 838 0011
Fax : 07 838 0019
- **Batu Pahat**
Tel : 07 447 9988
Fax : NA
- **Johor Bahru**
Tel : 07 266 9090
Fax : 07 266 9099
- **Kluang**
Tel : 07 707 2000
Fax : 07 707 2009
- **Kota Tinggi**
Tel : 07 878 7700
Fax : 07 878 7709
- **Kulai Jaya**
Tel : 07 668 1010
Fax : NA
- **Mersing**
Tel : 07 722 6999
Fax : 07 722 6998
- **Muar**
Tel : 06 906 0880
Fax : 06 906 0889
- **Pasir Gudang**
Tel : 07 266 8999
Fax : NA
- **Pontian**
Tel : 07 685 1000
Fax : 07 685 1009
- **Segamat**
Tel : 07 961 5999
Fax : 07 961 5998

- **Taman Bukit Indah**
Tel : 07 266 1470
Fax : 07 266 1479
- **Tampoi**
Tel : 07 267 9280
Fax : 07 267 9289

MELAKA

- **Ayer Keroh**
Tel : 06 221 9080
Fax : 06 221 9089
- **Bandar Melaka**
Tel : 06 221 9090
Fax : 06 221 9099
- **Jasin**
Tel : 06 527 9988
Fax : NA
- **Masjid Tanah**
Tel : 06 228 1100
Fax : 06 228 1109

NEGERI SEMBILAN

- **Bandar Baru Nilai**
Tel : 06 726 9988
Fax : 06 726 9989
- **Kuala Pilah**
Tel : 06 428 0990
Fax : 06 428 0999
- **Port Dickson**
Tel : 06 644 1000
Fax : 06 644 1009
- **Senawang**
Tel : 06 726 0232
Fax : 06 726 0239
- **Seremban**
Tel : 06 726 9999
Fax : 06 726 9998
- **Tampin**
Tel : 06 425 0990
Fax : 06 425 0999



SABAH

- **Alamesra**
Tel : 088 360 170
Fax : 088 360 179
- **Keningau**
Tel : 08 7250 980
Fax : 08 7250 989
- **Kota Kinabalu**
Tel : 08 8360 450
Fax : 08 8360 469
- **Lahad Datu**
Tel : 08 9805 500
Fax : 08 9805 509
- **Sandakan**
Tel : 089 290 800
Fax : 089 290 809
- **Tawau**
Tel : 08 9730 986
Fax : 08 9730 987

- **Kota Samarahan**
Tel : 08 2707 910
Fax : 08 2707 919
- **Kuching**
Tel : 08 2229 050
Fax : 08 2229 059
- **Miri**
Tel : 08 5540 999
Fax : 08 5540 998
- **Sibu**
Tel : 084 480 040
Fax : 084 480 049
- **Simpang Tiga, Kuching**
Tel : 08 2262 520
Fax : 08 2262 529

W.P. LABUAN

- **Labuan**
Tel : 08 7436 999
Fax : 08 7436 998

SARAWAK

- **Bintulu**
Tel : 08 6350 290
Fax : 08 6350 299



Ar-Rahnu Branches

ALOR SETAR

- Lot 2024
Jalan Langgar
05000 Alor Setar
Kedah
Tel : (6) 04 702 1569
Fax : (6) 04 730 5050

SUNGAI PETANI

- 21-B, Jalan Ibrahim
08000 Sungai Petani
Kedah
Tel : (6) 04 454 9965
Fax : (6) 04 421 5050

KOTA BHARU

- No. 1154 & 1155, Seksyen 11
Lorong Medan MARA
Bandar Kota Bharu
15000 Kota Bharu
Kelantan
Tel : (6) 09 706 7961
Fax : (6) 09 748 9050

KUBANG KERIAN

- Ground Floor, PT 816
Bandar Baru Kubang Kerian
Jalan Raja Perempuan Zainab II
16150 Kota Bharu
Kelantan
Tel : (6) 09 706 7963
Fax : (6) 09 764 5090

PASIR MAS

- Lot 319, Seksyen 1
Jalan Pasir Pekan
17000 Pasir Mas
Kelantan
Tel : (6) 09 759 4990
Fax : (6) 09 790 3090

PASIR PUTEH

- No. PT 546, Seksyen 2
Jalan Nara
16800 Pasir Puteh
Kelantan
Tel : (6) 09 759 9980
Fax : (6) 09 786 5050

TANAH MERAH

- Lot PT175
Jalan Hospital
17500 Tanah Merah
Kelantan
Tel : (6) 09 979 9971
Fax : (6) 09 955 5090

KUALA TERENGGANU

- MBKT-No 19
Pusat Niaga Paya Keladi
Kampung Paya Keladi
20200 Kuala Terengganu
Terengganu
Tel : (6) 09 637 6375
Fax : (6) 09 623 5050

KUANTAN

- No. G-11, Ground Floor
Mahkota Square
Jalan Mahkota
25000 Kuantan
Pahang
Tel : (6) 09 520 9960
Fax : (6) 09 514 5050

→ Ar-Rahnu Counters At BIMB Branch

CENTRAL REGION

- **Bandar Baru Bangi**
Bank Islam Malaysia Berhad
No. 2 & 4, Jalan 6C/7
43650 Bandar Baru Bangi
Selangor
Tel : 03-8691 0022
Fax : 03-8691 0029
- **Petaling Jaya**
Bank Islam Malaysia Berhad
Ground & First Floor No. 2 & 4
Jalan 14/22, Section 14
46100 Petaling Jaya
Selangor
Tel : 03-5021 1585
Fax : 03-7650 2928
- **Seksyen 18, Shah Alam**
Bank Islam Malaysia Berhad
No. 18 & 20
Jalan Pinang G 18/G, Section 18
40200 Shah Alam
Selangor
Tel : 03-5541 0250 / 5541 0255
Fax : 03-5541 0259
- **Kajang**
Bank Islam Malaysia Berhad
No. 20 & 21, Jalan Jeloh 3
43000 Kajang
Selangor
Tel : 03-8691 9988
Fax : 03-8691 9989
- **Denai Alam**
Bank Islam Malaysia Berhad
No. 1, Jalan Elektron E U16/E
Seksyen U16 Denai Alam
40160 Shah Alam
Selangor
Tel : 03-5036 1080
Fax : 03-5036 1089

Ar-Rahnu Branches

- **Setia Alam**

Bank Islam Malaysia Berhad
Lot 106, 106-1 & 108
Jalan Setia Gemilang
BJ/U13 Setia Alam, Seksyen U13
40170 Shah Alam
Selangor
Tel : 03-3358 1359
Fax : 03-3362 3216

NORTHERN

- **Guar Chempedak**

Bank Islam Malaysia Berhad
Lot No. 00681, Jalan Besar
Bangunan Tabung Haji
08800 Guar Chempedak
Kedah
Tel : 04-454 9988
Fax : 04-454 9989

- **Bandar Baru Perda**

Bank Islam Malaysia Berhad
No. 32 & 34, Tingkat Bawah
Jalan Perda Selatan, Bandar Perda
14000 Bukit Mertajam
Pulau Pinang
Tel : 04-372 4979
Fax : 04-372 4978

- **Seri Iskandar**

Bank Islam Malaysia Berhad
No. 21 & 22, Ground Floor
Persiaran SIBC 2
32610 Bandar Seri Iskandar
Perak
Tel : 05-348 1999
Fax : 05-348 1998

- **Parit Buntar**

Bank Islam Malaysia Berhad
No. 1 & 2, Bangunan Ypeim
Jalan Kelichap
Pekan Baru Parit Buntar
34200 Parit Buntar
Perak
Tel : 05-732 9999
Fax : 05-732 9999

- **Taiping**

Bank Islam Malaysia Berhad
Tingkat Bawah & Satu
Lot 29 & 30
Pusat Perniagaan Tupai
34000 Taiping
Perak
Tel : 05-834 1000
Fax : 05-834 1009

- **Ipoh**

Bank Islam Malaysia Berhad
Tingkat Bawah
Kompleks Islam Darul Ridzuan
Jalan Panglima Bukit Gantang Wahab
P.O.Box 671
30770 Ipoh
Perak
Tel : 05-255 3866
Fax : 05-255 3867

EASTERN

- **Machang**

Bank Islam Malaysia Berhad
No. 26 & 27
Jalan Tanjung, Pasar Baru
18500 Machang
Kelantan
Tel : 09-979 9988
Fax : 09-979 9989

- **Dungun**

Bank Islam Malaysia Berhad
Ground & First Floor
Lot 7928 & 7929
Jalan Baru Pak Sabah
23000 Dungun
Terengganu
Tel : 09-848 5498
Fax : 09-848 5502

- **Temerloh**

Bank Islam Malaysia Berhad
Lot 86 & 88
Persiaran Damai 1, Damai Court
28000 Temerloh
Pahang
Tel : 09-285 0084
Fax : 09-285 0088

SOUTHERN

- **Tampin**

Bank Islam Malaysia Berhad
Lot 40 & 41, Jalan Besar
73000 Tampin
Negeri Sembilan
Tel : 06-441 4131
Fax : 06-441 7479

- **Bandar Baru Nilai**

Bank Islam Malaysia Berhad
Ground Floor PT7183 & PT7184
Jalan BBN 1/2E, Bandar Baru Nilai
71800 Nilai
Negeri Sembilan
Tel : 06-726 9988
Fax : 06-726 9989

- **Muar**

Bank Islam Malaysia Berhad
Tingkat Bawah & Mezanin
No. 75-4 & 75-5, Jalan Arab
8400 Muar
Johor
Tel : 06-982 5301
Fax : 06-952 8304

- **Kota Tinggi**

Bank Islam Malaysia Berhad
No. 14C & 14D
Jalan Tun Habab
81900 Kota Tinggi
Johor
Tel : 07-883 8800
Fax : 07-882 4485

- **Bandar Penawar**

Bank Islam Malaysia Berhad
No. 43 & 45, Jalan Kempas 3
Taman Desaru Utama
81930 Bandar Penawar
Johor
Tel : 07-838 0011
Fax : 07-838 0019



SME Hub



• SME Banking Terengganu State

Tingkat 2 & 3, PT 35308 & PT 35309
Dataran Austin, Mukim Kuala Nerus
21300 Kuala Terengganu
Terengganu
Tel: 09-637 9989 / 9990

• SME Banking Pahang State

Bank Islam Putra Square
No. 1 & 3, Tingkat 2
Jalan Putra Square 2
25200 Kuantan
Pahang
General Line: 09-517 3491
Fax : 09-517 3605

SOUTHERN REGION

• SME Banking Johor State

Tingkat 15, Menara Tabung Haji
Jalan Ayer Molek
80000 Johor Bahru
Johor
General Line: 07-225 8800
Fax : 07-225 8899

• SME Banking Ayer Keroh

No. 1 & 3, Jalan KF4
Kota Fesyen-MITC, Hang Tuah Jaya
75450 Ayer Keroh
Melaka
General Line: 06-232 6216
Fax : 06-232 6494

NORTHERN REGION

• SME Banking Kedah/ Perlis State

No. 212 & 213, Kompleks
Perniagaan Sultan Abdul Hamid
Persiaran Sultan Abdul Hamid
05050 Alor Setar
Kedah
Tel : 04-771 0102
Fax: 04-771 0112

• SME Banking Pulau Pinang State

Tingkat 1 (Mezzanine)
Bangunan KWSP, Seberang Jaya
No. 3009, Lebuhr Tenggiri 2
13700 Seberang Jaya
Pulau Pinang
General Line: 04-382 9100
Fax : 04-382 9166

• SME Banking Georgetown

Ground Floor
Wisma Great Eastern
Light Street
Peti Surat 1204
10200 Georgetown
Pulau Pinang
General Line: 04-262 4724
Fax : 04-262 2594

• SME Banking Perak State

No. 21 & 23
Jalan Taman Meru Utama A1
Medan Meru Utama
30020 Ipoh
Perak
General Line: 05-527 2125

• SME Banking Sg Petani

Lot 71 & 72
Jalan Lagenda 1
Lagenda Height
08000 Sungai Petani
Kedah
Tel : 04-422 0620

EAST MALAYSIA

• SME Banking Sarawak State

Lot 10898 & 10900, Section 64
KTLD, Jalan Tun Jugah
93350 Kuching
Sarawak
Tel : 082 453716 / 726 / 736
(Ext 212)

• SME Banking Sabah State

Ground & First Floor
UMNO Building
Jalan Kemajuan Karamunsing
88850 Kota Kinabalu
Sabah
Tel : 088-447 274

CENTRAL REGION

• SME Banking Shah Alam

Tingkat Bawah, Wisma PKPS
Seksyen 14, Persiaran Perbandaran
40675 Shah Alam
Selangor
General Line: 03-5510 0103 / 0018 /
0288

• SME Banking Bangi

Bank Islam Bandar Baru Bangi
No. 2 & 4, Jalan 6C/7
43650 Bandar Baru Bangi
Selangor
General Line: 03-8920 1062

• SME Banking Sri Gombak

Lot No. 120 & 121, Jalan Prima Sg 5
Prima Sri Gombak
68100 Batu Caves
Selangor
General Line: 03-6181 1058

• SME Banking Sri Petaling

No. 1
Jalan Radin Bagus
Bandar Baru Seri Petaling
57100 Kuala Lumpur
General Line: 03-9056 1421

EASTERN REGION

• SME Banking Kelantan State

Tingkat 2, PT 1540, 1541 & 1542
Persiaran Kk6, Jalan Raja
Perempuan Zainab li
Bandar Baru Kubang Kerian
16150 Kota Bharu
Kelantan
General Line: 09-764 1049

Bureau de Change

KLIA ARRIVAL LANDSIDE

- Lot No. MTB-3-L11
Level 3, Arrival Hall
Main Terminal Building
Kuala Lumpur International Airport
64000 Sepang
Selangor
Tel : 03-8661 9966

KLIA CONTACT PIER

- Lot No. CPI-4-A02
Contact Pier International
Kuala Lumpur International Airport
64000 Sepang
Selangor
Tel : 03-8661 9967

KLIA IMMIGRATION

- Lot No. MTB-3-A21
Arrival Hall (Immigration)
Kuala Lumpur International Airport
64000 Sepang
Selangor
Tel : 03-8661 9960

KLIA SATELLITE

- Lot No. SAT-P-A41
Passenger Level, Satellite Building
Kuala Lumpur International Airport
64000 Sepang
Selangor
Tel : 03-8661 9963

KLIA 2 LANDSIDE

- Lot L2-24A
Gateway @ KLIA2, Terminal KLIA2
Kuala Lumpur International Airport 2
Jalan KLIA2/1
64000 Sepang
Selangor
Tel : 03-8661 9955

KOTA KINABALU INTERNATIONAL AIRPORT

- Lot No. L1L01 (C7)
Level 1, Arrival Hall (Landside)
88740 Kota Kinabalu
International Airport
Sabah
Tel : 088-360 939

PENANG INTERNATIONAL AIRPORT

- Lot No. L1AS14
Level 1, International Arrival (Airside)
Penang International Airport
11900 Bayan Lepas
Pulau Pinang
Tel : 04-286 4180



Vehicle Financing Sales Hub

CENTRAL REGION

- **Kuala Lumpur**
3rd Floor, Wisma Rkt
No. 10 Block E
Jalan Raja Abdullah
Off Jalan Sultan Ismail
50300 Kuala Lumpur
Tel : 603 2691 0277
Fax : 603 2698 8636
- **Shah Alam**
Ground Floor, Wisma PKPS
Section 14
Persiaran Perbandaran
40675 Shah Alam
Selangor
Tel : 603 5519 5188
Fax : 603 5519 6188
- **Seri Petaling**
C/O Bank Islam Malaysia Berhad
Seri Petaling
No. 1 Jalan Radin Bagus
Bandar Baru Seri Petaling
57100 Kuala Lumpur
Tel : 603 9056 1013 / 1024
Fax : 603 9056 2982
- **Petaling Jaya**
C/O Bank Islam Malaysia Berhad
Petaling Jaya
First Floor
No. 2 & 4
Jalan 14/22, Section 14
46100 Petaling Jaya
Selangor
Tel : 603 7957 3131
Fax : 603 7957 4141
- **Kajang**
C/O Bank Islam Malaysia Berhad
Kajang
No. 20 & 21
Jalan Jeloh 3
43000 Kajang
Selangor
Tel : 603 8736 0798 /1773 / 2185
Fax : 603 8736 2362

NORTHERN REGION

- **Butterworth**
C/O Bank Islam Malaysia Berhad
Butterworth
1st & 2nd Floor
No. 71 & 73, Jalan Taman Selat
Off Jalan Bagan Luar
P.o. Box 303, 12720 Butterworth
Pulau Pinang
Tel : 604-332 3326 / 6845 / 6754
Fax : 604 333 4477
- **Georgetown**
C/O Bank Islam Malaysia Berhad
Georgetown
Ground Floor, Wisma Great Eastern
Light Street, Peti Surat 1204
10200 Georgetown
Pulau Pinang
Tel : 604 262 4724 / 4933 / 5019 /
604 262 0626
Fax : 605 262 2594
- **Sungai Petani**
C/O Bank Islam Malaysia Berhad
Sungai Petani
Lot 71 & 72
Jalan Legenda 1
Legenda Height
08000 Sungai Petani
Kedah
Tel : 604 422 0620 / 0621
Fax : 604 421 3912
- **Alor Setar**
C/O Bank Islam Malaysia Berhad
Alor Setar
First Floor
No. 1, Kompleks Perniagaan Utama
Jalan Sultanah Sambungan
05150 Alor Setar
Kedah
Tel : 604 735 5966
Fax : 604 735 1002

• Meru Raya

C/O Bank Islam Malaysia Berhad
Meru Raya
Ground Floor
No. 19, Jalan Taman Meru Utama A1
Medan Meru Utama
30020 Ipoh, Perak
Tel : 605 527 7742 / 7743
Fax : 605 527 7751

• Seri Manjung

C/O Bank Islam Malaysia Berhad
Seri Manjung
First Floor
No. 2408, Taman Samudera
32040 Sri Manjung
Perak
Tel : 605 688 1227 / 9071
Fax : 605 688 1672

EASTERN REGION

• Kuala Terengganu

C/O Bank Islam Malaysia Berhad
Kuala Terengganu
First Floor
Lot 1128, Bangunan Majlis Agama
Islam & Adat Melayu Terengganu
Jalan Banggol
20720 Kuala Terengganu
Terengganu
Tel : 609 631 4544 / 6544 / 7544
Fax : 609 631 5455

• Kota Bharu

C/O Bank Islam Malaysia Berhad
Kota Bharu
1st Floor
No. 72, Jalan Sultan Yahya Petra
Section 25
15720 Kota Bharu
Kelantan
Tel : 609 747 3488
Fax : 609 747 3491

Vehicle Financing Sales Hub

- **Kuantan**

C/O Bank Islam Malaysia Berhad
Kuantan
Lot 1-06 & 1-07
1st Floor, Mahkota Square
Jalan Mahkota
25000 Kuantan, Pahang
Tel : 609 513 6262
Fax: 609 515 8623

- **Temerloh**

C/O Bank Islam Malaysia Berhad
Temerloh
Lot 86 & Lot 88, First Floor
Persiaran Damai 1
Damai Court
28000 Temerloh
Pahang
Tel : 609 520 9967
Fax: 609 296 5300

SOUTHERN REGION

- **Johor Bahru**

C/O Bank Islam Malaysia Berhad
Johor Bahru
No. 8-01, Jalan Padi Emas 5/2
Bandar Baru Uda
81200 Johor Bahru
Johor
Tel : 607 237 9155
Fax: 607 237 9166

- **Austin Height**

C/O Bank Islam Malaysia Berhad
Austin Height
No. 22A, First Floor
Jalan Austin Height 8/9
Taman Mount Austin
81100 Johor Bahru
Johor
Tel : 607 364 3070 / 3081 / 3293
Fax: 607 678 2734

- **Ayer Keroh**

C/O Bank Islam Malaysia Berhad
Ayer Keroh
First Floor, No. 1 & 3, Jalan KF4
Kota Fesyen – MITC, Hang Tuah Jaya
75450 Ayer Keroh
Melaka
Tel : 606 232 6216 / 6024
Fax: 606 232 6494

- **Senawang**

C/O Bank Islam Malaysia Berhad
Senawang
No. 554, First Floor
Jalan Bandar Senawang 16
Pusat Bandar Senawang
70450 Seremban
Negeri Sembilan
Tel : 606 678 2731 / 2732 / 2733
Fax: 606 678 2734

- **Batu Pahat**

C/O Bank Islam Malaysia Berhad
Batu Pahat
No. 91-5 & 91-6
Jalan Rahmat
83000 Batu Pahat
Johor
Tel : 607 431 9350 / 9352 / 8927
Fax: 607 431 9351

EAST MALAYSIA REGION

- **Kota Kinabalu**

C/O Bank Islam Malaysia Berhad
Kota Kinabalu
First Floor, Bangunan Umno Sabah
Jalan Kemajuan, Karamunsing
88000 Kota Kinabalu
Sabah
Tel : 6088 447 294 / 295
Fax: 6088 447 305

- **Kuching**

C/O Bank Islam Malaysia Berhad
Kuching
Lot 433, 434 & 435
Section 11, KTLD
Bangunan Tunku Muhammad
Al-Idrus
Jalan Kulas
93400 Kuching
Sarawak
Tel : 6082 412 259 / 413 229
Fax: 6082 410 446



Subsidiaries of BIMB Group

BIMB INVESTMENT MANAGEMENT BERHAD

- 19th Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : (6) 03 2161 2524 / 2924
Toll Free: 1800 88 1196
Fax : (6) 03 2161 2464
Website: www.bimbinvestment.com.my

BANK ISLAM TRUST COMPANY (LABUAN) LTD & BIMB OFFSHORE COMPANY MANAGEMENT SERVICES SDN BHD

- Level 15 (A), Main Office Tower
Financial Park Complex
Jalan Merdeka
87000 F.T. Labuan
Tel : (6) 087 451 806
Fax : (6) 087 451 808
Website : www.bankislamtrust.com.my

BIMB SOLUTIONS SDN BHD (Formerly known as Farihan Corporation Sdn Bhd)

- 19th Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : (6) 03 2708 2770
Fax : (6) 03 2782 1355

AL-WAKALAH NOMINEES (TEMPATAN) SENDIRIAN BERHAD

- 21st Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur
Tel : (6) 03 2707 8583

BIMB HOLDINGS SDN BHD

- 32nd Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur

SYARIKAT AL-IJARAH SENDIRIAN BERHAD

- 32nd Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur

BIMB SECURITIES (HOLDINGS) SDN BHD

- 32nd Floor, Menara Bank Islam
No. 22, Jalan Perak
50450 Kuala Lumpur

BIMB SECURITIES SDN BHD

- Level 32, Menara Multi-Purpose Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : (6) 03 2613 1600
Fax : (6) 03 2613 1799
Website : www.bimbsec.com.my
Online : www.bisonline.com.my trading

BIMSEC NOMINEES (TEMPATAN) SDN BHD

- Level 32, Menara Multi-Purpose Capital Square
No. 8, Jalan Munshi Abdullah
50100 Kuala Lumpur
Tel : (6) 03 2613 1600
Fax : (6) 03 2613 1799

BIMSEC NOMINEES (ASING) SDN BHD

- Level 32, Menara Multi-Purpose Capital Square
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GRI

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The Bank Islam Integrated Report 2022 was prepared 'In Reference' with GRI Standards 2021.

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	2-3 Reporting period, frequency and contact point	About Our Report Corporate Information, page 154
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	2-6 Activities, value chain and other business relationships	About Our Report Business Review, page 70
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	2-14 Role of the highest governance body in sustainability reporting	Sustainability Governance, page 113
	2-17 Collective knowledge of the highest governance body	Leadership: Board of Directors' Profile, pages 157-166 Leadership: Shariah Supervisory Council's Profile, pages 167-169 Leadership: Profile of Management Team, pages 170-175 Leadership: Head of Subsidiaries' Profile, page 176
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GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Social Impact: Talent and Development, pages 130-135
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Notice of the 40th Annual General Meeting

NOTICE IS HEREBY GIVEN that the 40th Annual General Meeting of Bank Islam Malaysia Berhad (“**BIMB**” or “**the Company**”) will be held virtually at the broadcast venue at Level 10, Menara Bank Islam, 22 Jalan Perak, 50450 Kuala Lumpur on Friday, 26 May 2023 at 10.00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with the Reports of the Directors and Auditors thereon. **(Please refer to Note 1)**
2. To re-elect the following Directors, each of whom is retiring by rotation in accordance with Clause 133 of the Company's Constitution and being eligible, has offered himself/herself for re-election:
 - i) Tan Sri Dr. Ismail Haji Bakar **(Ordinary Resolution 1)**
 - ii) Encik Azizan Ahmad **(Ordinary Resolution 2)**
 - iii) Puan Mashitah Haji Osman **(Ordinary Resolution 3)**
3. To re-elect Dato' Professor Dr. Noor Inayah Yaakub, who is retiring in accordance with Clause 142 of the Company's Constitution and being eligible, has offered herself for re-election. **(Ordinary Resolution 4)**
4. To approve the revision of Directors' fees and Board Committees' allowances from the 40th AGM of the Company and further to approve the payment of the same to the Non-Executive Directors for the period from the 40th AGM to the 41st AGM of the Company. **(Ordinary Resolution 5)**
5. To approve the payment of benefits of up to RM1,105,000.00 to eligible Non-Executive Directors for the period from the 40th AGM to the 41st AGM of the Company. **(Ordinary Resolution 6)**
6. To re-appoint Messrs. PricewaterhouseCoopers PLT as the External Auditors of the Company for the financial year ending 31 December 2023 and to authorise the Directors to fix their remuneration. **(Ordinary Resolution 7)**



SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Ordinary Resolutions:

- Proposed renewal of the authority for Directors to allot and issue new ordinary shares of BIMB, for the purpose of the Company's Dividend Reinvestment Plan ("DRP") that provides the shareholders of BIMB the option to elect to reinvest their cash dividend in new BIMB Shares.

(Ordinary Resolution 8)

"**THAT** pursuant to the DRP as approved by the Shareholders at the Extraordinary General Meeting held on 19 November 2021 and subject to the approval of the relevant regulatory authority (if any), approval be and is hereby given to the Company to allot and issue such number of new BIMB Shares from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next Annual General Meeting upon such terms and conditions and to such persons as the Directors of the Company at their sole and absolute discretion, deem fit and in the interest of the Company **PROVIDED THAT** the issue price of the said new BIMB Shares shall be fixed by the Directors based on the adjusted five (5) market days volume weighted average market price ("**VWAP**") of BIMB Shares immediately prior to the price-fixing date after applying a discount of not more than 10%, of which the VWAP shall be adjusted ex-dividend before applying the aforementioned discount in fixing the issue price;

AND THAT the Directors and the Secretary of the Company be and are hereby authorised to do all such acts and enter into all such transactions, arrangements, deeds, undertakings and documents as may be necessary or expedient in order to give full effect to the DRP with full power to assent to any conditions, modifications, variations and/or amendments as may be imposed or agreed to by any relevant authorities (if any) or consequent upon the implementation of the said conditions, modifications, variations and/or amendments, by the Directors as they, in their absolute discretion, deem fit and in the best interest of the Company."

- To transact any other ordinary business of which due notice shall have been given in accordance with the Companies Act 2016.

By Order of the Board

MARIA MAT SAID

Company Secretary (LS 0009400)
Practicing Certificate No. 202008002449

Kuala Lumpur
25 April 2023

Notice of the 40th Annual General Meeting

EXPLANATORY NOTES:

1. AUDITED FINANCIAL STATEMENTS

The Audited Financial Statements laid at this meeting pursuant to Section 340(1)(a) of the Companies Act 2016 are meant for the shareholders' information and discussion only. It does not require the shareholders' approval and therefore the Audited Financial Statements are not put forward for voting.

2. RE-ELECTION OF DIRECTORS

Ordinary Resolutions 1, 2, 3 and 4

Clause 133 of the Company's Constitution provides that one-third (1/3) of the Directors of the Company for the time being, or if their number is not three (3) or a multiple of three (3), then the nearest one-third (1/3) shall retire from office, provided that all Directors shall retire from office at least once in three (3) years but shall be eligible for re-election.

Clause 142 of the Company's Constitution provides that the Directors shall have power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election but shall not be considered in determining the Directors who are to retire by rotation at that meeting.

Based on the number of Directors who are subject to retirement by rotation under Clause 133 of the Company's Constitution, three (3) out of nine (9) Directors shall retire at this 40th AGM. Tan Sri Dr. Ismail Haji Bakar, Encik Azizan Ahmad and Puan Mashitah Haji Osman will retire by rotation at this 40th AGM and being eligible, have offered themselves for re-election as Directors of the Company.

During the year under review, there was one (1) new Director being appointed to the Company. According to Clause 142 of the Company's Constitution, the newly appointed Director, namely, Dato' Professor Dr. Noor Inayah Yaakob (appointed on 7 April 2023) will retire at this 40th AGM and being eligible, has offered herself for re-election as a Director of the Company.

The Board Nomination and Remuneration Committee ("BNRC") of the Company has considered the performance and contribution of each retiring Directors and has also assessed the independence of the Independent Non-Executive Directors seeking re-election.

Based on the results of the annual Board Effectiveness Evaluation conducted for the financial year ended 31 December 2022, the performance for each of the retiring Directors was found to be satisfactory (rated between 83% to 90%) with the exception of Dato' Professor Dr. Noor Inayah Yaakub who was evaluated separately as she was appointed on 7 April 2023. In addition, all retiring Directors met with all requirements of fit and proper issued Bank Negara Malaysia ("BNM"). The retiring Independent Non-Executive Directors have also fulfilled the independence criteria as set out in BNM Corporate Governance Policy ("BNM CG Policy"), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad as well as the Company's Board Charter. All the retiring Directors have no record of adverse finding under the Companies Act 2016, Malaysian Anti-Corruption Commission Act ("MACC Act 2009), LEXIS NEXIS, Insolvency Act 1967 or for any mismanagement that could adversely affect the Company.

The Board has endorsed the BNRC's recommendation on the re-election of the retiring Directors. The retiring Directors had abstained from deliberation and decisions on their re-election at the BNRC and Board meetings.

The Board is of the collective view that all of the said Directors who are retiring at this 40th AGM have satisfactorily discharged their roles and responsibilities to act in the best interest of the Company. The Board is satisfied that considering the wealth of expertise and experience that the retiring Directors possessed and brought to the Board shall further strengthen the Board's composition and dynamic.

The profiles of the Directors seeking re-election are set out on pages 157 to 166 under Profile of Directors' section of the Company's Integrated Annual Report 2022.



3. DIRECTORS' FEES AND BENEFITS

Ordinary Resolutions 5 and 6 – Payment of Director's Fees, Board Committees allowances and benefits to the Non-Executive Directors.

The Directors' remuneration has not been revised since the shareholders' approval at the 34th AGM of the Company held on 6 May 2017.

The last review was conducted in 2020 and based on the peers' comparison conducted, the remunerations and benefits of the Directors were viewed to be still competitive with the industry. Therefore, the Directors' fees and sitting fees remained the same.

The Company's Board Charter stipulates that the Directors' remuneration be reviewed once every three (3) years. Thus, a periodical review was performed to ensure the Company will remain competitive against

its peers. The review also took into consideration the heightened responsibilities and accountabilities of the Directors pursuant to the requirements of the Companies Act 2016, the Islamic Financial Services Act 2013, the Capital Markets & Services Act 2007, MACC Act 2009, the Main Market Listing Requirements, the Malaysian Code of Corporate Governance, the ESG & Sustainability commitment and digital journey. The revision served to ensure the Directors' remuneration commensurates with the level of responsibilities of the Directors as the Company embarked on a five-year strategy roadmap, LEAP25 to deliver the promise of technology, redefine growth by fortifying our five (5) business drivers: Social Finance, Wealth Management, Enterprises and Wholesale Banking, and Digital Bank. The six (6) pillars of LEAP25 amongst others, include Digitalisation and Sustainable Prosperity. These initiatives will enable the Company to achieve organic growth as well as provide leadership in digital banking and social finance.

The proposed remuneration review was comprehensively deliberated by the BNRC on 29 March 2023 and was duly approved by the Board for tabling at the 40th AGM for the Shareholders' approval. Accordingly, the existing Directors' Fees, Board Committees' Allowances and Directors' Remuneration are proposed to be revised as follows:-

No.	Descriptions	Existing		Proposed	
		Non-Executive Chairman (RM)	Non-Executive Directors/ Members (RM)	Non-Executive Chairman (RM)	Non-Executive Directors/ Members (RM)
1.	Annual Directors' Fees	144,000.00	72,000.00	240,000.00*	No change
Annual Board Committees Allowances					
2.	Board Audit & Examination Committee	48,000.00	36,000.00	No change	
3.	Board Risk Committee	90,000.00	72,000.00	No change	
4.	Board Nomination & Remuneration Committee	18,000.00	12,000.00	No change	
5.	Board Financing Review Committee	24,000.00	18,000.00	No change	
6.	Board Information Technology Committee	Nil	Nil	24,000.00	18,000.00
7.	Board Strategy and Sustainability Committee	Nil	Nil	24,000.00	18,000.00

Notes:

* The monthly fixed allowance is given to the Chairman to commensurate with his responsibilities being the person primarily responsible for the stewardship and smooth functioning of the Board. To enable the Chairman to be effective and in line with best governance practice, the Chairman of the Board does not sit on any Board Committees.

Notice of the 40th Annual General Meeting

No.	Descriptions	Existing		Proposed	
		Non-Executive Chairman (RM)	Non-Executive Directors (RM)	Non-Executive Chairman (RM)	Non-Executive Directors (RM)
Monthly Fixed Allowance					
1.	Car Allowance	10,000.00	Nil	No change	
2.	Senior Independent Allowance	Nil	2,000.00	No change	
Sitting Allowance (per meeting)					
3.	Board	5,000.00	3,000.00	No change	
4.	Board Committees	5,000.00	3,000.00	No change	
5.	Other Benefits: Includes benefits that are claimable or otherwise such as leave passage, medical and insurance benefits and other payments made available by the Company to eligible Non-Executive Directors.				

Based on the above revised benefits, the proposed amount of up to RM1,105,000.00 to be paid as benefits to eligible Non-Executive Directors from this 40th AGM to the next AGM of the Company will be paid on monthly basis and/or as and when claimed or incurred.

For the shareholders' ease of reference, the Board had endorsed the BNRC's recommendation to provide the breakdown of the total fees and other benefits to be paid to Non-Executive Directors from the 40th AGM until the 41st AGM. The details on the fees to be paid to the Non-Executive Directors are as follows:-

Retainer Fees	RM1,638,000.00
Sitting Allowances	RM1,268,000.00
Other Benefits	RM1,105,000.00
Total	RM4,011,000.00

Based on the above computation, the total remuneration (retainer and sitting fees together with other benefits) will be RM4,011,000.00 based on the Board's composition of ten (10) Directors. This amount is lower than the amount approved by the Shareholders of RM4,538,500.00 at the 39th AGM on 23 May 2022 (which was based on eleven (11) Directors). The total remuneration being tabled at this 40th AGM is also lower due to the revision to the composition of the Board Committees undertaken by the Company earlier this year. The Company viewed that the amount proposed is reasonable taking into consideration the Company's financial health and performance.

If the proposed Ordinary Resolutions 5 and 6 are passed at the 40th AGM of the Company, it will be fair and reasonable the Non-Executive Directors to be paid the Directors' remuneration on a monthly basis and/or as and when claimed or incurred as the Directors have discharged their responsibilities and rendered their services to the Company throughout the relevant period.



4. RE-APPOINTMENT OF AUDITORS

Ordinary Resolution 7

The Board, through the Board Audit and Examination Committee (“BAEC”) had, on 25 January 2023, completed its annual assessment on the external auditors, i.e., Messrs. PricewaterhouseCoopers PLT (“PwC”) in accordance with BNM CG Policy for the appointment/re-appointment of external auditors. The assessment covered the following aspects:

- i. Level of knowledge, capabilities, experience and quality of previous work;
- ii. Level of engagement with the BAEC and the Management;
- iii. Ability to provide constructive observations, implications and recommendations in areas requiring improvements;
- iv. Adequacy in audit coverage, effectiveness in planning and conduct of audit;
- v. Ability to perform audit work within agreed timeframe;
- vi. Non-audit services rendered by the external auditors did not impede independence; and
- vii. The external auditors demonstrated unbiased stance when interpreting standards/policies adopted by the Company.

Being satisfied with PwC’s performance in 2022, their technical competency and audit independence as well as fulfillment of the criteria set out in BNM’s Guideline for the Appointment/Re-appointment of External Auditors, the Board, at its meeting held on 30 January 2023, had resolved on the re-appointment of PwC as the external auditors of the Company for the financial year ending 31 December 2023.

5. RENEWAL OF AUTHORITY FOR THE DIRECTORS TO ALLOT AND ISSUE NEW ORDINARY SHARES IN RESPECT OF THE DIVIDEND REINVESTMENT PLAN (“DRP”)

Ordinary Resolution 8

If passed, this Resolution will give authority to the Directors to allot and issue new ordinary shares in respect of dividends to be declared before the next Annual General Meeting to be applied towards the DRP. A renewal of this authority will be sought at the next Annual General Meeting.

NOTES ON ABSTENTION FROM VOTING

Any Director referred to in Ordinary Resolutions 1, 2, 3 and 4, who is a Shareholder of the Company will abstain from voting on the resolutions in respect of his/her re-election at this AGM.

All Directors who are Shareholders of the Company will abstain from voting on Ordinary Resolutions 5 and 6 concerning Directors’ remuneration at this AGM.

For the record, none of the Directors holds any shares in the Company.

NOTES ON VIRTUAL AGM, VOTING RIGHTS AND PROCEDURES

- 1) The 40th AGM of the Company will be conducted **on a virtual basis through live streaming and online remote voting via Remote Participation and Electronic Voting facilities** (“RPEV”). The Virtual Meeting via RPEV will be available at <https://meeting.boardroomlimited.my>. Please follow the procedures provided in the Administrative Guide for the 40th AGM in order to register, participate and vote remotely.
- 2) The venue of the 40th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Clause 96 of the Company’s Constitution which requires the Chairman of the meeting to be present at the main venue of the meeting. The notification of the venue of the 40th AGM is to inform shareholders where the electronic AGM production and streaming will be conducted. No shareholders/proxies from the public will be physically allowed at the meeting venue.
- 3) In accordance with Clause 109 of the Company’s Constitution, each member of the Company (“Member”) shall be entitled to be present and to vote at any general meeting of the Company, either personally or by proxy or by attorney and to be reckoned in a quorum in respect of shares fully paid and in respect of partially paid shares where calls are not due and unpaid. Members may exercise their rights to participate (including pose questions via the RPEV) during the 40th AGM.
- 4) Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of the 40th AGM will be conducted by way of a poll.

Notice of the 40th Annual General Meeting

- 5) The Company has appointed its share registrar, i.e., Boardroom Share Registrars Sdn Bhd (“Boardroom”) as a poll administrator to conduct the poll by way of electronic voting (“e-voting”) and SKY Corporate Services Sdn Bhd as the Independent Scrutineers to verify the poll results.
- 4) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if such appointer is a corporation, under its Seal or the hand of its attorney.

NOTES ON APPOINTMENT OF PROXY

- 1) In accordance with Clause 94 of the Company’s Constitution, a Member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or more proxies to exercise all or any of his/her rights to attend, participate, speak and vote for him/her subject to the following provisions:-
 - a) save as provided for Note (2) below, Clause 113 of the Company’s Constitution and the Companies Act 2016, each member shall not be permitted to appoint more than two (2) proxies to attend the same meeting; and
 - b) where a Member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
- 2) For the avoidance of doubt and subject always to Note (1)(b) above, the Company’s Constitution and the Companies Act 2016:
 - a) where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“omnibus account”), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds; and
 - b) where a Member is an authorised nominee, he/she may appoint at least one (1) proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee may be made separately or in one (1) instrument of proxy, should specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.
- 3) There shall be no restriction as to the qualification of the proxy. Hence, a proxy may not need to be a Member.
- 5) The instrument appointing a proxy (“Proxy Form”) must be deposited at the Registrar’s office in the following manner:
 - a) by electronic means through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com> by logging in and selecting “E-PROXY LODGEMENT”; or
 - b) by hand or post to Boardroom Share Registrar Sdn Bhd at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia, not less than 48 hours before the time appointed for holding the meeting which is no later than 10.00 a.m. on Wednesday, 24 May 2023.
- 6) The lodgment of a completed Proxy Form does not preclude a Member from attending and voting should the Member decided to do so. If the Member subsequently decided to attend the 40th AGM, the Member is requested to revoke the earlier appointment of proxy by notifying Boardroom in writing, no later than Wednesday, 24 May 2023 at 10.00 a.m.

MEMBERS ENTITLED TO ATTEND THE VIRTUAL AGM

For the purpose of determining a Member who is entitled to attend the virtual 40th AGM, the Company will request Bursa Malaysia Depository Sdn Bhd, in accordance with Clause 95 of the Company’s Constitution, to issue a Record of Depositor (“ROD”) as at 19 May 2023. Only Depositors whose name appear on the ROD as at 19 May 2023 shall be entitled to attend the meeting or appoint a proxy(ies) to attend and/or vote on his/her behalf.



Statement Accompanying Notice of the 40th Annual General Meeting

DIRECTORS WHO ARE STANDING FOR RE-ELECTION AT THE 40TH ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Bank Islam Malaysia Berhad wishes to highlight the Directors who are standing for re-election pursuant to Clause 133 and Clause 142 of the Company's Constitution at the 40th Annual General Meeting of the Company are as follows:

1. Clause 133 of the Company's Constitution
 - Tan Sri Dr. Ismail Haji Bakar (*Chairman/Independent Non-Executive Director*)
 - Encik Azizan Ahmad (*Senior Independent Non-Executive Director*)
 - Puan Mashitah Haji Osman (*Independent Non-Executive Director*)
2. Clause 142 of the Company's Constitution
 - Dato' Professor Dr. Noor Inayah Yaakub (*Independent Non-Executive Director*)

The Profiles of the above Directors are set out on page 157 to 166 of this Integrated Annual Report.

AUTHORITY TO DIRECTORS TO ALLOT SHARES

Details on the authority to allot shares in BIMB pursuant to Section 75 of the Companies Act 2016 are provided under the explanatory notes no. 5 in the Notice of the 40th AGM.

DATE, TIME AND PLACE OF THE 40TH ANNUAL GENERAL MEETING

The 40th Annual General Meeting of BIMB will be held as follows:

Date : Friday, 26 May 2023

Time : 10.00 a.m.

How : Virtual Meeting

Where : Broadcast venue at Level 10, Menara Bank Islam, 22 Jalan Perak, 50450 Kuala Lumpur, Malaysia.

Administrative Guide

For the 40th Annual General Meeting ('40th AGM')

Day and Date	: Friday, 26 May 2023
Time	: 10.00 a.m.
Online Meeting Platform	: https://meeting.boardroomlimited.my
Registration	: Virtual meeting via Remote Participation and Electronic Voting (" RPEV ") facilities.
Broadcast Venue	: Level 10, Menara Bank Islam, 22 Jalan Perak, 50450 Kuala Lumpur, Malaysia.
Mode of Communication	: <ol style="list-style-type: none">1. Type text in the meeting platform. The Messaging window facility will be opened concurrently with the Virtual Meeting Portal, i.e., one (1) hour before the meeting, which is from 9.00 a.m. on Friday, 26 May 2023.2. Shareholders may also submit their questions before the meeting via Boardroom Share Registrars Sdn Bhd ("Boardroom")'s website at https://investor.boardroomlimited.com by selecting "SUBMIT QUESTION" to pose and submit their questions electronically. Please submit any questions in relation to the agenda items for the 40th AGM no later than 10.00 a.m. on Friday, 19 May 2023.

DEAR SHAREHOLDERS,

With reference to the revised 'Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers' issued by the Securities Commission Malaysia (SC's Guidance) on 7 April 2022, listed issuers are encouraged to continue leveraging technology in conducting general meetings beyond Movement Control Order.

With the RPEV facilities, you may exercise your right as a member of the Company to participate remotely (including pose questions to the Board of Directors and/or Management of the Company) and vote via electronic voting at the 40th AGM.

Kindly ensure that you are connected to the internet at all times in order to participate and vote when the 40th AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the meeting is maintained. The quality of the live webcast is dependent on the bandwidth and stability of the internet connection of the participants.

VIRTUAL 40TH AGM

1. The 40th AGM of the Company will be conducted entirely **on a virtual basis through live streaming and online remote voting via RPEV.**
2. The Company invites shareholders to participate in the 40th AGM from their home or office and follow the entire proceedings as the 40th AGM will be conducted via RPEV. With the RPEV facilities, you may exercise your right as a member of the Company to participate and vote at the 40th AGM. The RPEV is in line with Practices 12.1 and 13.3 of the Malaysian Code on Corporate Governance 2021 and pursuant to Section 327 of the Companies Act 2016 ("the **Act**") and Clause 96 of the Company's Constitution.
3. The broadcast venue is strictly for the purpose of complying with Section 327 (2) of the Act and Clause 96 of the Company's Constitution that requires the Chairman of the meeting to be present at the main venue of the meeting. **No shareholders/proxies from the public will be physically allowed at the meeting venue.** All members are urged to attend the 40th AGM remotely via meeting platform available on the designated link at <https://meeting.boardroomlimited.my>.
4. Shareholders can participate in our virtual 40th AGM by registering online via Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>.



PROCEDURE OF THE 40TH AGM

1. The Login User Guide for participation, posing questions and voting guide at the 40th AGM, will be emailed to you together with your remote access user ID and password once your registration for the 40th AGM has been approved.
2. The Chairman and the Board of Directors will endeavour their best to respond to the questions submitted by the Shareholders which are related to the resolutions to be tabled at the live streaming of the 40th AGM as well as the financial performance/prospect of the Company.
3. The 40th AGM will start promptly at 10.00 a.m.
4. The resolutions set out in the Notice of the 40th AGM will be considered at the 40th AGM and you will vote on these resolutions. You are able to view the Company's presentation slides via live streaming.
5. Shareholders may proceed to cast votes on each of the proposed resolutions to be tabled at the live streaming of the 40th AGM after the Chairman has announced the opening of the poll on the resolutions. Shareholders are reminded to cast their votes before the poll is closed.
6. No recording or photography of the live streaming of the 40th AGM proceedings is allowed without prior written permission of the Company.
7. You must ensure that you are connected to the internet at all times in order to participate and vote when live streaming of the 40th AGM has commenced. Kindly note that the quality of the live streaming is dependent on the bandwidth and stability of the internet connection at the location of the remote participants.

ENTITLEMENT TO PARTICIPATE AND VOTE

In respect of deposited securities, only members whose names appear on the Record of Depositors on 19 May 2023 (General Meeting Record of Depositors) shall be eligible to participate the Meeting or appoint proxy(ies) to participate on his/her behalf.

APPOINTMENT OF PROXY

1. Shareholders entitled to participate and vote at the 40th AGM are entitled to appoint proxy(ies) to participate and vote in his/her stead. If you are not able to participate in the 40th AGM remotely, you are encouraged to appoint the Chairman of the Meeting as your proxy and indicate the voting instruction in the Form of Proxy.
2. You may download the Form of Proxy from our website at www.bankislam.com
3. The Form of Proxy and/or documents relating to the appointment of proxy for the 40th AGM shall be deposited or submitted in the following manner not less than 48 hours before the time for the holding of the 40th AGM or no later than Wednesday, 24 May 2023 at 10.00 a.m. in accordance with the Company's Constitution:
 - (i) In hard copy form

The Form of Proxy, Corporate Representative, Power of Attorney or other authority, if any, under which it is signed or a notarised certified copy of that power of authority shall be deposited at the office of the Share Registrar, Boardroom Share Registrars Sdn Bhd, at Ground Floor or 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan or by fax to +603-7890 4670.
 - (ii) By Boardroom Smart Investor Portal

Online via the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>, by logging in and selecting "Submit eProxy Form" not less than 48 hours before the meeting. Please refer to "Online Registration Procedure and RPEV" for information and guidance.

Administrative Guide

For the 40th Annual General Meeting

CORPORATE SHAREHOLDER

Corporate shareholders who require their corporate representative to participate and vote at the 40th AGM must deposit their certificate of appointment of corporate representative to Boardroom no later than Wednesday, 24 May 2023 at 10.00 a.m.

REVOCAION OF PROXY

If you have submitted your Form of Proxy and subsequently decide to appoint another person or wish to participate in our virtual 40th AGM by yourself, please write in to bsr.helpdesk@boardroomlimited.com to revoke the earlier appointed proxy 48 hours before the meeting.

ONLINE REGISTRATION PROCEDURE AND RPEV

1. Please note that the RPEV facilities are available to:
 - i. Individual member;
 - ii. Corporate shareholder;
 - iii. Authorised Nominee; and
 - iv. Exempt Authorised Nominee
2. You will be able to view a live webcast of the 40th AGM proceedings, pose questions to the Board of Directors and submit your votes in real-time whilst the meeting is in progress.
3. Kindly follow the steps below on how to request for login ID and password.

Procedure	Action
Prior to AGM Date	
1. Register Online with Boardroom Smart Investor Portal ("BSIP") (for first time registration only)	<p><i>(Note: If you have already signed up with Boardroom Smart Investor Portal, you are not required to register. You may proceed to Step 2)</i></p> <ol style="list-style-type: none"> (a) Open an internet browser. Latest version of Chrome, Firefox, Safari, Edge or Opera is recommended. (b) Go to BSIP website at https://investor.boardroomlimited.com (c) Click Register to sign up for a BSIP account. (d) Please select the correct account type i.e sign up as Shareholder or Corporate Holder (e) Complete registration with all required information. Upload and attach your MyKad front and back image. Click Register. (f) For Corporate Holder, kindly upload the authorisation letter as well. Click Sign Up. (g) You will receive an e-mail from BSIP Online for e-mail address verification. Click on Verify E-mail Address from the e-mail received to proceed with the registration. (h) Once your email address is verified, you will be re-directed to BSIP Online for verification of mobile number. Click on Request OTP Code and an OTP code will be sent to the registered mobile number. You will need to enter the OTP Code and click Enter to complete the process. (i) Your registration will be verified and approved within one (1) business day and an email notification will be provided to you.
2. Submit request for Remote Participation User ID and Password	<p><i>(Note: Registration for RPEV will open from 25 April 2023. You are required to register to ascertain your eligibility to participate in the 40th AGM by using RPEV). Shareholders are encouraged to register at least 48 hours before the commencement of the meeting to avoid any delay in the registration.</i></p> <p>Individual Members</p> <ol style="list-style-type: none"> (a) Open an internet browser. Latest version of Chrome, Firefox, Safari, Edge or Opera is recommended. (b) Go to BSIP website at https://investor.boardroomlimited.com



Procedure	Action
Prior to AGM Date	<p>(c) Login with your registered email address and password. [Note: If you do not have an account with BSIP, please sign-up/register with BSIP for free – refer to Item Step 1 for guide.]</p> <p>(d) Select and click on Meeting Event(s).</p> <p>(e) Go to “BANK ISLAM 40TH VIRTUAL ANNUAL GENERAL MEETING” and click Enter.</p> <p>(f) Click on Register for RPEV.</p> <p>(g) Read and agree to the Terms & Conditions.</p> <p>(h) Enter your CDS Account Number and click Submit to complete your request.</p> <p>(i) You will receive a notification that your RPV registration has been received and is being verified.</p> <p>(j) Upon system verification against the AGM’s Record of Depositors as at 19 May 2023, you will receive an email from Boardroom either approving or rejecting your registration for the remote participation.</p> <p>(k) If approved, RPEV credential will be provided in your email.</p> <p>(l) Please note that one (1) user ID and password can only log on to one (1) device at a time.</p> <p>Please note that the closing for submission of request is by Wednesday, 24 May 2023 at 10.00 a.m.</p> <p><u>Appointment of Proxy – Individual Members</u></p> <p>(a) Open an internet browser. Latest version of Chrome, Firefox, Safari, Edge or Opera is recommended.</p> <p>(b) Go to BSIP website at https://investor.boardroomlimited.com</p> <p>(c) Login with your registered email address and password. [Note: If you do not have an account with BSIP, please sign-up/register with BSIP for free – refer to Item Step 1 for guide.]</p> <p>(d) Select and click on Meeting Event(s).</p> <p>(e) Go to “BANK ISLAM 40TH VIRTUAL ANNUAL GENERAL MEETING” and click Enter.</p> <p>(f) Click on Submit eProxy Form.</p> <p>(g) Read and agree to the Terms & Conditions.</p> <p>(h) Enter your CDS Account Number and insert the number of securities.</p> <p>(i) Appoint the Chairman of the meeting or your proxy(ies) and enter the required particulars for your proxy(ies).</p> <p>(j) Indicate your voting instruction – FOR or AGAINST, otherwise your proxy(ies) will decide your votes during meeting.</p> <p>(k) Review and confirm your proxy(ies) appointment.</p> <p>(l) Click Submit.</p> <p>(m) Download or print the e-Proxy Form acknowledgement.</p> <p>Please note that the closing for submission of request is by Wednesday, 24 May 2023 at 10.00 a.m.</p>

Administrative Guide

For the 40th Annual General Meeting

Procedure	Action
Prior to AGM Date	<p><u>Corporate Shareholders, Authorised Nominee and Exempt Authorised Nominee</u></p> <p>Via Email</p> <ol style="list-style-type: none">Write in to Boardroom at bsr.helpdesk@boardroomlimited.com by providing the name of Member, CDS Account Number accompanied with the Certificate of Appointment of Corporate Representative or Form of Proxy to submit the request.Please provide a copy of corporate representative's or proxy holder's MyKad/Identification Card (front and back) or Passport as well as his/her email address.You will receive notification from Boardroom that your request has been received.Upon system verification of your registration against the General Meeting ROD as at 19 May 2023, you will receive your remote access User ID and Password along with the email from Boardroom if your registration is approved.Please note that one (1) user ID and password can only log on to one (1) device at a time. <p>Via BSIP</p> <ol style="list-style-type: none">Open an internet browser. Latest version of Chrome, Firefox, Safari, Edge or Opera is recommended.Go to BSIP website at https://investor.boardroomlimited.comLogin with your registered email address and password. [Note: If you do not have an account with BSIP, please sign-up/register with BSIP for free - refer to Item Step 1 for guide.]Select and click on Meeting Event(s).Go to BANK ISLAM 40TH VIRTUAL ANNUAL GENERAL MEETING and click Enter.Click on Submit eProxy Form.Proceed to download the file format for Submission of Proxy Form from BSIP.Prepare the file for the appointment of proxies by inserting the required data.Proceed to download the duly completed proxy appointment file.Review and confirm your proxy appointment and click Submit.Download or print the eProxy form as acknowledgement. <p>Please note that the closing for submission of request is by Wednesday, 24 May 2023 at 10.00 a.m.</p>
On the day of the AGM	
3. Login to Meeting Platform	<ol style="list-style-type: none">The Meeting Platform will be opened for login one (1) hour before the commencement of the 40th AGM.The Meeting Platform can be accessed via one of the following:<ul style="list-style-type: none">Launch the meeting platform by scanning the QR Code given to you in the user login guide along with your remote participation User ID and Password; ORNavigate to the website at https://meeting.boardroomlimited.myEnter the Meeting ID No. and sign in with the user ID and password provided to you via the email notification in Step 2.



Procedure	Action
Prior to AGM Date	
4. Participation	<p><i>(Note: Questions submitted online will be moderated before being sent to the Chairman to avoid repetition)</i></p> <p>(a) If you would like to view the live webcast, select the broadcast icon .</p> <p>(b) If you would like to ask a question during the 40th AGM, select the messaging icon .</p> <p>(c) Type your message within the chat box and click the send button once completed.</p> <p>Please note that the quality of the connectivity to the Meeting Platform for live webcast, as well as for remote voting is highly dependent on the bandwidth and stability of the internet connection available at the location of the remote users. Kindly ensure that you are connected to the internet at all times in order to participate and vote when the virtual 40th AGM has commenced. Therefore, it is your responsibility to ensure that connectivity for the duration of the meeting is maintained.</p>
5. Voting	<p>(a) Once the meeting is opened for voting, the polling icon  will appear with the resolutions and your voting choices.</p> <p>(b) To vote, simply select your voting direction from the options provided. A confirmation message will appear to show your vote has been received.</p> <p>(c) To change your vote, simply select another voting direction.</p> <p>(d) If you wish to cancel your vote, please press "Cancel".</p>
6. End of Participation	<p>(a) Upon the announcement by the Chairman on the closure of the 40th AGM, the live webcast will end.</p> <p>(b) You can now logout from the Meeting Platform.</p>

PARTICIPATION THROUGH LIVE WEBCAST AND QUESTION AT THE 40TH AGM

- Shareholders who participate in the virtual 40th AGM are able to view the Company's presentation or slides via the live webcast.
- All modes of communications are accepted for the purpose of posting questions to the Chairman and the Board of Directors before or during the 40th AGM. Shareholders are however encouraged to post questions via the online platform during the 40th AGM.
- You may submit your questions in advance electronically in relation to the agenda items for the 40th AGM via Boardroom's website at <https://investor.boardroomlimited.com> by selecting "SUBMIT QUESTION". If you have any questions, please submit them no later than 10.00 a.m. on Friday, 19 May 2023.
- You may also use the Messaging window facility to submit your questions during the meeting. The Messaging window facility will be opened one (1) hour before the 40th AGM which is from 9.00 a.m. on Friday, 26 May 2023.

- The Chairman and the Board of Directors will endeavour their best to respond to the questions submitted by the shareholders which are related to the resolutions to be tabled at the 40th AGM. If there is time constraint, the responses to relevant questions will be published on the Company's website at the earliest possible, after the 40th AGM.

VOTING PROCEDURE AT THE 40TH AGM

- The voting procedure will be conducted by poll in accordance with Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The Company has appointed Boardroom as Poll Administrator to conduct the poll by way of electronic voting (e-voting) and SKY Corporate Services Sdn Bhd as the Independent Scrutineers to verify and validate the poll results.
- At the Meeting, you will be provided a briefing on the e-voting housekeeping rules.
- For the purposes of this 40th AGM, e-voting will be carried out via personal smart mobiles, tablets or personal computer/laptops.

Administrative Guide

For the 40th Annual General Meeting

4. Shareholders and proxies are required to use one (1) of the following methods to vote remotely:
 - a. Launch the meeting platform by scanning the QR code given to you in the user login guide along with your remote participation User ID and Password; OR
 - b. Access to the website at URL <https://meeting.boardroomlimited.my>
5. You may proceed to cast your votes on each of the proposed resolutions as soon as the Chairman calls for the poll to be opened until such time when the Chairman announces the closure of the poll. You are reminded to cast your votes before the poll is closed.
6. The Independent Scrutineers will verify the poll results reports upon closing of the poll session by the Chairman and the Chairman will declare whether with resolutions put on vote were successfully carried or otherwise.

COMMUNICATION GUIDANCE

Shareholders are also reminded to refer to the Company's website and announcements at www.bankislam.com for any changes to the arrangements of the live streaming of the 40th AGM.

INTEGRATED ANNUAL REPORT 2022

As part of our commitment to sustainable practices, the Integrated Annual Report ("IAR") 2022 and the following documents are available on Bursa Malaysia Securities Berhad's website at www.bursamalaysia.com under Company Announcements of Bank Islam Malaysia Berhad and also at the Company's website at www.bankislam.com

- i. Corporate Governance ("CG") Report 2022.
- ii. Notice of the 40th AGM, Form of Proxy and Administrative Guide for the 40th AGM.
- iii. Request IAR 2022 Hardcopy Form.

NO VOUCHERS/DOOR GIFTS

There will be no voucher(s) or any door gift(s) for shareholders/proxies who participate in the 40th AGM.

PERSONAL DATA PRIVACY

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the member of the Company (or their proxies) has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The member (or their proxies) agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder/proxies' breach of warranty.

ENQUIRIES FOR 40TH AGM

If you have general administrative enquiries on the 40th AGM, please contact the following during office hours from Monday to Friday (except Public Holidays) between 8.30 a.m. to 5.30 p.m.:

Boardroom Share Registrars Sdn Bhd

Office Helpdesk : 03-7890 4700
Puan Nursyahirah Binti Che Rahimi : 03-7890 4754
Facsimile No. : 03-7890 4670
Email : bsr.helpdesk@boardroomlimited.com
: nursyahirah.cherahimi@boardroomlimited.com

Form of Proxy

For the 40th Annual General Meeting

BANK ISLAM

BANK ISLAM MALAYSIA BERHAD

(Company No.: 198301002944 (98127-X))

(Incorporated in Malaysia under the Companies Act,

1965 and deemed registered under the Companies Act, 2016)

No. of Shares held	CDS Account No.

*I/We _____

*NRIC No./Passport No./Company No. _____

of _____

and telephone no./email address _____ being a *member/members of

Bank Islam Malaysia Berhad ("BIMB" or "the Company"), hereby appoint

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholdings
Email Address		Tel No	

*and/or

Full Name and Address (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholdings
Email Address		Tel No	

or failing *him/her, the Chairman of the meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the 40th Annual General Meeting of the Company to be held virtually at the broadcast venue at Level 10, Menara Bank Islam, 22 Jalan Perak, 50450 Kuala Lumpur on Friday, 26 May 2023 at 10.00 a.m. or any adjournment thereof.

This proxy is to vote on the resolutions set out in the Notice of the Meeting, as indicated with an "x" in the appropriate space(s) below. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

No.	Ordinary Resolution	For	Against
1	To re-elect Tan Sri Dr. Ismail Haji Bakar as Director who is to retire pursuant to Clause 133 of the Company's Constitution.		
2	To re-elect Encik Azizan Ahmad as Director who is to retire pursuant to Clause 133 of the Company's Constitution.		
3	To re-elect Puan Mashitah Haji Osman as Director who is to retire pursuant to Clause 133 of the Company's Constitution.		
4	To re-elect Dato' Professor Dr. Noor Inayah Yaakub as Director who is to retire pursuant to Clause 142 of the Company's Constitution.		
5	To approve the revision and payment of directors' fees and board committees' allowances to the non-executive directors from the 40 th AGM to the 41 st AGM of the Company.		
6	To approve the payment of benefit to the non-executive directors of up to RM1,105,000.00 from the 40 th AGM to the 41 st AGM of the Company.		
7	To re-appoint Messrs. PricewaterhouseCoopers PLT as the external auditors of the Company for the financial year ending 31 December 2023 and to authorise the Directors to fix their remuneration.		
Special Business			
8	Renewal of authority for the Directors to allot and issue ordinary shares of the Company in relation to the Dividend Reinvestment Plan		

Signed this _____ day of _____, 2023.

Signature of Member/Common Seal

*Strike out whichever is not relevant.



Notes:

1. The 40th AGM of the Company will be conducted online through live streaming and online remote voting via Remote Participation and Electronic Voting Facilities ("**RPEV**"). The virtual meeting Facilities will be available at <https://meeting.boardroomlimited.my>. Please follow the procedures provided in the Administrative Guide for the 40th AGM in order to participate remotely.
2. The venue of the 40th AGM is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 and Clause 96 of the Company's Constitution which requires the Chairman of the meeting to be present at the main venue of the meeting. The notification of the venue of the 40th AGM is to inform shareholders of the broadcast venue where the production and streaming of the Company's virtual 40th AGM will be conducted. No shareholders/proxies from the public will be allowed to physically be present at the meeting venue.
3. In accordance with Clause 109 of the Company's Constitution, each member of the Company ("**Member**") shall be entitled to attend, participate, speak and to vote at any general meeting of the Company, either personally or by proxy or by attorney and to be reckoned in a quorum in respect of shares fully paid and in respect of partially paid shares where calls are not due and unpaid. Members may exercise their rights to participate (including pose questions via the RPEV) during the 40th AGM.
4. Pursuant to Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in this Notice of the 40th AGM will be conducted by way of a poll.
5. The Company has appointed its share registrar, i.e., Boardroom Share Registrar Sdn. Bhd. ("**Boardroom**" or "**Registrar**") as the poll administrator to conduct the poll by way of electronic voting ("**e-voting**") and SKY Corporate Services Sdn. Bhd. as the Independent Scrutineers to verify the poll results.
6. For the purpose of determining a Member who is entitled to attend the virtual 40th AGM, the Company will request Bursa Malaysia Depository Sdn. Bhd., in accordance with Clause 95 of the Company's Constitution, to issue a Record of Depositor ("**ROD**") as at 19 May 2023. Only Members whose names appear on the ROD as at 19 May 2023 shall be entitled to attend the meeting or appoint a proxy(ies) to attend and/or vote on his/her behalf.
7. Notes on Appointment of Proxy:
 - (a) In accordance with Clause 94 of the Company's Constitution, a Member entitled to attend and vote at a meeting of the Company is entitled to appoint one (1) or more proxies to exercise all or any of his/her rights to attend, participate, speak and vote for him/her subject to the following provisions:
 - (i) save as provided under Note (b) below, Clause 113 of the Company's Constitution and the Companies Act 2016, each Member shall not be permitted to appoint more than two (2) proxies to attend the same meeting; and
 - (ii) where a Member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her holdings to be represented by each proxy.
 - (b) For the avoidance of doubt and subject always to Note (a)(ii) above, the Company's Constitution and the Companies Act 2016:
 - (i) where a Member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**"), there is no limit to the number of proxies which an exempt authorised nominee may appoint in respect of each omnibus account it holds; and
 - (ii) where a Member is an authorised nominee, he/she may appoint at least one (1) proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee may be made separately or in one instrument of proxy should specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting.
 - (c) There shall be no restriction as to the qualification of the proxy. Hence, a proxy need not be a Member.
 - (d) The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorised in writing or if such appointer is a corporation, under its Seal or the hand of its attorney.
 - (e) The instrument appointing a proxy ("**Proxy Form**") must be deposited at the Registrar's office in the following manner:
 - (i) by electronic means through the Boardroom Smart Investor Portal at <https://boardroomlimited.my> by logging in and selecting "**E-PROXY LODGEMENT**"; or
 - (ii) by hand or post to Boardroom Share Registrar Sdn. Bhd. at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia, not less than 48 hours before the time appointed for holding the meeting which is no later than Wednesday, 24 May 2023 at 10.00 a.m.
 - (f) The lodgement of a completed Proxy Form does not preclude a Member from attending and voting should the Member decide to do so. If the Member subsequently decided to attend the 40th AGM, the Member is requested to revoke the earlier appointment of proxy by notifying the Boardroom in writing, no later than Wednesday, 24 May 2023 at 10.00 a.m.

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STAMP

BOARDROOM SHARE REGISTRARS SDN BHD

11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13, 46200 Petaling Jaya
Selangor Darul Ehsan
Malaysia

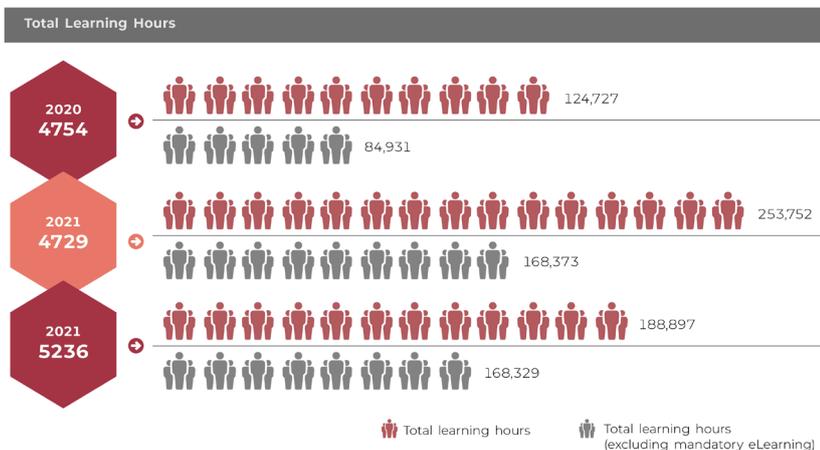
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ERRATA TO BANK ISLAM MALAYSIA BERHAD (BIMB) INTEGRATED REPORT 2022

Dear Valued Shareholders of BIMB

We wish to inform shareholders of the following errors in the BIMB Integrated Report 2022 published on 25th April 2023:

No	Section	Page	Error
1.	Chapter 5, Sustainability Statement section	135	Under the title 'Total Learning Hours' The third diagram indication total learning hours should read as the year 2022 , instead of 2021.



No	Section	Page	Error
2.	Chapter 6, Leadership section – Heads of Subsidiaries' Profile	176	Under the title of Heads of Subsidiaries' Profile Puan Azdini Binti Nor Azman's Concurrent Roles stated as; <i>Executive Director, BIMB Investment Management Berhad since 2015</i> should be omitted.

Concurrent Roles

- Executive Director, BIMB Investment Management Berhad since 2015

We regret the errors and apologise for any inconvenience caused.

Your faithfully

Bank Islam Malaysia Berhad (BIMB)

BANK ISLAM MALAYSIA BERHAD [198301002944 (98127-X)]

Level 32, Menara Bank Islam, No. 22, Jalan Perak, 50450 Kuala Lumpur

Tel: 603 2707 8000

www.bankislam.com

