

EXIM  
BANK

MALAYSIA



ANNUAL REPORT 2022

MAKING OUR **MARK**

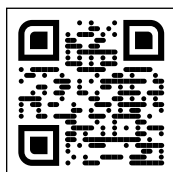


Welcome to  
**EXIM BANK MALAYSIA**  
Annual Report for the  
financial year 2022.



## MAKING OUR MARK

This year's cover exemplifies EXIM Bank's reach and impact on the global stage. All originating from the backdrop of the Malaysian cityscape and trade-related transport vehicles, EXIM Bank has connected Malaysian businesses to a myriad of markets worldwide as symbolised through the country's landmarks on the location marker, along with a shadow of the world map below.



Go online to our website at:

**[www.exim.com.my](http://www.exim.com.my)**

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## ABOUT THIS REPORT

This 2022 Annual Report focuses on the key challenges and opportunities we face and the many ways in which the Bank is responding to them. It serves to inform our stakeholders of the efforts we have taken, as a Development Financial Institution (DFI), to execute our unique mandate of developing cross-border ventures through the provisioning of financing and insurance facilities. In upholding the best practices in our reporting, we report in line with guidelines presented in:

- The Malaysian Code on Corporate Governance;
- The Malaysian Financial Reporting Standards; and
- The International Financial Reporting Standards.

In this report, the Bank hopes to demonstrate unwavering commitment to our stakeholders through enhanced operations and reporting. As sustainable growth must include continual effort and investment into areas that are touched by key stakeholder concerns, we will continue to better our ability to address matters material to our internal and external stakeholder base, which includes employees, local communities, governmental bodies, non-governmental organisations, small and medium enterprises and other customers.

The report underscores our adherence to sound business practices, our Strategy 2023, good governance and integrity practices, and compliance with prudent risk and underwriting policies. EXIM Bank's corporate social responsibility journey and our contributions to uplift the environment and communities around us, are also illustrated within.



## VISION

Preferred Financier  
& Advisor for  
Global Business.



## MISSION

Contribute to the Growth of  
Malaysia's Economy through  
Trade and Investment  
Partnerships Worldwide.



# CORPORATE INFORMATION

## DIRECTORS

**Dato' Azman Mahmud**

**Dato' Dr. Amiruddin Muhamed**

**Datuk Bahria Mohd Tamil**

**Datuk Dr. Syed Muhamad Syed Abdul Kadir**

**Datuk Sandra Wong Lee Yun**

**Wong Yoke Nyen**

*Resigned w.e.f 15 July 2022*

**Pauline Teh @ Pauline Teh Abdullah**

**Raymond Fam Chye Soon**

*Appointed w.e.f 15 February 2023*

## SHARIAH COMMITTEE

**Prof. Datin Dr. Rusni Hassan**

**Dr. Safinar Salleh**

**Dr. Ghazali Jaapar**

**Dr. Muhammad Syahmi Mohd Karim**

**Prof. Dr. Muhammad Ridhwan Ab. Aziz**

*Appointed w.e.f 1 June 2022*

## PRESIDENT/CHIEF EXECUTIVE OFFICER

**Arshad Mohamed Ismail**

*Appointed w.e.f 1 August 2022*

## COMPANY SECRETARY

**Julina Mohd Salleh**

LS 0008055

PC No. 201908003707

## REGISTERED OFFICE

Level 16, EXIM Bank  
Jalan Sultan Ismail  
50250 Kuala Lumpur  
Malaysia

## REPRESENTATIVE OFFICE

### PULAU PINANG

No. 2, Ground Floor  
Lebuh Tenggiri 2  
Pusat Bandar Seberang Jaya  
13700 Seberang Jaya, Penang  
Malaysia

### JOHOR

No. 95, Ground Floor  
Jalan Damai, Taman Setia  
Off Jalan Stulang Darat  
80300 Johor bahru  
Malaysia

### SARAWAK

No. 67, Ground Floor  
One Avenue Business Centre  
Jalan Tun Jugah  
93350 Kuching, Sarawak  
Malaysia

## AUDITOR

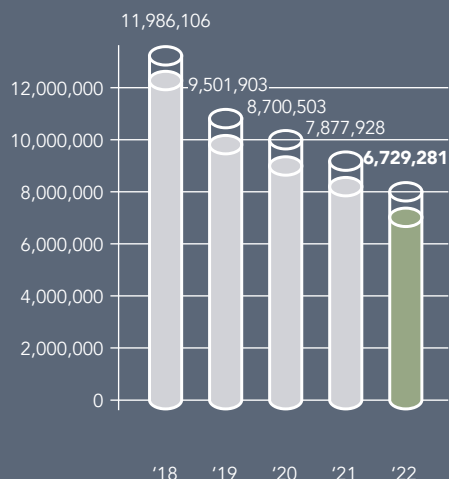
### Ernst & Young

Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Malaysia

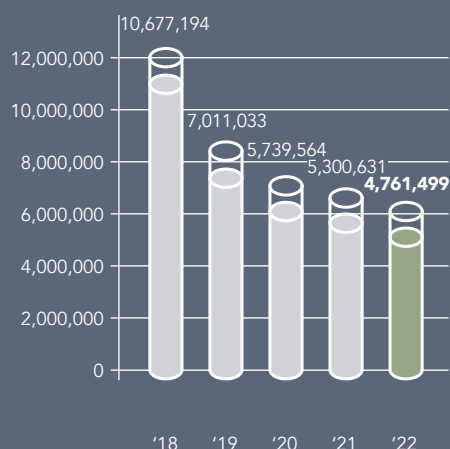
# 5-YEAR FINANCIAL HIGHLIGHTS

	2018 (RM'000)	2019 (RM'000)	2020 (RM'000) Audited	2021 (RM'000) Audited	2022 (RM'000) Audited
Total Asset	11,986,106	9,501,903	8,700,503	7,877,928	<b>6,729,281</b>
Total Disbursement	7,381,600	4,854,289	3,200,990	5,733,471	<b>4,821,531</b>
Operating Revenue	554,492	381,131	181,487	174,705	<b>228,126</b>
Total Gross Loans & Financing Assets	10,677,194	7,011,033	5,739,564	5,300,631	<b>4,761,499</b>
Net Income	270,403	224,541	239,025	165,449	<b>113,654</b>
Net Impaired Loans	10.34%	9.63%	13.45%	12.19%	<b>11.73%</b>
Operating Profit	180,311	142,511	150,834	81,605	<b>33,990</b>
(Loss)/Profit Before Tax	(263,521)	(478,250)	51,150	51,107	<b>(66,477)</b>

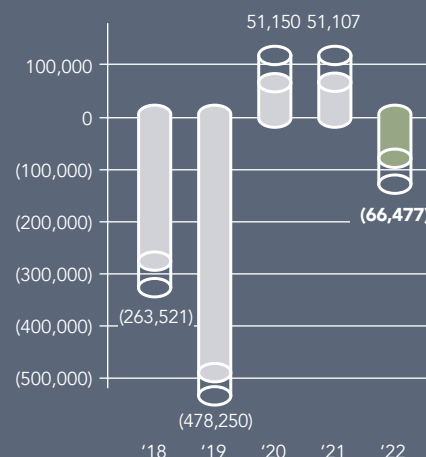
## TOTAL ASSETS (RM'000)



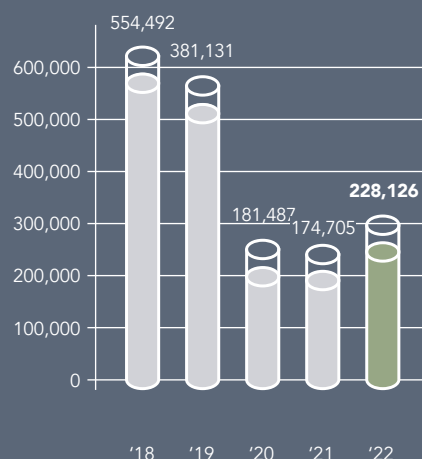
## TOTAL GROSS LOANS & FINANCING ASSETS (RM'000)



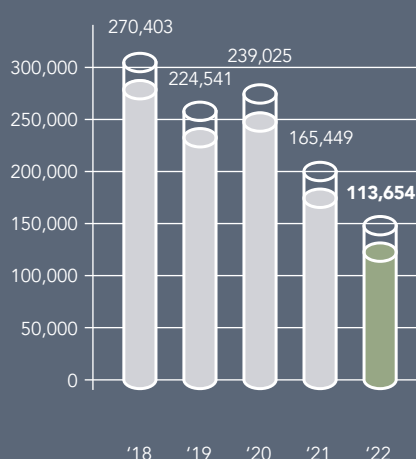
## (LOSS)/PROFIT BEFORE TAX (RM'000)



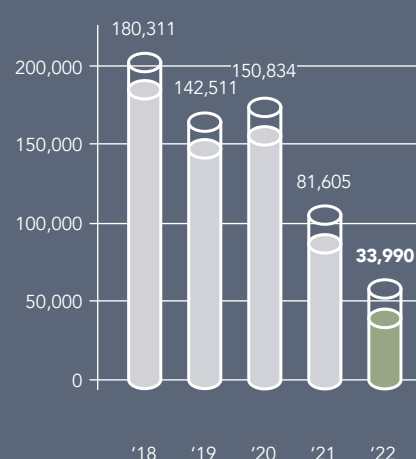
## OPERATING REVENUE (RM'000)



## NET INCOME (RM'000)



## OPERATING PROFIT (RM'000)

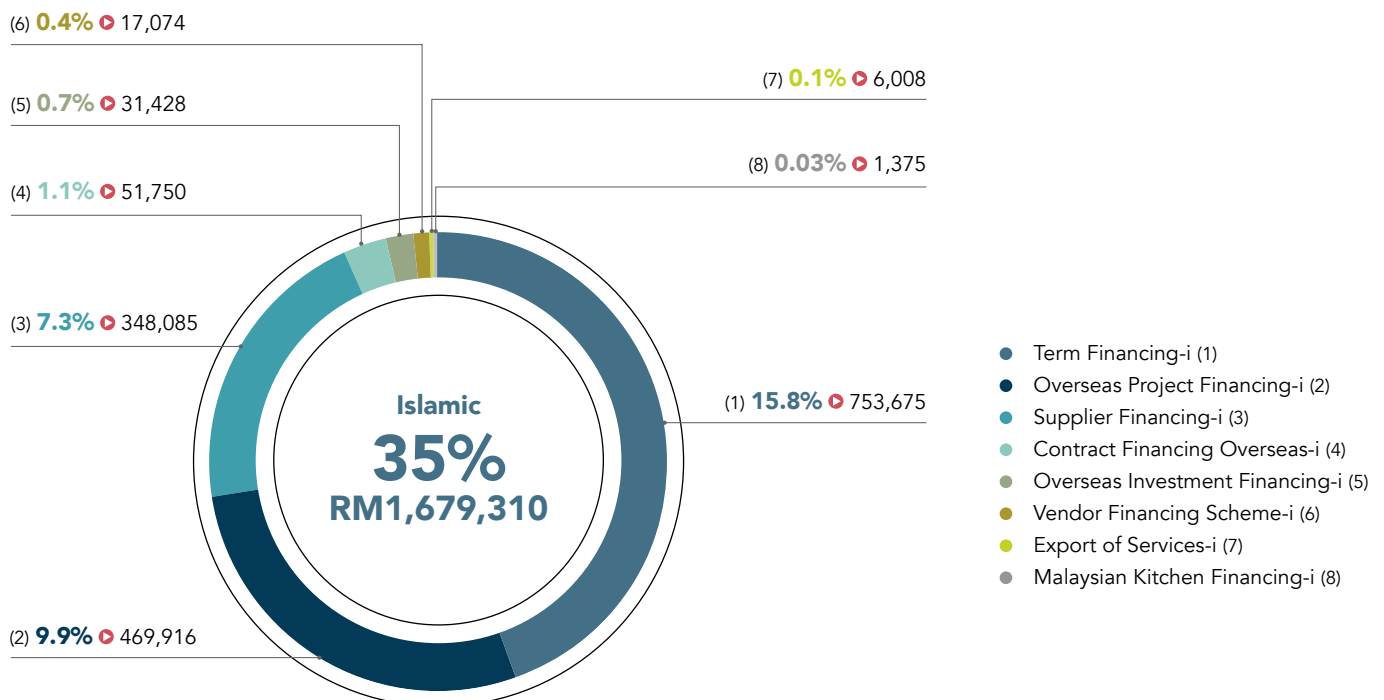
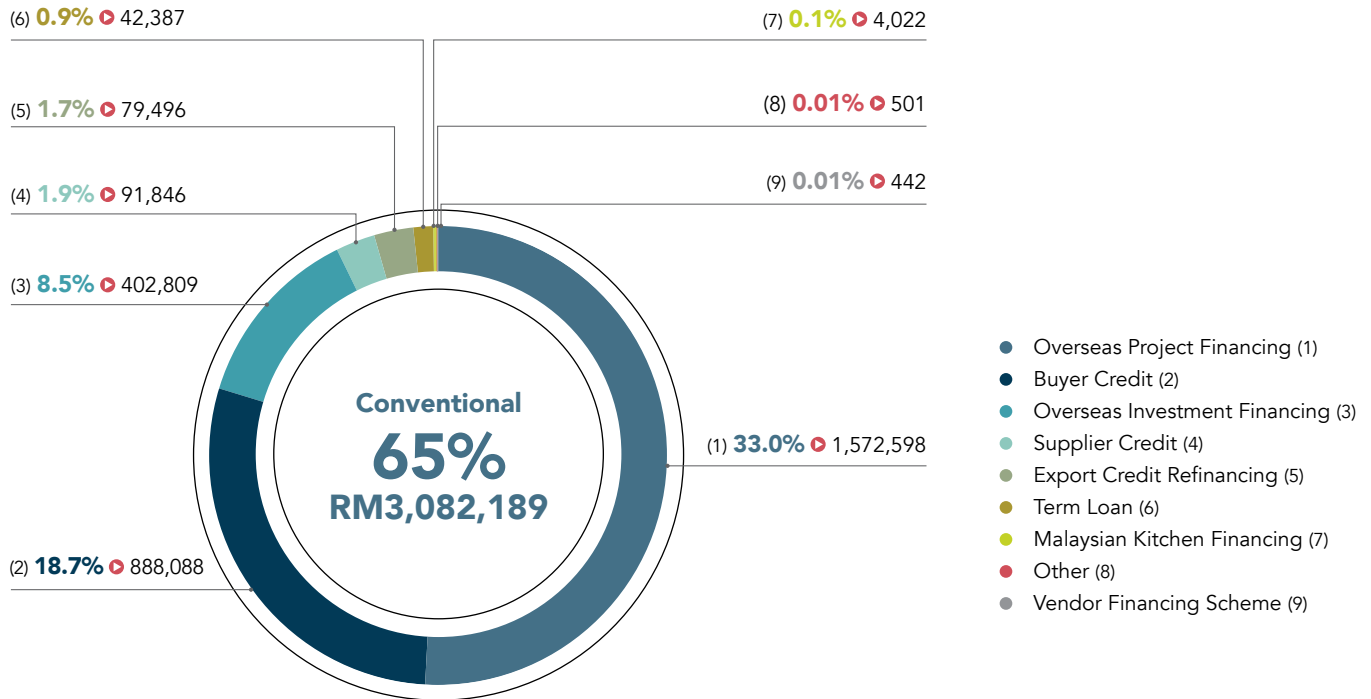




# OVERVIEW OF OUR BUSINESS OPERATIONS

## OUR LOAN, ADVANCES AND FINANCING (IN RM '000)

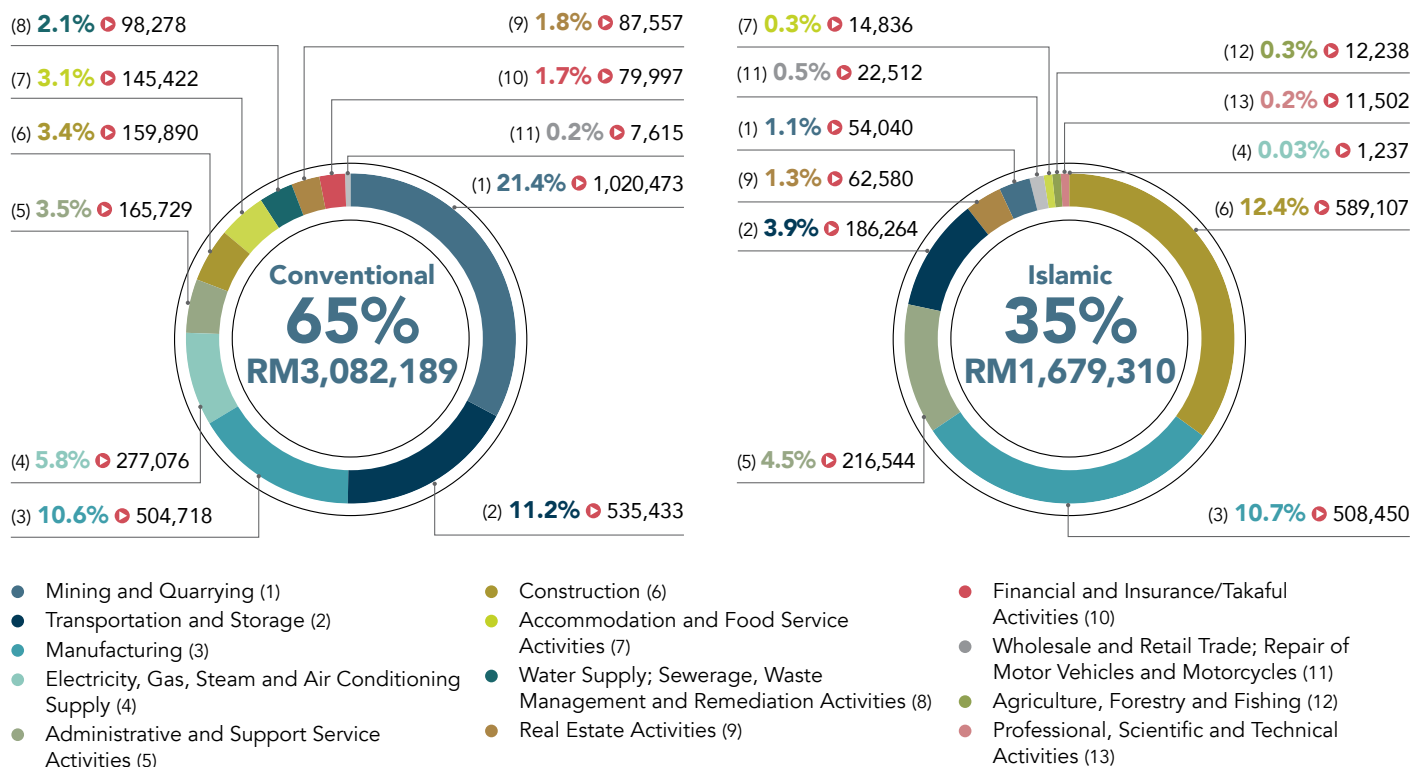
– BREAKDOWN BY PRODUCT (CONVENTIONAL AND ISLAMIC) OF RM4,761,499 (including impaired exposures)



## OVERVIEW OF OUR BUSINESS OPERATIONS

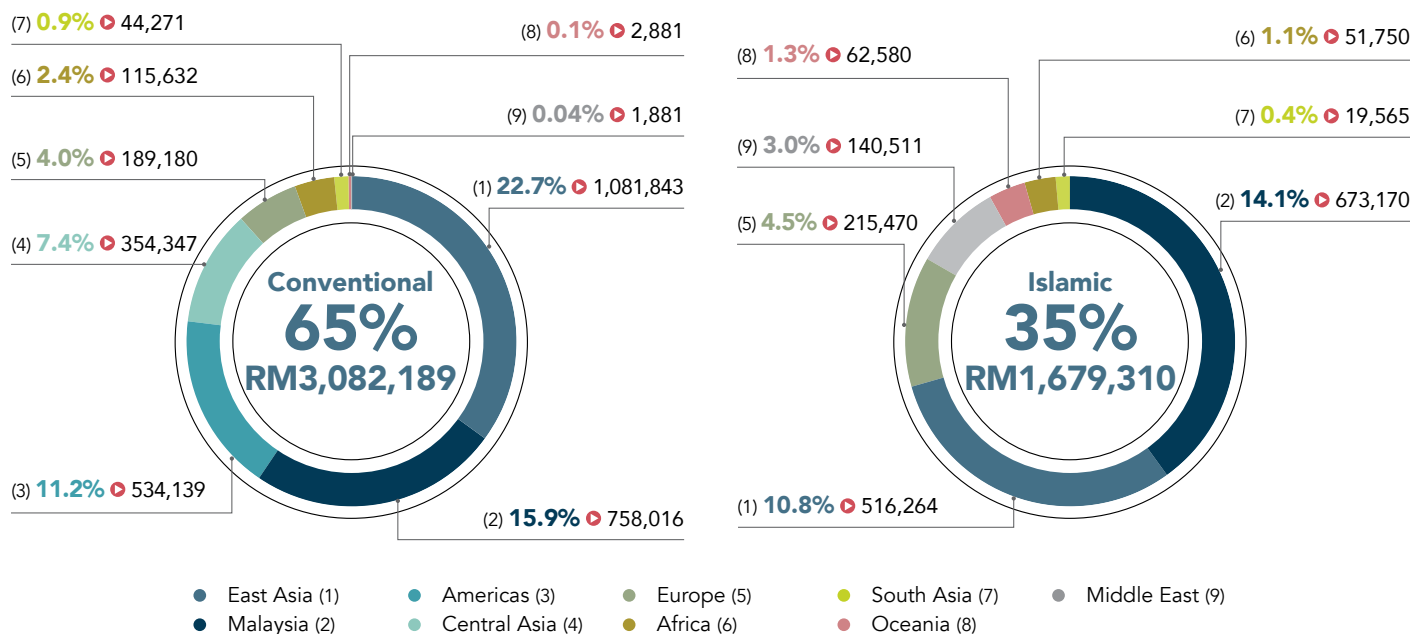
### OUR LOAN, ADVANCES AND FINANCING (IN RM '000)

– BREAKDOWN BY SECTOR (CONVENTIONAL AND ISLAMIC) OF RM4,761,499 (including impaired exposures)

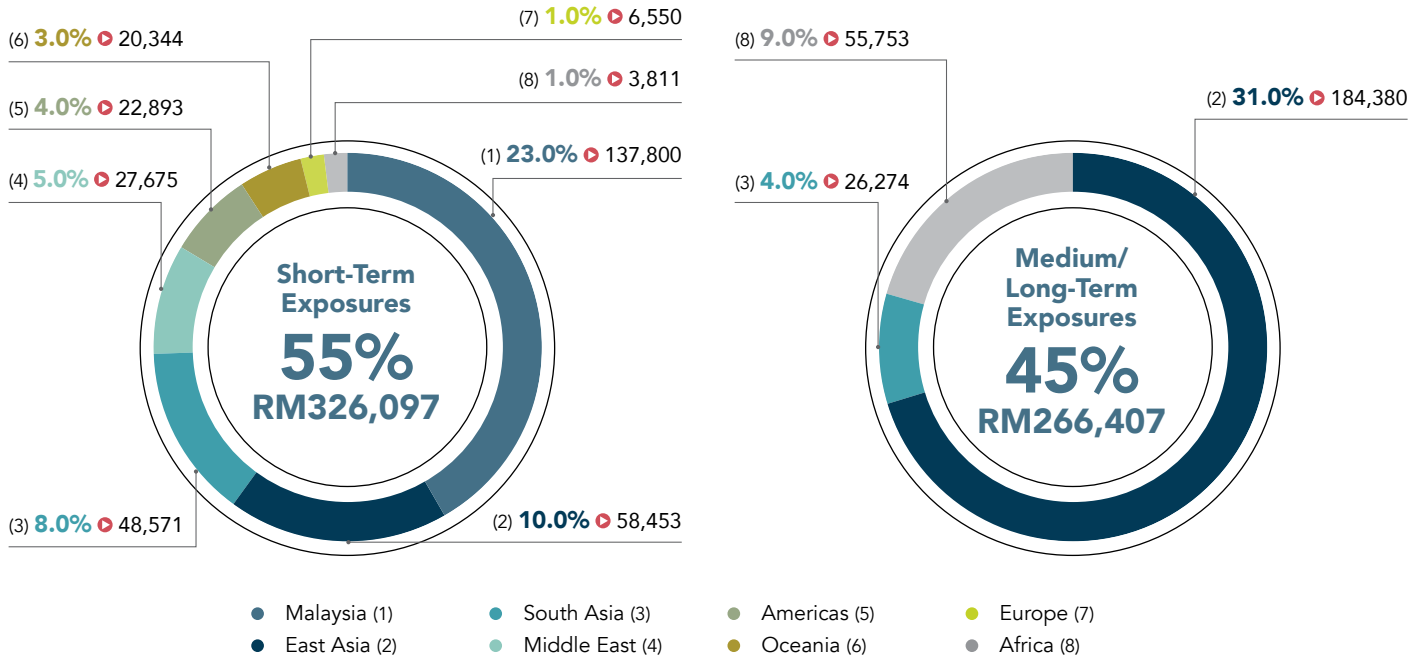
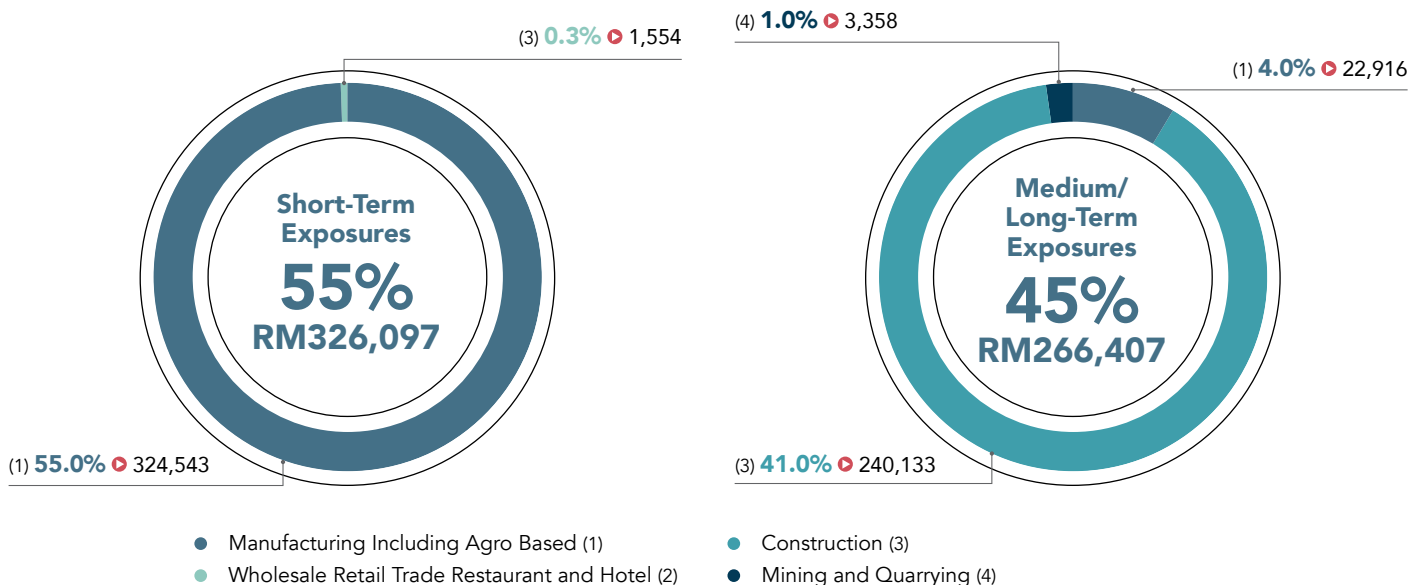


### OUR LOAN, ADVANCES AND FINANCING (IN RM '000)

– BREAKDOWN BY REGION (CONVENTIONAL AND ISLAMIC) OF RM4,761,499 (including impaired exposures)





**OUR CREDIT INSURANCE/TAKAFUL (IN RM '000)****– BREAKDOWN BY REGION (SHORT-TERM AND MEDIUM/LONG-TERM EXPOSURES) OF RM592,504****OUR CREDIT INSURANCE/TAKAFUL (IN RM '000)****– BREAKDOWN BY SECTORAL (SHORT-TERM AND MEDIUM/LONG-TERM EXPOSURES) OF RM592,504**

## BANKING AND CREDIT INSURANCE BY COUNTRY

EAST ASIA

**63.7%**  
RM3,409,925 million

AMERICAS

**10.4%**  
RM557,032 million

EUROPE

**7.7%**  
RM411,200 million

CENTRAL ASIA

**6.6%**  
RM354,347 million

AFRICA

**4.2%**  
RM226,945 million

MIDDLE EAST

**3.2%**  
RM170,067 million

SOUTH ASIA

**2.6%**  
RM138,681 million

OCEANIA

**1.6%**  
RM85,806 million

EXIM BANK'S  
TOTAL EXPOSURE  
COVERS



WHILE ITS STAND-ALONE  
CREDIT INSURANCE/  
TAKAFUL EXPOSURE  
EXTENDS TO OVER

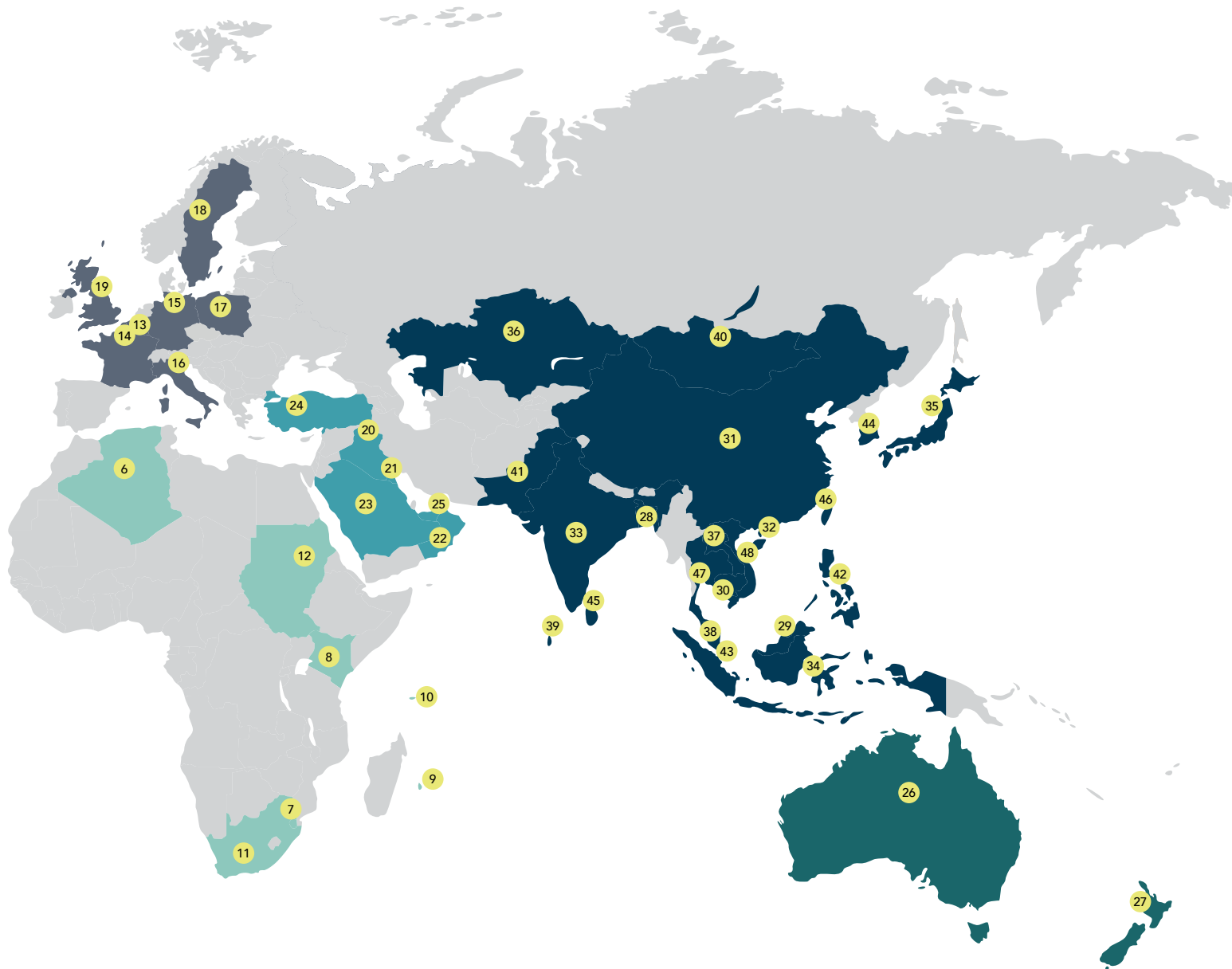


### AMERICAS

1. Brazil
2. Canada
3. Colombia
4. Mexico
5. United States





**AFRICA**

- 6. Algeria
- 7. Eswatini
- 8. Kenya
- 9. Mauritius
- 10. Seychelles
- 11. South Africa
- 12. Sudan

**EUROPE**

- 13. Belgium
- 14. France
- 15. Germany
- 16. Italy
- 17. Poland
- 18. Sweden
- 19. United Kingdom

**MIDDLE EAST**

- 20. Iraq
- 21. Kuwait
- 22. Oman
- 23. Saudi Arabia
- 24. Türkiye
- 25. United Arab Emirates

**OCEANIA**

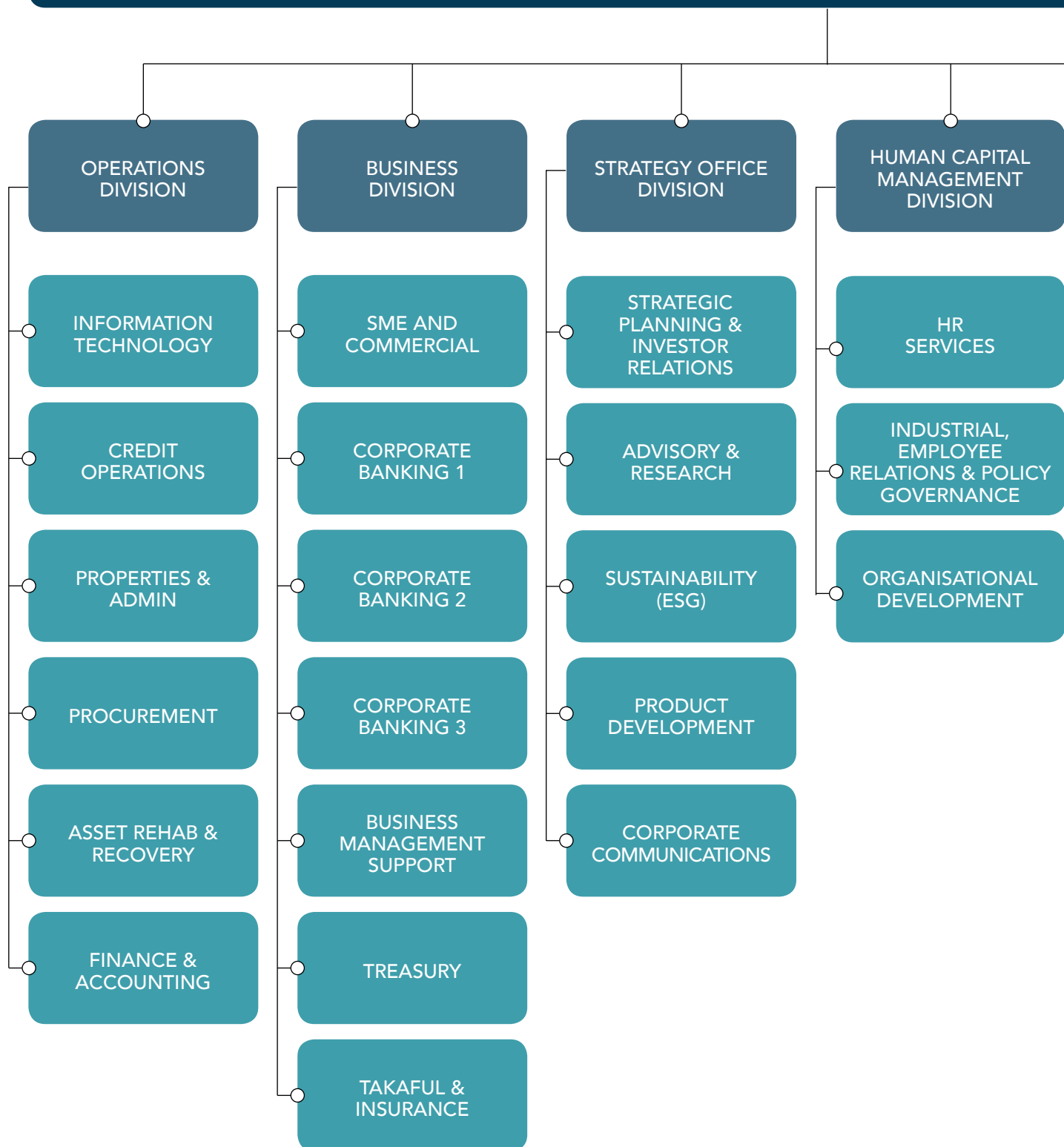
- 26. Australia
- 27. New Zealand

**ASIA**

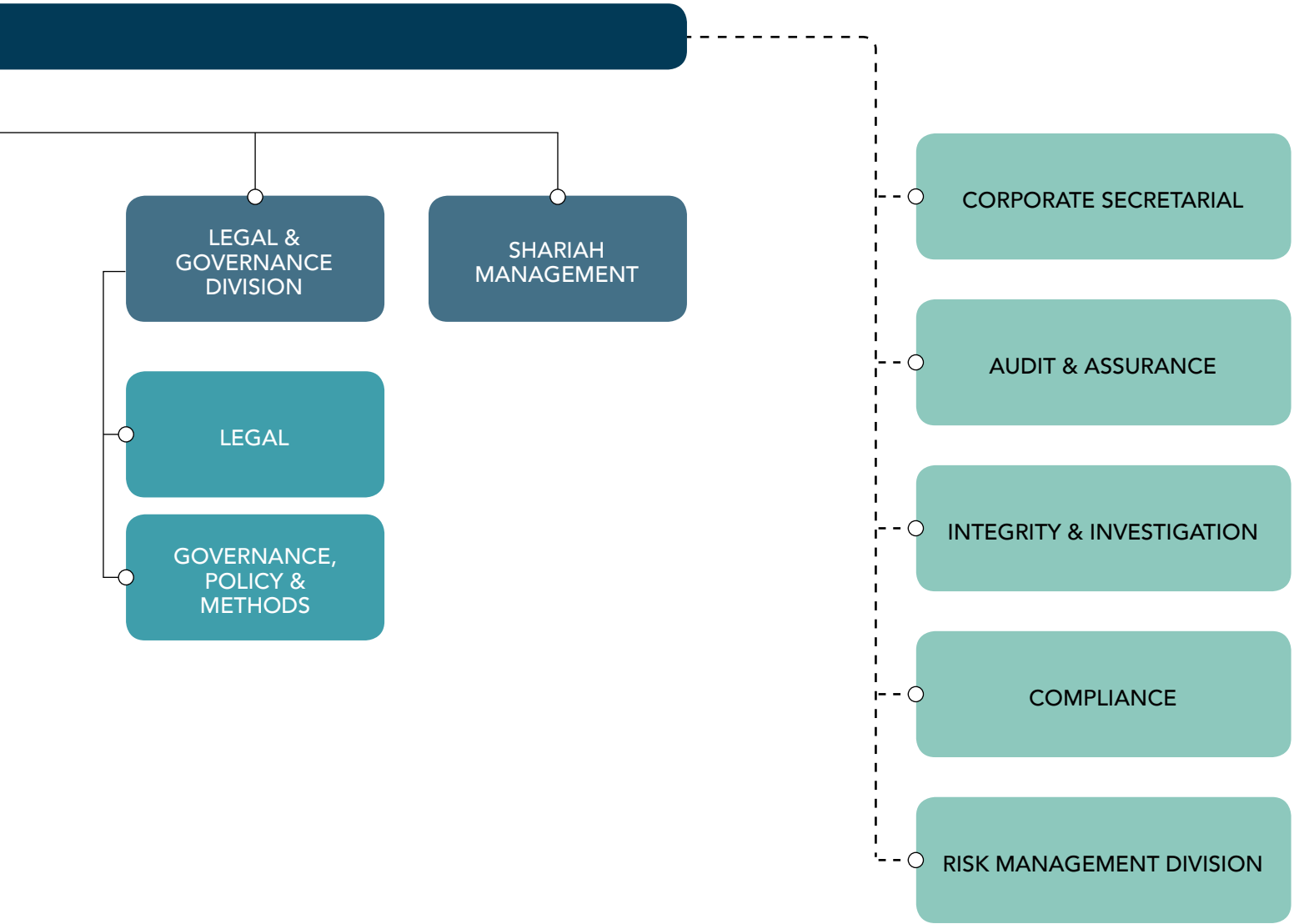
- 28. Bangladesh
- 29. Brunei Darussalam
- 30. Cambodia
- 31. China
- 32. Hong Kong
- 33. India
- 34. Indonesia
- 35. Japan
- 36. Kazakhstan
- 37. Lao People's Democratic Republic
- 38. Malaysia
- 39. Maldives
- 40. Mongolia
- 41. Pakistan
- 42. Philippines
- 43. Singapore
- 44. South Korea
- 45. Sri Lanka
- 46. Taiwan
- 47. Thailand
- 48. Vietnam

## OUR CORPORATE STRUCTURE

### PRESIDENT/CHIEF EXECUTIVE OFFICER







1. **DATUK DR. SYED MUHAMAD SYED ABDUL KADIR**  
Independent  
Non-Executive Director
2. **DATUK BAHRIA MOHD TAMIL**  
Non-Independent  
Non-Executive Director
3. **DATO' AZMAN MAHMUD**  
Chairman/Independent  
Non-Executive Director
4. **DATO' SANDRA WONG LEE YUN**  
Independent  
Non-Executive Director
5. **DATO' DR. AMIRUDDIN MUHAMED**  
Non-Independent  
Non-Executive Director
6. **PAULINE TEH ABDULLAH**  
Independent  
Non-Executive Director
7. **RAYMOND FAM CHYE SOON**  
Independent  
Non-Executive Director

# BOARD OF DIRECT





# ORS





## DIRECTORS' PROFILE

# DATO' AZMAN MAHMUD

Chairman/Independent Non-Executive Director



Nationality  
**Malaysian**



Date of Appointment  
**1 October 2021**



### Board Committee(s)

None

### Academic/Professional Qualification(s)

- Bachelor of Engineering, Universiti Putra Malaysia
- 'A Cutting Edge of Development Thinking', Harvard Kennedy School, John F. Kennedy School of Government, USA
- 'Leading Change & Organisation Renewal', Harvard Business School, USA
- Strategy Execution Programme, INSEAD France
- APAC Government Leadership Programme (AGLP) in Crotonville, New York, USA
- Temasek Foundation International Asia Leader's Connect, Singapore

### Past Directorship(s)

- Board of Director of Malaysia Petroleum Resources Corporation (MPRC)
- Chairman of CREST (Collaborative Research in Science, Engineering & Technology)
  - Board of Director and Member of Audit Committee of Regional Corridor Development Authority (RECODA)
  - Board of Director of InvestKL

### Present Directorship(s)

- Chairman of Panasonic Manufacturing Malaysia Berhad
- Chairman of Privasia Technology Bhd
- Chairman of Cnnergz Berhad
- Board of Director of GDEX Berhad
- Chairman of Panasonic Malaysia Sdn Bhd
- Chairman of SME Aerospace Sdn Bhd
- Board of Director of Kulim Technology Park Corporation
- Board of Director of Akademi Transformasi Asnaf MAIPs Sdn Bhd
- Board of Director of Panasonic Appliances Air-Conditioning Malaysia Sdn Bhd (PAPAMY)

### Present Appointment(s)

- Investment Panel Member of Penjana Kapital
- Advisor to Associated Chinese Chamber of Commerce & Industry of Malaysia (ACCCIM)

### Past Appointment(s)

- Permanent Member of Special Task Force to Facilitate Business (PEMUDAH)
- Member of Approvals and Implementation Committee (AIC), Iskandar Regional Development Authority (IRDA)
- Permanent Member of Cyberjaya Implementation Council
- Chief Executive Officer (CEO), Malaysian Investment Development Authority (MIDA)
- Alternate Chairman National Committee on Investment



# DATUK DR. SYED MUHAMAD SYED ABDUL KADIR

Independent Non-Executive Director



Nationality  
**Malaysian**



Date of Appointment  
**15 July 2020**



## Board Committee(s)

- Board Credit Committee (Chairman)
- Nomination & Remuneration Committee (Chairman)
- Board Audit Committee
- Board Risk Committee

## Academic/Professional Qualification(s)

- Fellow of The Chartered Institute of Arbitrators, United Kingdom (UK)
- Member of The Chartered Institute of Arbitrators, UK
- Admitted as an Advocate and Solicitor of the High Court of Malaya
- Master of Law (Corporate Law) University Technology Mara (UiTM)
- Certificate of Legal Practice, Malaysian Professional Legal Board
- Bachelor of Jurisprudence (Hons.), University of Malaya (UM)
- Ph.D (Business Management), Virginia Polytechnic Institute and State University (Virginia Tech), USA
- Master of Business Administration, University of Massachusetts, USA
- Certificate of Project Planning, University of Bradford, England
- Diploma in Management Science, National Institute of Public Administration
  - B.A. (Hons.), UM

## Past Directorship(s)

- Chairman of CIMB Principal Islamic Asset Management Sdn Bhd
- Board of Director of CIMB Group Holdings Berhad
- Chairman of CIMB Middle East BSC
- Chairman of CIMB Islamic Bank Berhad
- Board of Director of CIMB Bank Berhad
- Board of Director of BSL Corporation Sdn Bhd
- Chairman of Mara Corporation Sdn Bhd
- Chairman of Sunlife Malaysia Group of Company

## Present Directorship(s)

- Board of Director of Alam Flora Sdn Bhd
- Board of Director of Northport (Malaysia) Bhd
- Board of Director of Asia Capital Reinsurance Malaysia Sdn Bhd
- Board of Directors of Solution Group Berhad
- Chairman of EVD Berhad

## Present Appointment

None

## Past Appointment(s)

- Secretary General of Ministry of Human Resource
- Deputy Secretary General (Operations) of Ministry of Finance (MOF)
- Secretary, Tax Analysis Division of MOF
- Alternate Director/Executive Director of Asian Development Bank, Manila, Philippines
- Deputy Secretary (Foreign and Domestic Borrowing, Debt Management) Finance Division of Federal Treasury
- Secretary, Higher Education Division of Ministry of Education
- Deputy Director (Academic) of INTAN
- Head, Management Development Centre of INTAN
- Programme Coordinator of INTAN
- Senior Project Officer, School of Financial Management, National Institute of Public Administration (INTAN)

## DIRECTORS' PROFILE

## DATO' DR. AMIRUDDIN MUHAMED

Non-Independent Non-Executive Director



Nationality  
**Malaysian**



Date of Appointment  
**15 January 2019**

**Board Committee(s)**

- Board Credit Committee
- Board Audit Committee

**Academic/Professional Qualification(s)**

- Ph.D in Accounting and Finance, Durham University, United Kingdom
- Master of Economics (Economics Development), Universiti Kebangsaan Malaysia (UKM)
- Bachelor of Accounting (Hons.), UKM

**Past Directorship(s)**

None

**Present Directorship(s)**

- Board of Director of MRT Corporation Sdn Bhd
- Board of Director of Suria Strategic Energy Resources Sdn Bhd (SSER)
- Board of Director of My Power (Company Limited by Guarantee)
- Board of Director of SRC International Sdn Bhd
- Board of Director of Railway Assets Corporation (RAC)
- Board of Director of Sinergi Perdana Sdn Bhd

**Present Appointment**

- Under Secretary, Government Investment Companies Division (GIC), Ministry of Finance (MOF)

**Past Appointment(s)**

- Chief Executive Officer, Majlis Agama Islam dan Adat Melayu Perak
- Served in Strategic Investment Division, MOF
- Senior Principal Assistant Secretary, Investment, MKD (Inc.) and Privatisation Division, MOF
- Assistant Director, Accounting and Management Development, Accountant General Department, MOF
- Served in Corporate Planning Unit of Business Focus Group Sdn Bhd

# DATUK BAHRIA MOHD TAMIL

Non-Independent Non-Executive Director



Nationality  
**Malaysian**



Date of Appointment  
**1 October 2019**

## Board Committee(s)

- Board Credit Committee
- Nomination & Remuneration Committee
- Board Tender Committee

## Academic/Professional Qualification(s)

- M.A. in International Relations, Waseda University, Japan
- L.L.B. in Business Law (Honours), Coventry University, UK

## Past Directorship(s)

- Board of Director of Perbadanan Kemajuan Negeri Melaka (PKNM)
- Board of Director of Perbadanan Kemajuan Ekonomi Negeri Perlis (PKENPs)

## Present Directorship

- Board of Director of SIRIM Berhad

## Present Appointment

- Deputy Secretary General (Investment), Ministry of International Trade and Industry (MITI)

## Past Appointment(s)

- Deputy Secretary General (Trade) of MITI
- Senior Director, Bilateral Economic & Trade Relations Division of MITI
- Senior Director, Trade and Industry Support Division, of MITI
- Director, Entrepreneurship Development Division of MITI
- Director, PEMUDAH (The Special Task Force to Facilitate Business) Secretariat of MITI
- Minister Counsellor of Economic Affairs, MITI Tokyo, Embassy of Malaysia in Japan
- Principal Assistant Director, Strategic Planning Division of MITI
- Assistant Director, Trade Support Division of MITI
- Assistant Director, Bilateral Trade Relations Division, Ministry of International Trade and Industry (MITI)
- Assistant Secretary, Government Procurement Division of MOF





## DIRECTORS' PROFILE

DATO' SANDRA WONG  
LEE YUN

Independent Non-Executive Director



Nationality  
**Malaysian**



Date of Appointment  
**15 July 2020**

**Board Committee(s)**

- Board Audit Committee (Chairman)
- Board Risk Committee
- Nomination & Remuneration Committee

**Academic/Professional Qualification**

- Certified Public Accountant, Malaysia Institute of Certified Public Accountants (MICPA)

**Past Directorship(s)**

- Sin Chew Media Corporation Bhd
- Kuala Lumpur Business Club

**Present Directorship(s)**

- Board of Director of Jaya Tiasa Holdings Berhad
- Board of Director of Amal Sempurna Sdn Bhd
- Board of Director of Vitulen Sdn Bhd
- Board of Director of Kognatoz Pte Ltd
- Board of Director of Plant Catridge Sdn Bhd
- Board of Director of Savite Sdn Bhd

**Present Appointment**

None

**Past Appointment(s)**

- Executive Director of Mediharta Sdn Bhd
- Chief Executive Officer of Jaya Tiasa Holdings Berhad
- Director (Finance) and Chief Investment Officer of HBN Management Sdn Bhd (Renong Group)
- Head Investment Banking of Chase Manhattan Bank Malaysia (now known as JP Morgan Chase Bank Bhd)
- Manager Business Development of Standard Chartered Bank
- Deputy Head, Corporate Finance of Permata Chartered Merchant Bank





# PAULINE TEH ABDULLAH

Independent Non-Executive Director



Nationality  
**Malaysian**



Date of Appointment  
**15 November 2021**



## Board Committee(s)

- Board Risk Committee (Chairman)
- Nomination and Remuneration Committee
- Board Credit Committee
- Board Tender Committee

## Academic/Professional Qualification(s)

- Masters in Business Administration (Finance), University of Hull, United Kingdom
- Bachelor of Commerce (Accounting), Saint Mary's University, Halifax Nova Scotia, Canada
- Member of the Insolvency Practitioners Association Malaysia (IPAM)

## Past Directorship

- Executive Director of Crowe Advisory Sdn Bhd

## Present Directorship(s)

- Board of Director of Ericsenz Capital Pte Ltd
- Board of Director of Taurus Investment Management Berhad
- Board of Director of Boustead Holdings Berhad
- Board of Director of Ericsenz Research Sdn Bhd
- Board of Director Boustead Digital Services Sdn. Bhd.
- Board of Director Boustead Technology Sdn. Bhd.

## Present Appointment

None

## Past Appointment(s)

- Executive Director of Crowe Advisory Sdn Bhd
- Director of BDO Capital Consultants Sdn Bhd
- Associate Director of Hanifah Teo & Associates

## DIRECTORS' PROFILE

# RAYMOND FAM CHYE SOON

Independent Non-Executive Director



Nationality  
**Malaysian**



Date of Appointment  
**15 February 2023**

**Board Committee(s)**

- Board Tender Committee (Chairman)
- Board Credit Committee
- Board Audit Committee
- Board Risk Committee

**Academic/Professional Qualification(s)**

- Certified Public Accountant, Malaysia Institute of Certified Public Accountants
- Registered Accountant, Malaysian Institute of Accountants
- Chartered Accountant, Malaysian Institute of Accountants
- Certified Financial Planner, Financial Planning Association of Malaysia
- Master of Financial Planning, University of Sunshine Coast, Australia
- Corporate Finance (Adv Diploma), ICAEW and Securities & Investment Institute, UK
- Certificate in Digital Marketing, National University of Singapore, Singapore
- Certificate in Oxford Leading Sustainable Corporation Program

**Past Directorship(s)**

- Board of Director of AmBank (M) Berhad
- Board of Director of AmGeneral Insurance Berhad
- Board of Director of AmGeneral Holdings Berhad
- Board of Director of Octagon Consolidated Berhad

**Present Directorship**

- Board of Director of Riverstone Holdings Ltd

**Present Appointment**

None

**Past Appointment(s)**

- Deputy Chief Operating Officer of Jotech Holdings Berhad
- Senior Vice President of AIC Corporation Berhad
- Assistant General Manager of Commerce International Malaysia Bhd (CIMB) Investment Banking
- Accounting Manager of John Holland (M) Sdn Bhd
- Qualified Assistant of Hanafiah Raslan & Mohamad



# SHARIAH COMMITTEE

1. **DR. GHAZALI JAAPAR**  
Committee Member

2. **DR. SAFINAR SALLEH**  
Committee Member

3. **PROF. DATIN DR. RUSNI HASSAN**  
Chairperson

4. **DR. MUHAMMAD SYAHMI  
MOHD KARIM**  
Committee Member

5. **PROF. DR. MUHAMMAD RIDHWAN  
AB. AZIZ**  
Committee Member



# SHARIAH COMMITTEE PROFILE

## PROF. DATIN DR. RUSNI HASSAN

Chairperson



### Date of Appointment

2 January 2018

### Academic/Professional Qualification(s)

- PhD in Law, International Islamic University Malaysia (IIUM)
- Master of Comparative Laws (MCL), International Islamic University Malaysia (IIUM)
- LLB (Hons), LLB (Shariah) First Class, International Islamic University Malaysia (IIUM)
- Registered Shariah Advisor with the Securities Commission Malaysia

### Present Appointment(s)

- Dean at the IIUM Institute of Islamic Banking and Finance
- President of International Council of Islamic Finance Educators (ICIFE)
- Shariah Committee Member, Association of Islamic Banking Institutions Malaysia (AIBIM)
- Shariah Committee Member, Housing Development Finance Corporation and Housing Development Corporation, Maldives
- Chairman of Shariah Committee, Hong Leong Islamic Bank
- Shariah Committee Member, Koperasi JCorp
- Shariah Committee Member, Waqaf An-Nur
- Member, Shariah Advisory Committee, Tabung Haji

### Past Appointment(s)

- Founding member of Advisory Council of Association of Shariah Advisors in Islamic Finance Malaysia (ASAS)
- Member of the Shariah Advisory Council, Bank Negara Malaysia
- Shariah Committee Member, HSBC Amanah (M) Berhad
- Shariah Committee Member, HSBC Amanah (Takaful) Berhad

### Expertise & Experience

- A prolific speaker in seminars, workshops, conferences and trainings on various Islamic Finance issues, her works and contribution to Islamic Finance is internationally renowned.
- Her publications include books on Islamic Banking and Takaful, Islamic Banking under Malaysian Law, Corporate Governance of Islamic Financial Institutions, Islamic Banking Cases and Commentaries; Remedies for Default of Payment in Islamic Banking and more than 100 articles in local and international journals.
- She has received many awards and accolades, including:
  - ▶ Frequently listed as Top 5 contributors in Scopus publication in Islamic Finance.
  - ▶ Listed among the Top 10 Women in Islamic Finance by CPI Financial in 2013.
  - ▶ Most Talented Women Professional in Islamic Banking, Asia Islamic Banking Excellence Awards, CMO Asia, 2014.
  - ▶ Women of Distinction for her contribution in the field of Islamic Finance and Law by Venus International Women Awards (VIWA), 2016.
  - ▶ One of the 50 Most Influential Women in Islamic Finance by ISFIRE in 2017 and Womani 2018 – The Most Powerful Women in Islamic Finance by Cambridge IFA in 2018-2021.
  - ▶ Women Influencer in 2022.



## DR. SAFINAR SALLEH

Committee Member



### Date of Appointment

1 January 2019

### Academic/Professional Qualification(s)

- Doctor of Philosophy, University of Glasgow Caledonian, United Kingdom
- Master in Shariah, University of Malaya
- Bachelor of Shariah, Al-Azhar University, Egypt

### Present Appointment(s)

- Assistant Professor at the Department of Islamic Law, Ahmad Ibrahim Kulliyah of Law, International Islamic University Malaysia (IIUM)
- Shariah Committee Member of Swiss Re Asia Pte. Ltd., Malaysia Branch (Swiss Re Takaful)
- Shariah Committee Member of Hong Leong Islamic Bank Berhad
- Shariah Committee Member of MUA Life Ltd. (Mauritius)

### Past Appointment(s)

- Member of Board of Trustee, Islamic Da'wah Foundation Malaysia (YADIM)
- Chairman, Muslim Women's Council of the Islamic Da'wah Foundation Malaysia (MAYA)
- Shariah Committee Member of Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
- Shariah Committee Member of Bank Simpanan Nasional Malaysia

### Expertise & Experience

- Published numerous Islamic books and articles and actively presented many papers at various local conferences and seminars.
- Active in internal IIUM committees, having held positions such as Director of International Islamic Banking and Finance, Arbitration Competition, Committee Member of IIUM Legal Clinic and Head of Unit and Legal Consultant for Islamic Banking, Takaful and Shariah Matters, IIUM Legal Clinic.
- Served as Chairman of Pertubuhan Nur Fitrah, Committee Member of International Muslim Women Union (IMWU) Malaysia.
- Participated as an invited Member in the Meeting of Technical Committee for Islamic Pawn Broking Act, Ministry of Urban Wellbeing, Housing and Local Government and in the Workshop for Drafting of the Islamic Pawn Broking Act.



## SHARIAH COMMITTEE PROFILE

### DR. GHAZALI JAAPAR

Committee Member



#### Date of Appointment

1 May 2021

#### Academic/Professional Qualification(s)

- PhD in Islamic Jurisprudence, University of Birmingham, United Kingdom
- Master of Comparative Law, International Islamic University Malaysia (IIUM)
- Bachelor of Shariah (First Class), Faculty of Syariah and Law, The Academy of Islamic Studies, University of Malaya

#### Present Appointment

- Chairman of Shariah Committee for Kenanga Investment Bank Berhad

#### Past Appointment(s)

- Chairman of Shariah Committee, RHB Islamic Bank
- Head, Department of Islamic Law, Ahmad Ibrahim Kulliyah of Laws, IIUM
- Director, Harun M. Hashim Law Centre
- Shariah Committee Member, FWD Takaful (formerly known as HSBC Amanah Takaful)

#### Expertise & Experience

- Served as Chairman and member in Shariah Committees within the Islamic banking and Takaful industry (2011-2020).
- Active in internal IIUM committees, having held positions as Director (2009-2011) and Deputy Director (2008-2009) of Harun M. Hashim Law Centre.
- Published legal articles on Tazkiyah al-Syuhud in Evidence Enactment of the Shariah Court and the Influence of Majallah al-Ahkam al-'Adliyyah of Ottoman Empire and The Influence of Majallah al-Ahkam al-Adliyyah on the Administration of Islamic Law in Malaysia.
- Presented Islamic banking research paper such as Shariah Non-Compliance (SNC) Incidents in Islamic Bank; Its Reporting Requirement and Purification of Income.
- Presenter for conferences and seminars in and outside Malaysia, such as for Cabaran Perlaksanaan Undang-undang Islam dalam Seminar Antarabangsa Undang-undang Syariah in Brunei Darussalam (2010).

## DR. MUHAMMAD SYAHMI MOHD KARIM

C.A. (M), ACMA, CGMA

Committee Member



### Date of Appointment

1 May 2021

### Academic/Professional Qualification(s)

- PhD in Islamic Banking and Finance, Durham University, United Kingdom
- Master of Science in Finance, International Islamic University of Malaysia (IIUM)
- Bachelor of Accounting (Hons), International Islamic University Malaysia (IIUM)
- Certificate in Islamic Law, International Islamic University Malaysia (IIUM)
- Chartered Accountant, Malaysian Institute of Accountant (MIA)
- Associate Member, CPA Australia
- Associate Member, Chartered Institute of Management Accountants (CIMA) UK
- Associate Member, Association of Shariah Advisors in Islamic Finance Malaysia (ASAS)
- Senior Associate Member, Chartered Professional in Islamic Finance (CPIF)

### Present Appointment(s)

- Deputy President Operation (DPO), INCEIF University
- Shariah Committee Member, HSBC Amanah Malaysia Berhad
- Director, YaPIEM Gold Sdn Bhd
- Director, USIM Tijarah Holding Sdn Bhd
- External Expert in Islamic Finance, International Monetary Fund, Washington DC
- Accreditation Panel, Finance Accreditation Agency (FAA)

### Past Appointment(s)

- Global Lead Islamic Finance Expert, Advisory and Technical Assistance Division, Islamic Financial Sector Development, Department of Islamic Development Bank, Jeddah, Saudi Arabia
- Head, Shariah/Islamic Banking Risk Section, Specialist Risk Unit, Bank Negara Malaysia (BNM)
- Director, YaPIEM Smart Ventures Sdn Bhd
- Member of Investment Committee, Yayasan Dakwah Islam Malaysia
- Member, Islamic Financial Services Board (IFSB) Working Group
- Shariah Committee Member, Co-op Bank Pertama Malaysia Berhad

### Expertise & Experience

- Provided technical advisory to the Central Banks of Djibouti and Mauritania in developing Islamic Banking regulatory frameworks under the purview of the International Monetary Fund (IMF)
- Published research for Investment Account Concept in Banking; Analysing the Perceptions and Behaviors of the stakeholders.
- Chapter writer and reviewer for ISRA/ Securities Commission textbook titled Governance Framework for Islamic Capital Market, published in 2015.
- Internal trainer with BNM, Islamic Development Bank and presenter for several international conferences at Durham University-ISRA-IRTI Strategic Roundtable Discussion in Durham and Jeddah.

## SHARIAH COMMITTEE PROFILE

### PROF. DR. MUHAMMAD RIDHWAN AB. AZIZ

Committee Member



#### Date of Appointment

1 June 2022

#### Academic/Professional Qualification(s)

- PhD in Islamic Banking, University of Malaya
- Master in Islamic Banking (with Distinction), University of Malaya
- Bachelor of Business Administration (with Honors), University of Malaya

#### Present Appointment(s)

- Professor, Faculty of Economics and Muamalat, Universiti Sains Islam Malaysia (USIM)
- Shariah Committee Member, Citibank Berhad (Malaysia)
- Internal Shariah Advisory Board, Citibank N.A. Labuan Branch
- External Program Advisor, Bachelor of Islamic Wealth Management, Universiti Sultan Zainal Abidin
- Academic Advisor, Master in Islamic Finance, International Islamic University College Selangor (KUIS)
- Panel of Arbitrator (Hakam), Negeri Sembilan Syariah Judiciary Department
- Panel of Assessor and Auditor, Malaysian Qualification Agency (MQA)

#### Past Appointment(s)

- Technical Committee Members for Professional Certification, Ministry of Higher Education, Malaysia
- Senator, Universiti Sains Islam Malaysia, USIM
- Panel of Assessor, Bachelor of Muamalat, Universiti Teknologi MARA Cawangan Machang, Kelantan
- FAA Assessor, Finance Accreditation Agency (FAA)
- Vice Chairman, Dean's Council for Islamic Studies (Majlis Dekan Pengajian Islam Universiti Awam), Department of Higher Education, Ministry of Higher Education Malaysia

#### Expertise & Experience

- Active in internal USIM committees having held positions among others USIM Senator; Sub-Cluster Leader, Islamic Banking and Financial Institutions Cluster; and Chairman, Investigation Committee, USIM.
- Involved in numerous research grants, published books, chapter of the books and journals.
- Presenter for various global, international, and local conferences for Islamic Banking, Islamic Finance and Islamic Social Finance.
- Examiners for USIM and other local universities for Master and PhD research.



# EXECUTIVE COMMITTEE

1. **ARSHAD MOHAMED ISMAIL**  
President/Chief Executive Officer
2. **CHIN YING JACK**  
Chief Risk Officer
3. **NORLELA SULAIMAN**  
Chief Operating Officer
4. **SAFIDAH MOHD TAHIR**  
Chief People Officer
5. **WAN NOORAZLI MAULA  
WAN SULEIMAN**  
Head of Legal
6. **THANGAMANI RAJAGOPAL**  
Chief Internal Audit
7. **NURBAYU KASIM CHANG**  
Chief Business Officer
8. **DR. LIZA MYDIN**  
Chief Strategy Officer





## EXECUTIVE COMMITTEE PROFILE

### ARSHAD MOHAMED ISMAIL

President/Chief Executive Officer



#### Qualifications

- MBA, London Business School, England
- LLB. (Hons.), International Islamic University, Malaysia
- Advocate & Solicitor, High Court of Malaya
- Chartered Banker, Asian Institute of Chartered Bankers

#### Responsibilities

Appointed on August 2022 as the President and Chief Executive Officer of EXIM Bank of Malaysia, Arshad Mohamed Ismail is looked upon to guide and lead the Bank to fulfil its mandated role as a Development Finance Institution (DFI), and vision in becoming the preferred Financier and Advisor for global business. He is well-experienced for this role having served as the President/GCEO to successfully enhance the performance of another DFI prior to this appointment. Among others, his priorities are to ensure control and governance at all levels in the organisation, driving business growth, as well as improving stakeholder engagement.

#### Experience

A seasoned banker, Arshad is an experienced multijurisdictional banking and finance professional with expertise in corporate banking, debt capital market, Islamic finance, asset management and development finance. He has worked in several jurisdictions and different types of organisations, making him a highly sought after, adaptable, and perceptive professional, as well as a prolific speaker.

Arshad was a pioneering member of CIMB Islamic, with an initial business focus in Sukuk transactions, earning the bank a name for ground-breaking Islamic finance deals.

He lists BPMB, Maybank Islamic, International Islamic Liquidity Management Corporation, Al Hilal Bank (Abu Dhabi), Aayan Capital (Jeddah) and HSBC Amanah (Dubai), amongst the organisations he has served in various leadership and management roles.

Arshad is a certified Chartered Banker with the Asian Institute of Chartered Bankers and was elected to the SC-OCIS Fellowship in Islamic Finance at the Oxford Centre for Islamic Studies in 2015.

Prior to his current appointment, he was the President/GCEO of Bank Pembangunan Malaysia Berhad (BPMB) and was instrumental in elevating its performance on all fronts.

### NORLELA SULAIMAN

Chief Operating Officer



#### Qualifications

- Bachelor's Degree (Hons) in Accounting & Finance De Montfort University in Leicester, United Kingdom
- Fellow member of Association of Chartered Certified Accountants
- Member of Malaysian Institute of Accountants (CA)

#### Responsibilities

Keeping abreast with the latest developments of the financial industry, Norlela drives the business transformation and growth for the Bank. As COO, she leads and oversees all operational activities and ensures the delivery of quality services to internal clients while ensuring optimum spend and compliance with regulatory as well as bank policies and procedures. She has a fiduciary duty to the Board of the Bank and is directly accountable and responsible to the P/CEO of the Bank for a variety of initiatives including formulating and implementing business strategies, plans and operations for effective delivery of services to support the Bank's Mandate. She provides advice and support to the management team on all aspects of the

Bank's operations and encourages process improvement initiatives while adhering to governance and risk frameworks. She also leads the workforce towards continuous growth and development in ensuring a high performance culture.

#### Experience

Norlela has more than 25 years' experience in Financial Industry. She started her career as a credit analyst in Kwong Yik Bank Berhad (now known as "Maybank Berhad") in 1996. In August 1998, she joined Pengurusan Danaharta Nasional Berhad and served in the national asset management company for 7 years in the areas of financial accounting, reporting, financial management, taxation and treasury. In January 2005, Norlela joined Prokhas Sdn Bhd to become Head of Finance and Treasury. She joined EXIM Bank in November 2008 as Head of Finance & Treasury Division and redesignated to Chief Financial Officer in 2010 & Finance Director in 2020. Subsequently, on 16 September 2021, Norlela was appointed as Acting Chief Operating Officer and currently holds the position of Chief Operating Officer.



## DR. LIZA MYDIN

Chief Strategy Officer



### Qualifications

- Executive Education, Sustainable Finance and ESG Investing, Leonard N. Stern School of Business, New York University
- Post-Doctoral Fellowship, George Washington University, Washington DC
- PhD in Islamic Finance, INCEIF
- Chartered Islamic Finance Paper, INCEIF

### Published Books (Author/Co-Author)

- Handbook of Analytical Studies in Islamic Finance & economics (2020), De Gruyter Oldenbourg, Berlin, Boston
- Resource Rich Muslim Countries and Islamic Institutional Reforms (2018), Peter Lang, New York
- Reformation and Development in the Muslim World (2017), Palgrave Macmillan, Switzerland

### Responsibilities

Dr. Liza keeps abreast with the latest development of the financial industry as well as the changing landscape of the market in order to drive the business to the next level. She steers the Bank's strategic direction and drives decision-making that creates medium- and long-term improvement. She is also tasked to create strategic partnerships with government bodies, partners and key stakeholders in order to facilitate strong working relationships that will enable the Bank to grow and better support its clients.

As part of her fiduciary duty to the Board, she is directly accountable and responsible to the CEO of the Bank for a variety of matters including strategy formulating, business plan crafting, market and trend analysis at global regional and local levels, bank-wide roadmap development, crafting of corporate scorecards and interlinked business line scorecards and metrics to support the Bank's overarching Mandate. This includes developing frameworks,

policies and procedures, tools and mechanisms to strengthen sustainability governance and meeting the country's sustainable development agenda.

She facilitates, drives and monitors the execution of the strategic plan and ensures broad cohesion for the Bank's strategic priorities by playing a critical role in supporting the Senior Management Team towards delivering strategic goals. By monitoring the Bank's performance levels, she provides constructive recommendations on intervention plans, within the prescribed governance and risk frameworks, to ensure the achievement of the agreed business objectives.

### Experience

Dr. Liza has over 14 years of experience in the Islamic Financial Services sector which began with her consultant role at PricewaterhouseCoopers advising global Islamic Financial Institutions in the areas of governance, project management and development of strategic frameworks. She moved into the Islamic banking sector in 2010 and concurrently pursued post-graduate studies in Islamic Finance. Dr. Liza has also authored and contributed towards an extensive range of articles, frameworks and publications, covering vital topics in the fields of Islamic Finance and Sustainable Investments.

Prior to joining EXIM, she was leading a Social Impact unit at Maybank Islamic Berhad the largest Islamic bank in ASEAN. She is passionate about advancing equitable financial solutions and social impact finance as she believes in the principle that the world's resources have to be managed and financed in way that would ensure no one person is left behind and all individuals across generations gain equal benefits.

## NURBAYU KASIM CHANG

Chief Business Officer



### Qualifications

- ACCA (1999), Dublin Business School
- Diploma in Accounting (1997), Mara Science College
- Certified Credit Professional
- Certification in Islamic Development Banking

### Responsibilities

Nurbayu, as Chief Business Officer, spearheads the banking business as well as formulates business strategies and plans so as to achieve the Bank's top and bottom line goals. Her responsibilities include developing, formulating and implementing business strategies and plans for business banking in tandem with developments in domestic, regional and global markets to drive revenue and growth.

She is accountable for revenue generation as well as constant financial margin enhancement for solutions, products and services offered to the Bank's customer base. She also provides

guidance to the leaders of the Bank's business lines and encourages process improvement initiatives vis enhanced relationship nurturing and building initiatives with customers and the market at large whilst adhering to approved governance and risk frameworks.

### Experience

Nurbayu has over 23 years of experience in the banking industry. Prior to joining EXIM Bank, she was the Chief Business Officer of SME Bank. She had joined SME Bank in 2013 as the Head of Kota Kinabalu Enterprise Centre and worked her way up to Senior Vice President of Head of Enterprise Banking Division before being appointed Chief Business Officer. Earlier she served with CIMB Bank for 14 years, beginning her career as an Executive Officer in Commercial Banking, Sabah in 1999 and climbing the ladder to Senior Vice President and Region Head of East Malaysia & FT Labuan by 2010.

## EXECUTIVE COMMITTEE PROFILE

### CHIN YING JACK

Chief Risk Officer



#### Qualifications

- Chartered Accountant (CA), Malaysia Institute of Accountants (MIA)
- Financial Risk Manager (FRM), Global Association of Risk Professionals (GARP, US)
- The Association of Chartered Certified Accountants, Affiliate (ACCA, UK)
- Bachelor of Accountancy (Hons), Universiti Putra Malaysia

#### Responsibilities

With a fiduciary duty to the Board of the Bank, Jack Chin is accountable for all risk management related matters. He is responsible for the setting up and effective execution of risk management strategies, frameworks and governance processes and operations across the Bank. He also leads the assessment of enterprise risk, credit risk, operational risk, business continuity, market risk and Shariah non-compliance risk to safeguard the Bank's risk profile. Aside from planning,

designing and implementing the overall risk management process, Jack Chin reviews and prepares risk reports to the Board and Management Risk Committees respectively, as well as provide recommendations for appropriate risk mitigation.

#### Experience

A qualified chartered accountant and financial risk manager, he has over 20 years of working experience in the financial services industry in Malaysia, as well as abroad with a strong background in risk management. Prior to EXIM Bank, he served in the Portfolio Risk Management of Standard Chartered Bank, overseeing the Group Risk Appetite and Portfolio Risk. Among his other notable positions, he has also served as the Senior Vice President, Risk Portfolio Management for RHB Banking Group, as well as Head of Market Risk, OSK Investment Bank.

### SAFIDAH MOHD TAHIR

Chief People Officer



#### Qualifications

- Bachelor of Human Resource Management (Hons), Universiti Utara Malaysia
- Accredited Competency Professional (ACP), Institute of Leadership & Management
- Project Leadership Certification (PLC), PIKOM
- Leadership Development Program (LDP)®, Center for Creative Leadership (CCL), Singapore (2018)

#### Responsibilities

Safidah is responsible for formulating the Bank's human capital strategic plan and overseeing its successful implementation. This encompasses all aspects of talent management and development, succession planning, compensation and benefit and the operationalising of a high-performance work environment. She ensures that the human capital framework sustainably supports the Bank's overarching mandate and that its demands and operations

are within prescribed governance and risk frameworks. As Chief People Officer, she steers the Management Team on plans that shape and sustain a culture of high performance while providing support on all aspects needed for the delivery of human capital related goals. She also has a fiduciary duty to the Board of the Bank in relation to human capital management.

#### Experience

Safidah has over 20 years of human resources experience. Prior to EXIM Bank, she served Sapura Energy Berhad as its Human Resources General Manager. She has held various human resource related portfolios across multiple industries, including KPMG Consulting (M) Sdn Bhd, Bank Muamalat Malaysia Bhd, Radicare Sdn Bhd and Ranhill Engineers & Constructors Sdn Bhd. She is a guest speaker for MBA Leadership Development Class for MBA students under UKM, Graduate School of Management.

## WAN NOORAZLI MAULA WAN SULEIMAN

Head of Legal



### Qualifications

- Bachelor of Law (LLB)(Hons), University of London (External)

### Responsibilities

Wan Noorazli's role is to provide legal advice on all legal related matters, such as contracts and service agreements, and vetting of legal documents made on behalf of the Bank to protect EXIM Bank from any legal implication.

He also provides legal advisory to the management team and other internal stakeholders to ensure awareness of liability, risk and implications of any corporate decisions made.

He manages complex legal and compliance projects that have transversal impacts on operating businesses within EXIM Bank to mitigate any adverse impacts, and works to strategise and initiate legal action for and on behalf of EXIM Bank through panel lawyers, in any business dispute that the Bank is involved in.

### Experience

Wan Noorazli started his career with EXIM Bank in 2010 as an Executive and worked his way up the ranks throughout his tenure. In the 12 years, he has experience in facilitating cross-border financing for Malaysian business, as well as funding to sovereign governments. This includes negotiating and dealing with customers in private sectors, as well as government institutions on financing and/or insurance matters within parameters determined by the Board.

He is also experienced in conducting investigation in respect of suspicious loan application in Malaysia and overseas, for example in Singapore and Indonesia. He also leads the Legal Department in strategising on litigation matters and facilitating in preparation for court matters for the bank in Malaysia and foreign jurisdictions together with the bank's external lawyers.

## THANGAMANI RAJAGOPAL

Chief Internal Audit



### Qualifications

- Bachelor of Economics (Hons), University of Malaya, Malaysia
- Certified Internal Auditor, the Institute of Internal Auditors

### Responsibilities

Thangamani acts as the Chief Internal Audit with a fiduciary duty to the Board of the Bank. He is directly accountable and responsible for all audit and assurance related matters, where he is required to set up and effectively execute audit control strategies, frameworks and governance processes and operations across the Bank. He also provides advice and support to BAC and Management on good corporate governance and risk management practices as well as recommends improvements on control processes. Steering changes and strategising the adaptation of the annual risk-based audit plan to ensure effective implementation, Thangamani also drives and directs the

internal audit activity effectively to ensure it adds value to the Bank through its deliverables. He also leads, coaches and guides staff on technical skills related to Internal Audit to ensure audit deliverables are in accordance with standards and meet stakeholder expectations. He sets and assures that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved audit plan.

### Experience

A highly experienced auditor and banker for the last 38 years, Thangamani has been with the widely known merged entity of CIMB Bank, since 1985. His last held position at CIMB was Managing Director and Strategic Project Director of Group Internal Audit Division. In addition, during his tenure with the CIMB Group, he was also appointed the Chairman for the Board of Controllers (Audit Committee) for CIMB Vietnam.



## CHAIRMAN'S STATEMENT

# Fortifying Readiness

Dear Stakeholders,

In the Name of Allah, the Most Beneficent, the Most Merciful.

Geopolitical tensions continued to impact global recovery in 2022, but it was a revitalised year of recovery for Malaysia as our nation recorded encouraging GDP growth of 8.7% for 2022. This was anchored on recovery of business, consumer and investor confidence as a result of the transition to the endemic phase post COVID-19. For EXIM Bank Malaysia Berhad (EXIM or the Bank), it marked a shift back to full focus on our mandate and a period of strengthening our foothold in a new era of global volatilities and sustainable business aspirations.

On behalf of the Board of Directors, I am privileged to present to you EXIM BANK's annual report for the financial year ended 31 December 2022.

### THE YEAR IN REVIEW

The challenges for 2022 were defined by the Russia-Ukraine hostilities and the resulting supply chain disruptions. Earlier in the year, the prolonged COVID-19 pandemic season also continued to cause uncertainty in several countries. As a result of these hurdles, the global economy expanded at a slower pace despite the gradual reopening of nations and markets throughout 2022, which is appropriately reflected by the IMF GDP growth estimation of 3.4% as compared to 2021's 6.2% estimation.

Malaysia however, recorded one of the fastest growth rates in Southeast Asia and robust export trade activity, which grew 25% from RM1.2 trillion in FY2021 to a record high of RM1.6 trillion in 2022. Trade surplus was achieved for the 25th consecutive year and was at an all-time high at RM255.1 billion. That said, Malaysia's headline inflation during the year increased to 3.3%, leading Bank Negara Malaysia (BNM) to raise Overnight Policy Rate (OPR) four times at 25bps each to 2.75% in 2022.

Having sustained impairment losses, the Bank thus placed priority on diligent credit management, while maintaining focus on growing loans and financing portfolio. More opportunities were sought through strategic alliances with other Development Financial Institutions (DFIs) and other Export Credit Agencies (ECAs), and there was continued investment in transforming people and technology.

Where investment in people is concerned, I take this opportunity to welcome Arshad Mohamed Ismail, who was appointed President and Chief Executive Officer of the Bank effective 1 August 2022. We look forward to his experience, especially in the areas of corporate banking, debt capital market, Islamic finance, asset management and development finance in effecting the change that EXIM needs at this point in time. The Bank is now focused on dynamically renewing industry engagements, restrategising for portfolio growth, improving operational efficiencies and revitalising high performance service delivery.

## SUPPORTING NATIONAL GOALS

During the year, there was a clarion call for the delivery of sustainable growth for the good of all Malaysians in tandem with the new national vision of Malaysia MADANI, whereby MADANI is the acronym for the core values: *keMampanan (Sustainability)*, *kesejahteraan (Prosperity)*, *Daya cipta (Innovation)*, *hormat (Respect)*, *keyakinan (Trust)* and *lisan (Compassion)*.

On 6 October 2022, The Ministry of Investment, Trade and Industry (MITI) launched the New Investment Policy (NIP) based on the National Investment Aspiration. The NIP focuses on bringing in high-value and high-quality investments which will create high-paying jobs.

The Bank is committed to contribute to this vision by helping to finance underserved companies' cross border venture and to grow their businesses. This brings about cascading impacts, such as more job opportunities and higher income levels.

In FY2022, EXIM Bank has extended RM312 million worth of financial assistance to underserved accounts, mainly covering the broad manufacturing sector, which comprises machinery, electronic components, rubber, plastics, motor vehicle parts, medical devices and chemicals industries.





## CHAIRMAN'S STATEMENT

Supporting inclusive growth, the Bank provides outreach and advisory support by way of engagements with industry associations, such as Malaysian International Chambers of Commerce & Industry (MICCI), Malaysia South-South Association (MASSA), the Federation of Malaysian Manufacturers (FMM) and the MITI's agencies, such as MATRADE. EXIM also works to support the unique needs of minority-owned businesses, providing hands-on guidance on how to qualify and access EXIM financing in order to grow their exports.

During the year, the Bank also continued to support CSR initiatives that uplifted underserved communities and foster awareness on environmental issues.



Refer to Specific Disclosure on Developmental Performance on page 43 and CSR report on page 46.

### MAKING STRIDES IN GOVERNANCE AND SUSTAINABILITY

As the ultimate steward of the Bank, the Board rigorously steers the Bank towards good governance and practices that fortify a sustainable future for all our stakeholders. The Bank's implementation of a sound Anti-Bribery

Management System during the year under review was a critical step forward in ensuring EXIM's continued evolution as a responsible DFI. The establishment of a comprehensive Environmental, Social and Governance (ESG) Framework is also in the pipeline towards a future driven by positive impacts.

### OUTLOOK FOR FY2023

The challenges and uncertainties in the global economy are expected to continue. Despite the uncertain environment, the Bank is committed to steadfastly step-up efforts to provide support needed by companies to stay resilient. The Board will ensure effective oversight in all undertakings by the Bank in ensuring that sound and prudent policies and practices are upheld, and that obligations to shareholders and stakeholders are met.

Proactive measures to be taken towards potentially affected sectors have been outlined within the strategy going forward. These include focusing on strengthening supply chains and support towards improving national self-sufficiency through vendor financing programmes. Support will be provided not only in terms of financing, but also includes guiding them to becoming export-ready companies.







Opportunities are also expected with the reopening of China's economy, which is anticipated to have positive cross-border spillover to trading partners like Malaysia. In addition, trade agreements like the Regional Comprehensive Economic Partnership (RCEP) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) offer opportunities for local SMEs to penetrate and to expand their businesses, as well as diversify their supply chain with the participating countries.

To that effect, the Bank is poised to intensify efforts in serving the underserved segment of SMEs and Commercials. Hence the Bank will work towards delivering its mandate in capturing these financing opportunities which will further help the Bank in making its mark in the industry.

## ACKNOWLEDGEMENTS

The past years of pandemic turbulence have shifted the Bank slightly off-course our core mandate. As businesses resume normal operations and industries continue to evolve, it is important that EXIM realigns its focus with the right strategies on portfolio growth, service efficiency, workforce productivity and adaptability to thrive and make our mark. This will drive us into the next phase of growth.

I would like to convey my sincere appreciation to my fellow Board Members, Shariah Committee Members and EXIM Bank's top management for steering the Bank on course towards diligently discharging our mandate. To all EXIMers who have dedicatedly served through thick and thin, thank you for staying the course and helping the Bank meet the challenges of recent years. Your loyalty is recognised and appreciated.

Last but not least, as a development bank for the past 28 years, EXIM Bank has also been consistently supported and driven by the policies and schemes introduced by the government. My sincere gratitude goes out to all our stakeholders – the Ministry of Finance (MOF), MITI and BNM, for their ongoing and continuous guidance and assistance.

Thank you to all who have been a part of our journey to date and we look forward to reaching greater heights and further enhance EXIM Bank's role as a leading Development Financial Institution for cross-border financing and insurance for the country.

Thank you.

**DATO' AZMAN MAHMUD**  
Chairman  
EXIM Bank Malaysia

## PRESIDENT/CHIEF EXECUTIVE OFFICER'S REVIEW

# Fulfilling Our Purpose

**2022 was a time for EXIM Bank to fully pivot back towards our mandate within a new post-pandemic environment. This comes after two years of disruption and our transient shift towards helping the government ensure businesses survive through pandemic challenges. Coming on board in August 2022, my focus for the Bank has been to review and refresh our strategies, reconnect with our stakeholders and revitalise our workforce in readiness to make our mark as the nation's preferred financier and advisor for global business.**

### FY2022 FINANCIAL REVIEW

Domestic recovery was steadfast in 2022, recording the highest annual growth rate since 2000 with GDP growth of 8.7%. However, the pace of global growth slackened due to a combination of various factors including higher-than-usual inflation resulting in tightening of financial conditions in most regions, the Russia-Ukraine conflict, supply chain disruptions, as well as prolonged COVID-19 pandemic, which continued to sporadically weigh on the wellbeing of both people and economy. Given the uncertainties within global markets, it was definitely a challenging year for EXIM Bank to rise again as the "Preferred Cross-Border Financier".

We had to change our focus during the pandemic and it is now time to get back on track. As the only Development Financial Institution (DFI) mandated by the Malaysian government to promote the development of cross-border ventures, the Bank's role remains vital to facilitate the competitiveness of Malaysian businesses. Therefore, the main task of the Bank in FY2022 was to re-establish our commitment to our mandate. By analysing and reviewing gaps in our mandate delivery performance, we have realigned our focus and are now set on course to aggressively grow our portfolio and contribute to nation building.

EXIM's financial performance for the year was impacted by prolonged contraction of our gross loans and financing portfolio and two significant impairments. We recorded revenue for RM228.1 million in FY2022 from RM174.7 million in FY2021, and a loss of RM66.5 million compared to profitability at RM51.1 million in FY2021.

Net impaired loans reduced to 11.7% from 12.2% previously, and structured recovery action against defaulters continues, as the Bank takes steps to safeguard asset quality, through more prudent allocation of resources.

 More details on our Strategy can be found on pages 42 to 44.

### RECONNECTING WITH STAKEHOLDERS

The first vital move towards growing our portfolio requires bridging business relations with existing and potential customers, and the local and international government agencies. EXIM Bank positively initiated this transformation through personal meetings and visits with local agencies, by actively participating in various trade events, talks and exhibitions. This "inside-out" strategy is to increase the awareness of EXIM Bank's existence and our products offerings to the public. The approach helped to create relationships, strengthen ties and generate trust with the Bank's existing and potential customers.

Therefore, FY2022 was distinguished by EXIM Bank's active market outreach strategy within Malaysia and across several international borders (see Box Story). Having taken the step to rebuild relationships within our business ecosystem, EXIM Bank is confident of creating and delivering sustainable value creation for our stakeholders once the clouds have cleared on cross-border opportunities in the near future.



**STRATEGIC ENGAGEMENTS IN  
FY2022****Malaysia**

The Bank participated in various government and agency events across Malaysia, such as TERAJU Outreach Programme, MICCI Exporters Engagement & Reception, MITI Day, and "Jelajah Aspirasi Keluarga Malaysia", to name a few. We were also involved in trade fairs such as SEMICON SEA 2022, Asia Port & Shipping Exhibition and many more. In East Malaysia, EXIM Bank engaged with the Sabah Development Bank in discussing future collaborations in financing, trade services, trade credit takaful and other relevant areas for Sabahan exporters. We also held sessions with Sabahan business traders dealing with export and import, with assistance from MATRADE.

**Indonesia**

Business meetings with our neighbour nation were organised as part of our mission to visit existing clients, meet new prospects interested in our facilities, as well as exploring potential collaborations with Indonesian government entities.

**Turkiye**

EXIM Bank undertook a business visit to Istanbul and Ankara, Türkiye, to explore collaboration opportunities with the Turk EXIM Bank, as well as meet with potential Türkiye companies, undertake market outreach and conduct stakeholder engagements for companies and government agencies based in Türkiye. A total of 19 Türkiye companies involved in export and import trade were present at these meetings.



## PRESIDENT/CHIEF EXECUTIVE OFFICER'S REVIEW

### STRATEGIC ENGAGEMENTS IN FY2022

#### Egypt & IsDB Member Nations

The Islamic Development Bank (IsDB) had organised the Private Sector Forum in Egypt for its members, which provided a good opportunity for EXIM Bank to promote our "Islamic First" financing. The four-day forum provided a unique platform for the Bank to network and establish business relations and partnerships with other leading representatives and stakeholders from the business community by sharing related experiences, success stories and best practices, while jointly exploring investment and trade opportunities offered by member countries.

#### Asia

The highlight for the year was EXIM Bank being given the honour to organise the 27th Annual Meeting of Asian EXIM Banks Forum (AEBF), hosting 40 delegates from 11 member countries representing our peer banks and international trade organisations in Asia. The three-day event themed **"EXIM Banks' Role in Facilitating Sustainable & Resilient Business Growth and Partnerships Post Pandemic"** convened the delegates to undertake a collaborative effort in mitigating the challenges of the post-pandemic economy. It proved to be a pertinent and crucial forum for members of the EXIM community to deliberate and evolve to new possibilities in facilitating sustainable and resilient business growth via collaborations. These partnerships and collaborations can continue to grow in increasing our cooperation post-pandemic and play a much more crucial role in tackling global issues such as climate change and addressing the funding gap.

### DRIVING GROWTH PRUDENTLY

Moving forward, we have a single-minded focus on portfolio growth and mix. This approach is underscored by mindfulness that we have limited resources and these must be optimised by channelling them to the right beneficiaries. We are making prudent moves on this front through enhanced processes to select the most deserving companies and entrepreneurs. Supporting those who possess better potential for success is in line with our aspiration to grow global and regional champions.

Our targeted financing portfolio is aligned strategically to five key sectors identified under the National Investment Aspirations (NIA) initiative. The sectors are electrical and electronics, pharmaceutical, digital economy, aerospace and chemicals – high impact industries that can cascade holistic benefits, from attracting more foreign investments to creating quality and high-skilled employment opportunities for locals, and strengthening the country's competitiveness.

In the context of Islamic finance, we have clarified our stance of staying true to our mandate and established an Islamic-first policy, whereby Shariah compliant suite of solutions will be offered first to help our customers execute projects.

A fresh commitment is also being made to our takaful and insurance business to complete our service offerings, as per our mandated role. Last but not least, we are tracking the performance of our regional offices in Penang, Kuching and Johor and encouraging further outreach to their local business communities. Targets have been imposed for every initiative outlined for greater clarity and impetus.

### ACCELERATING DIGITAL CAPABILITIES

The post pandemic phase has changed lifestyle expectations and demands, and realised a new norm of business operations. Digitalisation is the new way of life as 90% of transactions are now online-based. FY2023 sets a new stage for the Bank to re-strategise and rebuild our business by adopting digitalisation to create new platforms for financing. We recognise that to date, we have lagged on this front and thus, accelerating our digital journey is of utmost priority.

A year-long strategic plan was launched to assess current gaps and put in place clear targets to ramp up digital readiness. The implementation of a core banking system that can deliver well within today's rapidly escalating digital landscape is a critical step forward. We have identified the specifications and capabilities we want and are set to fortify our infrastructure with the appointment of the right vendor in 2023.

### ADVANCING SUSTAINABLE STRENGTHS

Globally, the sustainability of business products and services and their Environmental, Social and Governance (ESG) impacts are now of key significance. Exporters must invest in developing strategies that promote and adopt ESG principles in their production process and global supply chains to meet changing market requirements.

EXIM Bank has initiated a step to develop an ESG framework in order to evaluate all financing proposals in the light of ESG. This framework will be our anchor to measure the impacts of our financing projects.

It is imperative that the Bank internalises the measurement of ESG impacts in all we do. Steps taken in this regard include everything from evaluating our proposals, business governance and operations, including investments in corporate social responsibility (CSR).



More details on our CSR can be found on page 46.

## REVITALISING OUR WORKFORCE

The development of our human capital is equally vital at this juncture to ramp up the Bank's competitive performance and accelerate progress. A strong, motivated, capable and empowered workforce is the key driver of our set strategies.

An open communication culture is being cultivated on the ground to encourage direct feedback to top management. Quarterly townhall sessions have resumed, wherein the Bank's strategic direction and goals are being communicated. This is accompanied by intensified investment in human capital development, through training and certified upskilling programmes. At the same time, we seek to strengthen the Bank's culture of integrity at all levels and adherence to core values, through ongoing series of awareness and internalisation initiatives. Towards this end, in October 2022, the Bank implemented an Anti-Bribery Management System to uphold a zero-tolerance approach to all forms of bribery and corruption, in compliance with ISO 37001:2016 certification.

## OUTLOOK FOR FY2023

Looking back, the year 2022 was truly an outstanding milestone for Malaysia's trade. Ranking among the world's top-25 (Source: Matrade Dec 2022 Making Malaysia Great in Trade) trading nations and in the top-5 for ASEAN countries, Malaysia recorded the fastest annual growth rate in Southeast Asia, surpassing IMF's and World Bank's projections of 5.4% and 7.8% respectively. Domestic exports grew 25% year-on-year to a record high of RM1.6 trillion in 2022 (2021: RM1.2 trillion), where trade surplus reached an all-time high at RM255.1 billion, 0.6% higher than the preceding year. This is the 25th consecutive year of trade surplus since 1998.

The export expansion was underpinned by strong exports of electrical and electronic (E&E) products, liquefied natural gas (LNG), petroleum products, as well as crude petroleum. Meanwhile, exports to major trading partners notably ASEAN, the United States (US), the European Union (EU) and Japan recorded strong double-digit expansion. Singapore, Thailand and Indonesia were the top three export destinations in ASEAN for 2022, accounting for 78.3% of Malaysia's total exports to ASEAN. Significant export expansion was also registered to emerging markets, such as Costa Rica, Kenya, Egypt, Nigeria, Ghana and Iraq. Further, exports to Free Trade Agreement (FTA) partners showed an upward trajectory with a new high value after two consecutive years of contraction. (Source: Malaysia External Trade Development Corporation).

As Malaysia continues to pursue greater international trade, there are many opportunities that can be leveraged over the next three to five years. Opportunities brought about by greater globalisation and regional economic integration through Regional Comprehensive Economic Partnership (RCEP) and Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) will further solidify Malaysia's position as a strong and reliable trading nation.

The national impetus is for MSMEs to contribute 25% (11.7% as of 2021) to the nation's export by 2025 as set under the 12th Malaysia Plan and the National Entrepreneurship Policy (DKN). We look forward to financing growth opportunities that will come from Budget 2023's announcement of several financing schemes for small and medium enterprises (SMEs) worth RM3.5 billion, which will be disbursed by various agencies, including EXIM Bank.

EXIM Bank is poised to provide financial support and help develop the business acumen of local entrepreneurs or exporters to international levels. The Bank has allocated RM1.0 billion for the Exporters' Development Incentive Scheme, or "Skim Insentif Pemampanan Pengeksport" (SIP2) to facilitate SME export aspirations. The attractive financing offers up to RM10 million in funding, at subsidised financing rates for up to seven years. This affordable funding rate would encourage exporters to find new markets for their products and further increase the capability of SMEs as exporting companies in the long term.

We are cautious though of impending risks in the global environment, such as recession in major economies, escalating interest rates, disruptions to supply chain which will impact local businesses as well as continued and new geopolitical tensions. Thus, the Bank will continue to evaluate and assess the risks within targeted markets to facilitate the entry of Malaysian exporters.

## GRATITUDE & APPRECIATION

The Ministry of Finance (MOF), Ministry of Investment, Trade and Industry (MITI) as well as Bank Negara Malaysia (BNM) play vital roles in ensuring the Bank delivers its mandate, and the Bank thanks them for their continued commitment and collaborative efforts. Our appreciation also extends to our stakeholders, customers, associates and partners, with whom we have forged a resilient ecosystem through mutual gains.

Finally, my deep acknowledgement and appreciation goes out to the members of the Board for their invaluable support and counsel, as well as to the stalwart EXCO, management and staff of EXIM Bank, particularly our frontliners, who continued to serve our customers throughout these extraordinary times.

I am grateful for the opportunity to steer EXIM Bank to greater heights and look forward to further enhancing its role as a leading Development Financial Institution for cross-border financing and insurance for the country.

Thank you.

**ARSHAD MOHAMED ISMAIL**  
President/Chief Executive Officer  
EXIM Bank Malaysia

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW OF EXIM'S BUSINESS OPERATIONS

The Bank's legal and commercial name is Export-Import Bank of Malaysia Berhad, having its registered office at EXIM Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia. The Bank was initially established as the "International Division" of Bank Industri dan Teknologi Malaysia Berhad (BITMB) and was subsequently incorporated on 29 August 1995 as a government-owned Development Financial Institution (DFI), under the Companies Act, 1965 of Malaysia, through it becoming a subsidiary of BITMB. As a DFI, the Bank is governed by the Development Financial Institutions Act (DFIA). It was then spun off as an independent institution in 2005 to function as a standalone DFI focused on export credit activities. On 30 December 2005, the Bank merged with Malaysia Export Credit Insurance Berhad, retaining the name Export-Import Bank of Malaysia Berhad.

As at 31 December 2022, the Bank had an issued and paid-up share capital of RM 2,958,665,284 comprising the following:

**2,708,665,282**

ordinary shares owned by  
Minister of Finance Incorporated  
(MOF (Inc.))

**1 ordinary share**

owned by Federal Lands  
Commissioner of Malaysia

**1 special right redeemable**

preference share owned by  
MOF (Inc.)

**250,000,000**

Redeemable Cumulative and  
Convertible Preference Share  
(RCCPS) owned by MOF  
(Incorporated)

MOF (Inc.), as the shareholder of the special right redeemable preference share, has the right to appoint no more than four members out of the maximum 12 members to the Bank's Board of Directors (the Board), including the appointment of the Chairman. Any appointment to the Board and the appointment of the Chief Executive Officer of the Bank is subject to the approval by MOF (Inc.). The Bank's Board currently comprises the Chairman (who is also an independent non-executive director), four other independent non-executive directors, and two non-independent non-executive directors (one being a representative from MOF (Inc.) and the other being a representative from MITI).

## BUSINESS OF THE BANK

The Bank is the only Development Financial Institution (DFI) in Malaysia dedicated in promoting the development of cross-border ventures through the provision of financing and insurance/takaful facilities to Malaysian entities conducting their business overseas. As an agency owned by MOF (Inc.) and now under the purview of MITI, the Bank's mandated role is to provide credit facilities to finance and support export and import of capital goods, services, infrastructure projects, shipping and value-added manufacturing, by facilitating the entry of Malaysian companies into new markets abroad with an emphasis on non-traditional markets, where there is limited participation from commercial banks. The Bank also provides export credit takaful services, overseas investments and guarantee facilities.

The Bank's clientele consists of locally incorporated corporations and SMEs, as well as foreign companies and selected foreign governments. The Bank, in its export promotion efforts, collaborates with the Government and its agencies such as Ministry of Investment, Trade and Industry (MITI), Malaysia External Trade Development Corporation (MATRADE), Malaysian Investment Development Authority (MIDA), Small and Medium Enterprise Corporation Malaysia (SMECorp), Construction Industry Development Board Malaysia (CIDB Malaysia), Halal Development Corporation (HDC) and TERAJU.

The facilities offered by the Bank fall into two principal categories: banking facilities and credit takaful facilities.

## BANKING FACILITIES

EXIM Bank has established a wide range of Islamic and conventional financing facilities to cater for the financial needs of its borrowers. Among the banking facilities offered by the Bank are as follows:

### Cross-border term financing

The Bank provides overseas project, contract and investment financing facilities to Malaysian contractors or investors to undertake projects overseas such as manufacturing, infrastructure and other developmental projects and financing to Malaysian companies engaging in the supply of Malaysian goods and services and making investments overseas. Buyer credit facilities are offered by the Bank to provide opportunities to Malaysian exporters and contractors in bidding for overseas jobs and contracts. The financing is extended directly to a foreign government or foreign buyer to facilitate the import of Malaysian goods and services.



The Bank also provides export of services facilities to facilitate Malaysian companies in exporting their professional services overseas, which are typically in the form of consultancy in areas like information technology, engineering, architecture and design and other technical services.

Import financing facilities assist Malaysian companies with the import of strategic goods and services, which are unavailable in Malaysia, to promote the socioeconomic development of Malaysia.

As at 31 December 2022, the Bank's total loans outstanding relating to term financing (including both conventional and Islamic banking facilities) amounted to RM0.80 billion.

#### Trade finance

The Bank makes available various facilities in support of cross-border trade. Malaysian manufacturers, exporters and suppliers of Malaysian goods can also take advantage of the trade finance facilities to boost their exports into international markets through working capital financing under the supplier credit or financing facilities. Such facilities offer pre-shipment financing as working capital for the production of goods prior to shipment and post-shipment financing as working capital after the shipment of goods, pending the receipt of proceeds for the exported goods.

The Bank also makes available competitively priced short-term trade finance facilities to direct exporters and indirect exporters to promote the export of manufactured products, agricultural products and primary commodities under the Export Credit Refinancing (ECR) scheme. ECR is categorised under pre-shipment and post-shipment. Pre-shipment ECR is an advance to facilitate the production of goods prior to shipment and to encourage the development of a network of economic inter-dependence between exporters and Malaysian suppliers in industrial development. Post-shipment ECR is an advance to exporters to finance the export of goods after shipment, pending the receipt of proceeds for the exported goods.

Furthermore, the Bank provides short-term trust receipt financing to importers to bridge their working capital requirements through the extension of credit under documentary credit transactions until the receipt of sales proceeds.

As the imported goods are unavailable in the country of import, such financing has the ability to enhance the competitiveness of the products imported. The Bank also offers financing to Malaysian manufacturers that are involved or support export-related industries in selected vendor programmes developed by the Government or its agencies by financing the working capital needs of such manufacturers for the post delivery of goods or services supplied to their customers.

As at 31 December 2022, the Bank's total loans outstanding relating to trade finance (including both conventional and Islamic facilities) amounted to RM0.45 billion.

#### Guarantees

Guarantees are made available by the Bank to facilitate the issuance of advance payment bonds, performance bonds and standby letters of credit, required by overseas contracts, undertaken by Malaysian contractors. Such guarantees may also be offered to Malaysian investors seeking to raise funds overseas.

The Bank facilitates the import of strategic goods that will enhance the manufacturing capability of Malaysian companies, or which are unavailable in Malaysia, through the issuance of letters of credit. The Bank also offers forward foreign exchange facilities that allow customers to hedge against adverse fluctuations in the exchange rate.

As at 31 December 2022, the Bank's total guarantees outstanding amounted to RM83.00 million.

#### TRADE CREDIT TAKAFUL/INSURANCE FACILITIES

The Bank offers Islamic takaful facilities for short-term trade credit insurance and medium- to long-term trade credit.

#### Short-term trade credit takaful/insurance facilities

Short-term trade credit takaful covers export, domestic and import trade transactions with a policy term of less than one year. The facilities provide "umbrella" cover for exporters/importers who make regular exports to overseas importers and imports to domestic buyers on credit for up to 180 days. The facilities also provide cover for exports directly from third country suppliers to their destination overseas, without passing through Malaysia. As part of the type of takaful facilities available to cover short-term commercial credit risk, the Bank also provides Shariah-compliant bankers trade credit takaful facilities to protect financial institutions against the risk of non-payment by exporters arising from the default by their customers overseas.

The Bank provides bank letter of credit takaful policies covering Malaysian banks against the risk of non-payment of irrevocable letters of credit issued by overseas banks in respect of Malaysian exports. Year to date 2022, Bank's total exposure under short-term trade credit insurance/takaful amounted to RM10.12 billion.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Medium- to long-term trade credit takaful/insurance facilities

Medium- to long-term trade credit takaful that has a policy term of more than one year is offered by the Bank to enable Malaysian companies to venture into new and unfamiliar markets. The Bank provides specific takaful policies to cover the export of capital goods or services with lengthy manufacturing and/or payment periods and high contract values.

Overseas investment takaful is provided to protect overseas investments against certain political risks, such as losses arising from restrictions on the conversion or transfer of local currency, expropriation, wars and civil disturbances and breaches of contract by counterparties.

The Bank also offers specific takaful facilities to provide medium- to long-term Shariah-compliant coverage to Malaysian contractors and manufacturers undertaking one-off contracts for export of capital goods, turnkey projects, construction works or rendering services abroad against commercial, economic and political risks and losses occurring outside Malaysia due to events that are beyond the control of the contractor, manufacturer or its buyer. Year to date 2022, Bank's total exposure under medium long-term trade credit insurance/takaful amounted to RM9.38 billion.

As at 31 December 2022, Bank's total exposure under both ST and MLT trade credit insurance/takaful amounted to RM19.51 billion.

### STRATEGIC DIRECTION

Our strategy focuses on positioning EXIM as a preferred financier and advisor for global business, whilst contributing to the growth of Malaysia's economy through trade and investments partnership worldwide. The priority now is to maximise our potential by:

- 1 Preserving and enlarging capital
- 2 Positioning to capture profitable growth with healthy balance sheet
- 3 Reaffirming our commitment to stakeholders
- 4 Strategic partnering to capitalise business opportunities
- 5 Reinforcing our performance culture and entrenching process improvements in all areas, including cost and productivity

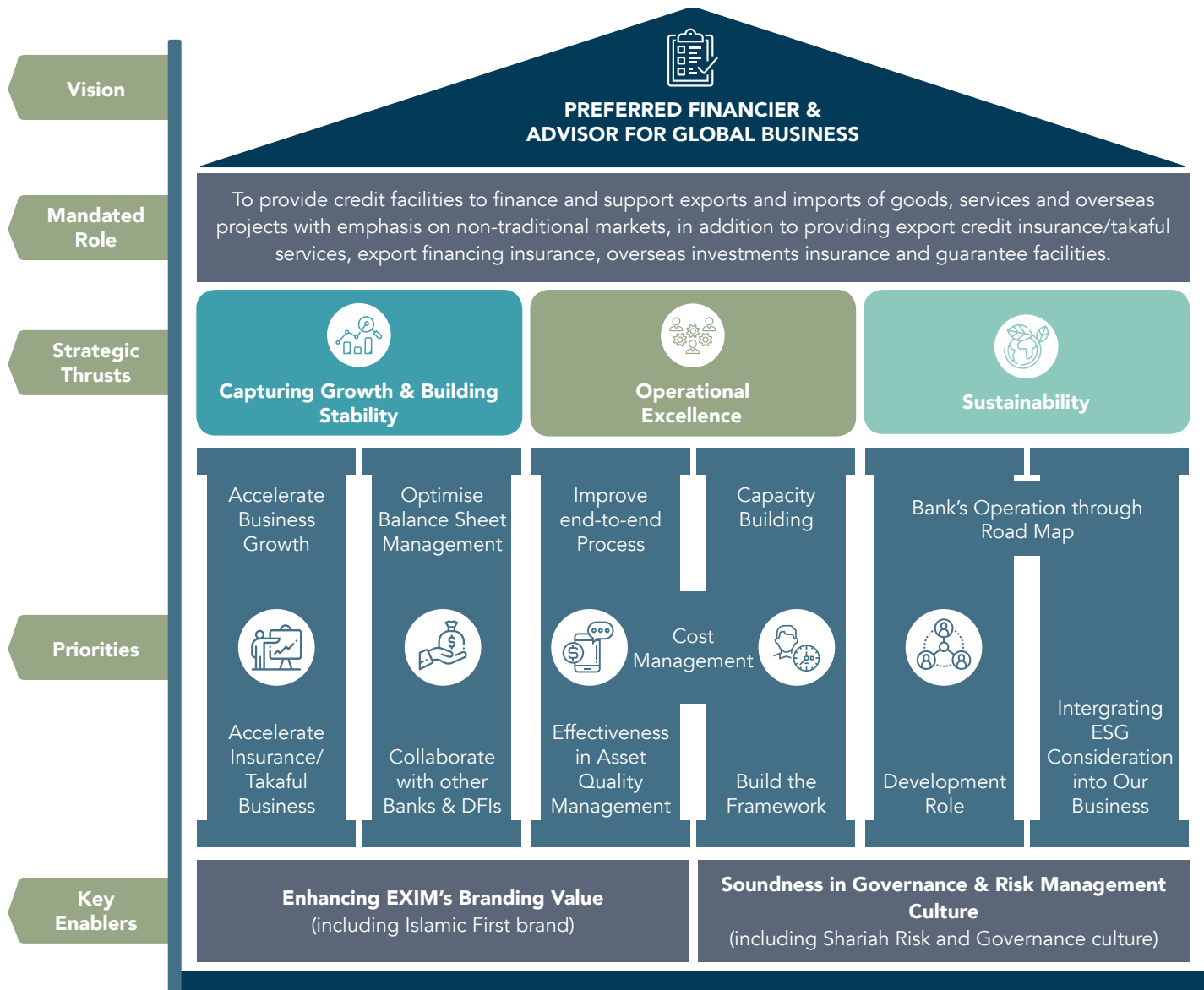
Nevertheless, the post pandemic era has brought in more challenges towards the world economy and Malaysia is not spared. EXIM Bank takes the opportunity to make improvement by realigning its financing and investment, as well as gearing up the bank's competencies in adapting the new way of doing business post pandemic.

During the pandemic, EXIM had set up strategic actions and improvement for the betterment of its operation as follows:

<b>RESTRUCTURE THE BUSINESS – accelerate assistance to sectors affected by the pandemic</b>	<b>INVEST IN TECHNOLOGY – Invest in the business enabler to further improve our technology and control framework</b>
Provide financial relief through Moratorium and R&R to borrowers effected by the pandemic	Significant investment in technology as business and operation enablers
<b>BACK TO BASICS – Focus on delivering mandate with reasonable growth</b>	<b>IMPROVEMENT IN PROCESS AND STAFF CAPABILITIES – promotes learning and development culture</b>
Putting trade as well as SME and Commercial at heart of the business	Embed compliance culture and cultivating EXIM core value (teamwork, efficiency, accountability, integrity, openness)

**STRATEGY 2023 – STABLE GROWTH AND SUSTAINABLE**

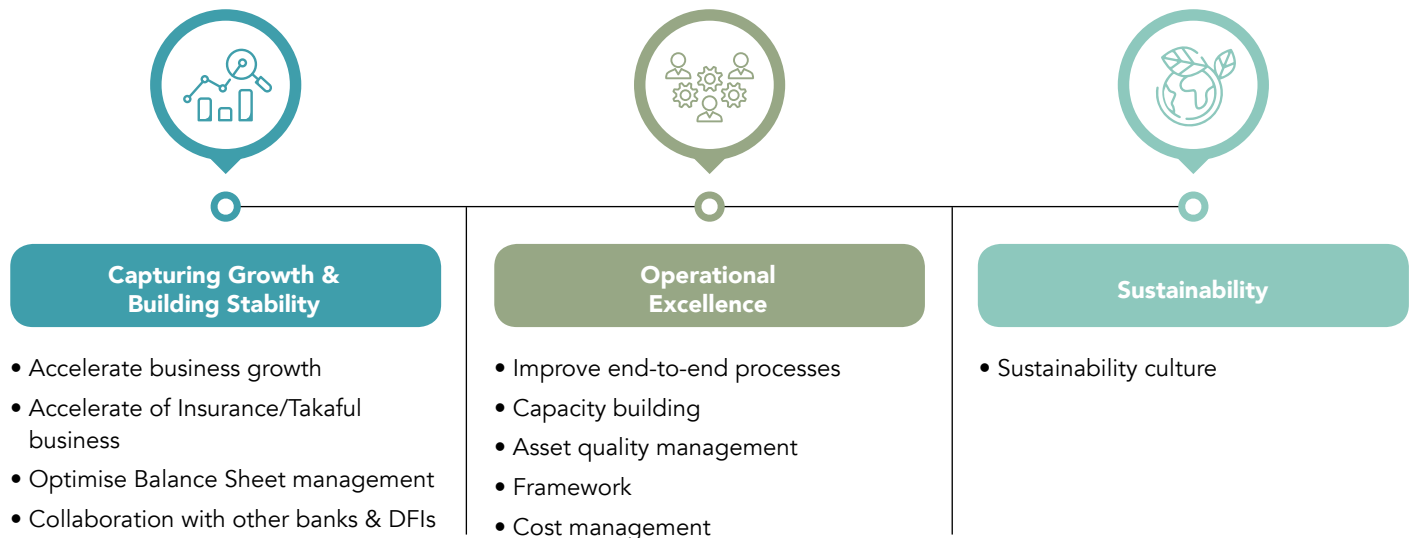
The theme for Corporate Strategy Plan 2023 is “Stable Growth and Sustainable”, focusing on stabilising the growth and sustainability of EXIM Bank, as well as improving value creation for the Shareholders. We reaffirm our commitment to being a preferred Development Financial Institution (DFI) for Malaysia’s businesses seeking financing, facilities, insurance/takaful cover and advisory services for conducting business abroad.





## MANAGEMENT DISCUSSION AND ANALYSIS

To achieve the stable growth and sustainability of the Bank, three strategic thrust has been established as the key pillars of EXIM Bank's strategy preparation, namely Capturing Growth & Building Stability, Operational Excellence and Sustainability. These three thrusts are expected to drive the Bank to enhance its mandate deliverable for FY2023. The key strategic thrusts will be driven by ten priorities that will steer EXIM Bank to achieving its target for CSP 2023.



**Capturing Growth and Building Stability** is highly relevant to the Bank's current condition, whereby a stronger asset growth is needed as the Bank aspires to do more for the Malaysian business venturing abroad, particularly the commercial and SMEs segments. The Bank is also looking into addressing its efficiency in undertaking various processes in achieving **Operational Excellence** for its services. As part of its long-term plan in serving the able Malaysian and facilitating the National agenda in building a trading economy, the Bank is having its foresight in adopting **Sustainability** in its operation by introducing frameworks to govern its deliverable including those frameworks that were introduced at national level, such Environment Social Governance (ESG).

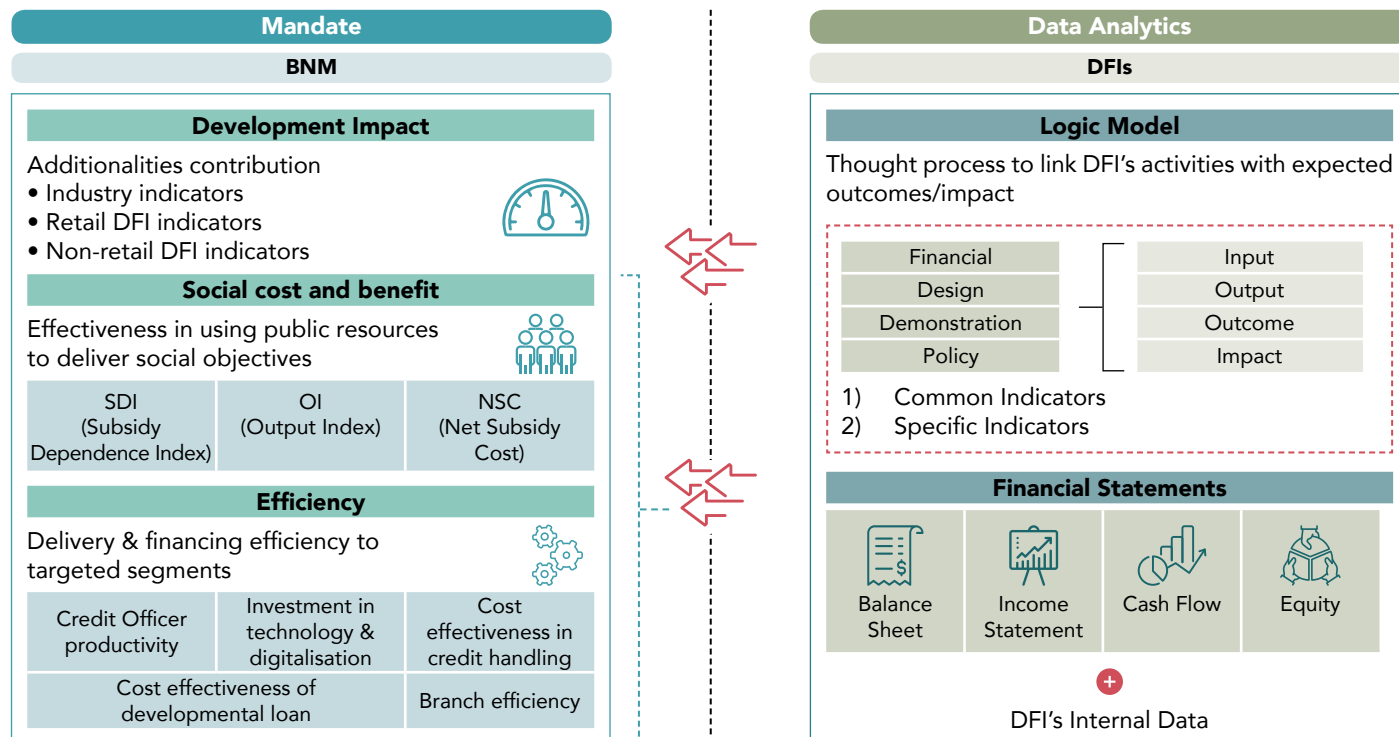
### SPECIFIC DISCLOSURE ON DEVELOPMENTAL PERFORMANCE

The Performance Management Framework (PMF) is an outcome-based management tool, which acts as a guide in developing and evaluating the Bank's performance in delivering its mandate. PMF's key differentiator is its robustness, where it captures the broader contributions of Development Financial Institutions (DFIs) beyond the narrow focus of financing growth indicators. In particular, PMF integrates developmental key result indicators to measure the socio-economic impact of DFIs' operations and to create strong incentives for strategic alignment to achieve greater development impact.

The adoption of PMF is also intended to strengthen the capacity and capability beyond conventional financial indicators by factoring in the socio-economic impact of the DFIs. The PMF would be centred on the principles of additionality with the following main purposes:

- Sharpen DFIs' focus towards delivering socio-economic outcomes and development; and
- Create a consistent and structured performance measurement approach across all DFIs.

The components of PMF are as illustrated below:



## MEASURABLE INDICATORS

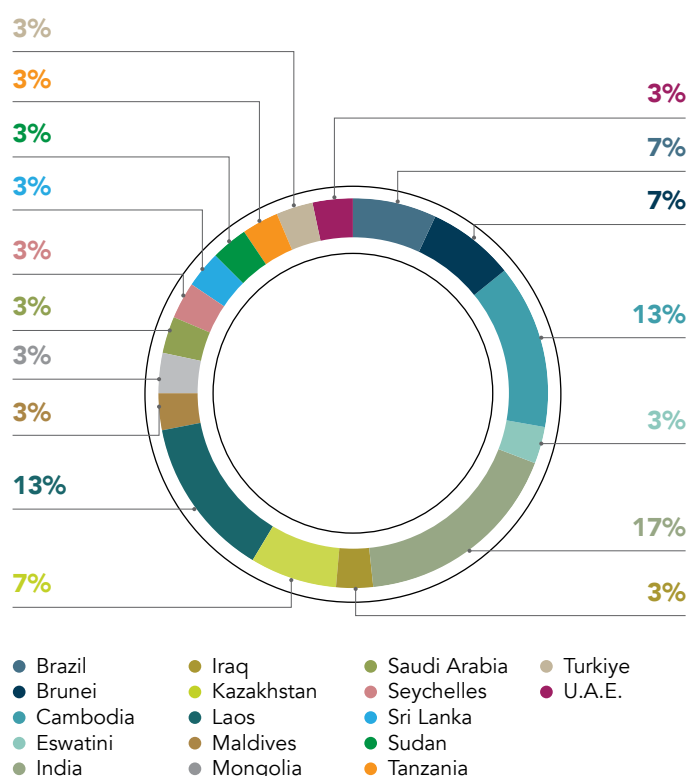
This well-organised and comprehensive framework has been crucial in getting EXIM Bank involved in the country's development strategy. As a specialised financial intermediary, EXIM Bank finances underserved markets or sectors with vital capital.

The underserved segment is defined as companies who find it hard to obtain financing for their cross-border ventures, due to reasons such as being a new exporter or the country that they are venturing is of an unfamiliar territory. In this context, EXIM Bank has extended its financial assistance to the underserved worth RM312 million for FY2022.

## EXIM BANK'S SUPPORT TO NON-TRADITIONAL MARKETS

EXIM Bank's aim throughout its first decade of operations was to facilitate the exports of Malaysian goods and services to international markets, promoting effective trade with developing countries and supporting Malaysian participation in reverse investment projects, particularly within non-traditional markets. The Bank's exposure towards these markets are depicted in the chart below. The Bank is expected to regularly review its strategic contribution towards the economy in discharging its mandate.

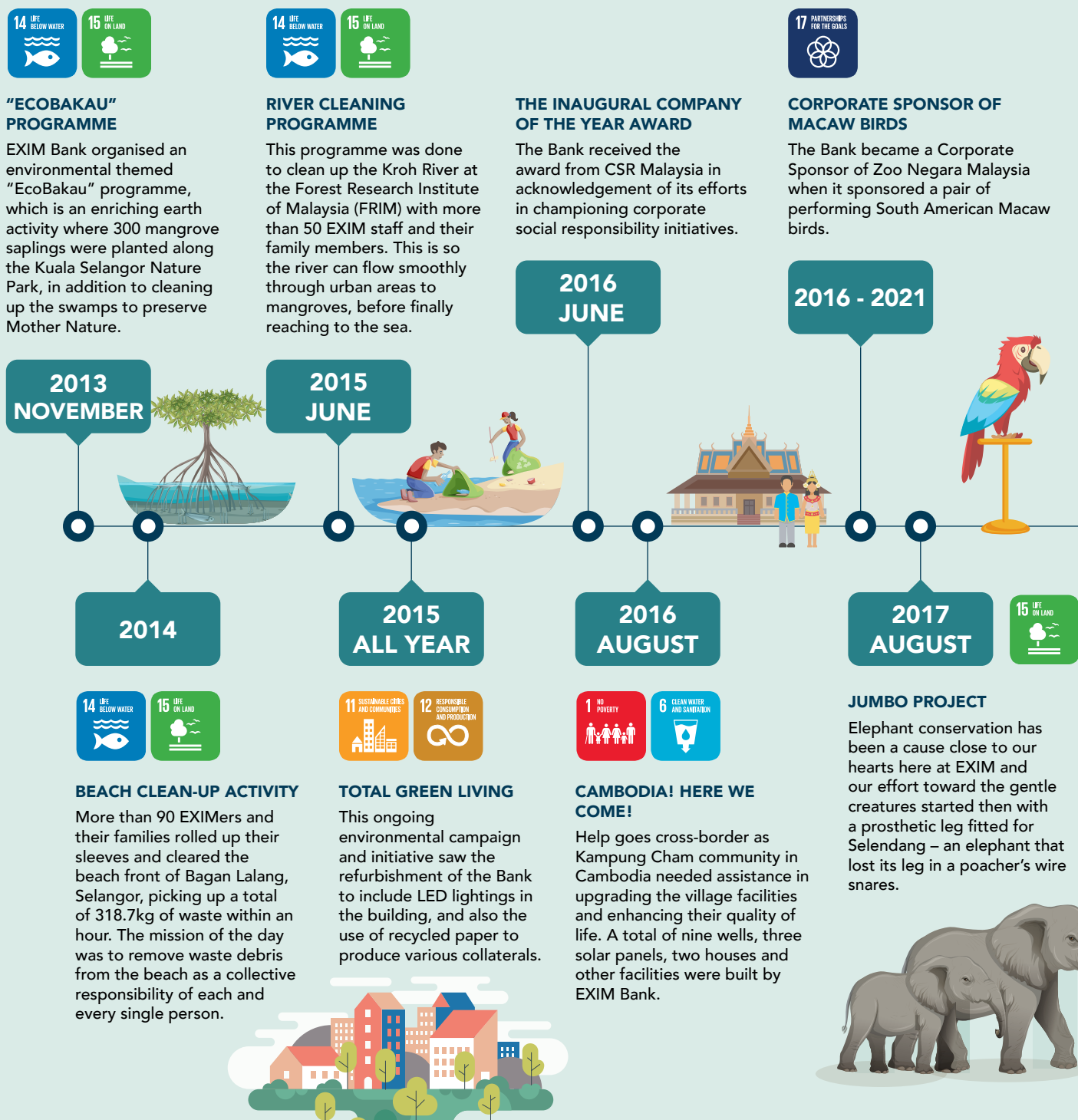
## Non-Traditional Markets by Country



# OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY

## OUR JOURNEY THUS FAR

As Corporate Social Responsibility is part and parcel of EXIM's way of life, we have carried out many activities over the years. Be it cleaning a river, helping wildlife, recycling fabrics and plastic bottles, giving light and water for underserved communities right down to planting trees to help achieve the Government's 100 million trees by 2025 target – these are only the tip of the iceberg of the CSR initiatives that we have embarked on from 2013 till today. We take you down memory lane as we reminisce some of these memorable efforts under the pillars of Environment and Community, which we carried out.







### ONGOING SUPPORT OF NECC

EXIM Bank continues its support of the National Elephant Conservation Centre with a prosthetic leg for 2-year-old baby elephant named Elly, which lost its front lower right foot from a trap laid by illegal hunters.



### ONGOING CRUSH-IT RECYCLING PLASTICS

Once again EXIM Bank successfully collaborated with Kloth Malaysia and launched the CRUSH-It Recycling Plastic Bottles, which saw EXIMers using the reverse vending machine (RVM) to recycle plastic bottles.



2018 - 2022  
AUGUST



### ONGOING EXIM FABRIC RECYCLING MOVEMENT

A well-received programme, the fabric recycling movement by EXIM saw a total of more than 1,000 kg of fabric collected via the bin.

2020



2021



## WHAT'S NEXT?

EXIM Bank aspires to plant trees to help achieve the Government's **100** million trees target by 2025.

2019

2021



### ONGOING E-WASTE CAMPAIGN

Electronic waste or e-Waste Campaign was conducted by EXIM Bank to inculcate the recycling habit among its employees through the collection of more than 200kg of unused electronic peripherals.



### ALL LIGHTS PROJECT

Working with Global Peace Foundation, EXIM Bank provided renewable and sustainable solar energy for the marginalised Orang Asli community in Pahang.

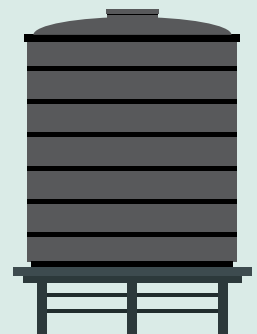


2022



### ORANG ASLI WATER PROJECT

The "Water Project" by EXIM Bank has benefited over 45 households of the Jakun Orang Asli community with rainwater harvesting system as a secondary source of water supply for their homes and farm.



## OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY

### CORPORATE SOCIAL RESPONSIBILITY INITIATIVES FOR 2022

EXIM Bank dedicates much effort in supporting causes that effect positive impact to the lives of our beneficiaries. Every CSR programme is strategically planned with proper resources and objectives to ensure sustainable and impactful outcomes. We continue to improve the way we record benefits and impact to ensure that the work we do on this front leads to sustainable outcomes. Throughout the years, we have embarked on various CSR programmes by collectively engaging with our business ecosystem of employees, marketplace players and non-governmental agencies. Wherever possible, we partner with established social gamechangers to ensure objectives of our social impact projects are well-identified, tracked and measured.

As the custodian for all the projects we undertake, the Bank's Corporate Communication Department is proud to present a summary of EXIM Bank's 2022 CSR activities.





## COMMUNITY

**EXIM is committed to investing our time, expertise and resources to make a sustainable difference through meaningful projects, financial aid and material contributions.**

## ORANG ASLI WATER PROJECT

### Objectives

- To uplift the quality of the Orang Asli lives by providing clean water access.
- To continue the Bank's community-conscious project by collaborating with Global Peace Foundation Malaysia (GPFM), an NGO championing the Orang Asli community since 2014.



EXIM Bank Malaysia, together with Global Peace Foundation, is giving access to clean water to the Jakun Orang Asli settlement in Kampung Patah Pisau, Muadzam Shah in Pahang.



EXIM Bank began collaborating with GPFM, an NGO focused on uplifting Orang Asli communities, in 2021 for a socially responsible project dubbed "The All-Lights Village". Through this initiative, the Bank provided solar energy lights that benefited four Orang Asli (OA) villages, which consist of 45 households, or 150 villagers.

This CSR project brought various benefits to the OA community. Their energy expenditure was reduced as they no longer needed to buy expensive and unsustainable energy sources; health and environmental impact improved as hazardous bonfires were no longer needed at night; and the community's productivity and livelihood were enhanced once they had electricity to continue working and studying through the evening and night.

In 2022, the Bank worked with GPFM to address another critical challenge faced by the OA community – the lack of easy access to safe and clean water. Having unreliable and inadequate water source and storage are some of the challenges faced by the Jakun community of Pahang. Knowing that the health and resilience of a community can only be fully realised with access to clean water, sanitation and hygiene facilities, GPFM launched several water related projects for two villages - Kg. Teraling and Kg. Patah Pisau located in Rompin district, Pahang – where the need for better access to water was dire. For example, the orang asli of Kampung Padang relied on water from a self-dug well for drinking, cooking, and washing. The well is located half a kilometre away and it takes 15 minutes to walk there through an overgrown path. Walking back with their load of water, however, is a daunting chore, especially for the women tasked with fetching water. This 30-minute journey to the well and back while being weighed down by several gallons of water happens a few times a day, and is the painful reality for the people here who have no choice or are powerless to change their situation. As a result, the communities kept usage of water to a minimum, which impacted their health and hygiene standards.

The Bank contributed to "The Water" project which was designed to bring manifold benefits to the OA community by implementing rainwater harvesting systems as a secondary source of water supply for their homes and farms. This alternative water source for their daily use sustainably boosts the community's health, hygiene and food security.



## OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY



### ENVIRONMENT

**EXIM Bank has made a long term commitment to reduce waste through recycling initiatives that are ongoing and contributing to the conservation of Malaysia's elephant population.**

### ADOPTION OF BABY ELLY

#### Objective

To continue providing for the wellbeing of Elly, the handicapped baby elephant as part of the Bank's sustainable CSR Environmental initiative for 2022.



On World Elephant Day 2022, the National Elephant Conservation Centre (NECC) received donations from organisation, including EXIM Bank Malaysia, for conserving and caring for elephants at the centre.

Since 2017, EXIM Bank had committed itself and worked together with the National Elephant Conservation Centre (NECC), Kuala Gandah to help conserve elephants, which are an endangered wildlife species in the country. In 2018, after the successful programme held the year before in NECC, EXIM Bank once again came forward in adopting another handicapped baby elephant named Elly, who needed urgent medical assistance due to its critical condition when she lost her front lower right foot from a trap laid by illegal hunters.

Subsequently, this CSR effort in adopting baby Elly and addressing her needs saw the Bank contributing custom-made prosthetic legs that required replacement twice a year to accommodate her rapid growth; a one-off portable paddock for Elly's daily mobility exercise; and a one-year supply of milk, multivitamins and other supplements, as part of her medical treatments and sustenance.

To ensure the sustainability of our long-term environmental effort commitment, the Bank has renewed the adoption of baby Elly in 2022 to ensure she stays healthy as she grows up and is equipped with the necessary medical treatments.





## SOCIAL

**Through sponsorship, donations and contributions, we stay community-responsive and constantly look out to make a sustainable difference, be it small or big, to the less fortunate in our community.**

### BRINGING RAMADHAN CHEER TO ORPHANS

#### Objective

To assist orphanages in the preparation of the fasting month and Hari Raya Aidilfitri celebration for the children in their care.



The children and caretaker of Rumah Anak Yatim At Taqwa, Norhayati binti Wan Abib with the donation and goodies received from EXIM Bank.

Being socially responsive and constantly looking out to make a sustainable difference in the community, the Bank has consistently, during the month of Ramadhan, taken the opportunity to spread cheer among neglected segments in society. This year the focus was to bring festive cheer to orphans in Persatuan Pengurusan Pusat Jagaan Titian Kasih (Titian Kasih), located in Titiwangsa; and Pertubuhan Kebajikan dan Bimbingan At-Taqlwa (At-Taqlwa) in Puchong.

Titian Kasih was established in 1998 and has a total of 100 residents, who are mostly children, At-Taqlwa was established in 2011 and has a total of 53 residents - children ranging from 4 to 18 years old. Post pandemic, these homes face escalating costs that are barely covered by the donations received from the government, private sectors, and NGOs. Without community help, the homes are unable to meet the extra expenses for Ramadan and Hari Raya celebrations.

EXIM Bank stepped into this role to offer motivation, fellowship and support in uplifting spirits during the month of Ramadan. The Bank also provided donations to help them prepare for the holy month, as well as contributions of packed food for breaking of fast.

## OUR CORPORATE SOCIAL RESPONSIBILITY JOURNEY

### FOOD BANK COLLABORATION WITH BURSA MALAYSIA

#### Objectives

- To create awareness among staff on the importance of food waste management through a series of educational email announcements, trivia posters, and webinars by Bursa Malaysia.
- To collaborate with Bursa Malaysia for a wider reach in helping communities in Klang Valley.



The MahMeri Orang Asli community in Pulau Carey was the beneficiary of the re.Food project, jointly organised by Yayasan Bursa Malaysia and EXIM Bank Malaysia.

In October 2021, Bursa Malaysia had approached EXIM Bank to explore the possibility of collaborating on its flagship **re.Food** programme spearheaded by Yayasan Bursa Malaysia. Aimed at creating awareness on food management amongst corporate employees and targeted communities, the Bank decided it was an ideal staff engagement initiative to get our employees involved with the Bank's CSR projects.

**re.Food** is a waste management programme with the objective of reducing food waste going into landfills, while helping to alleviate poverty by feeding the underprivileged through the distribution of edible food and non-edible food surpluses. EXIM Bank staff worked together with Bursa Malaysia and other NGOs to channel the support to B40 communities. Some of the initiatives included:

- Food collection box placement at EXIM Bank sponsored by Bursa Malaysia.
- EXIMers encouraged to donate dry food that will be channeled to the B40 groups.
- Bursa Malaysia organised a webinar for EXIM Bank's employees to increase their awareness on Food Waste Management.
- EXIM Bank donated RM5,000 to three selected NGOs to purchase food supplies to be distributed to the B40 groups.

#### WE WELCOME FEEDBACK

In advancing our investment in sustainability, we see beneficial synergy between our evolving sustainability reporting and stakeholder engagement processes. Comments, suggestions and critiques on our sustainability practices and reporting are welcome. Please send us a message via email to [communications@exim.com.my](mailto:communications@exim.com.my).



## CORPORATE EVENTS



**JANUARY  
2022**



Sheraton  
Imperial,  
Kuala Lumpur

### EXIM'S INTEGRITY PLEDGE

Dato' Azman Mahmud, Chairman of EXIM Bank Malaysia, led the Board of Directors, Shariah Committee, Management and staff in the Integrity Pledge at the Ikrar Bebas Rasuah event held by the Bank early last year.



**FEBRUARY  
2022**



EXIM Bank  
Malaysia,  
Kuala Lumpur

### GIFT OF LIFE

EXIMers came out in droves to donate blood to the National Blood Centre (Pusat Darah Negara) as the Bank conducted a Blood Donation Drive. The show of support by EXIM Bank is carried out each year to help the centre replenish the blood it has in stock.



## CORPORATE EVENTS



**FEBRUARY  
2022**



**EXIM Bank  
Malaysia, Kuala  
Lumpur**

### MOF PAYS OFFICIAL VISIT

Datuk Rosli Yaakub, Deputy Secretary of Governance and Monitoring Sector Division, Government Investment Companies Division (GIC), Ministry of Finance, paid an official visit to EXIM Bank Malaysia.



**MARCH  
2022**



**Sheraton  
Imperial,  
Kuala Lumpur**

### "MELAYU CLASSIC" THE WAY TO GO

EXIM Bank Malaysia's Chairman, Dato' Azman Mahmud hosted the Bank's Hari Raya Open House and welcomed the then Senior Minister of MITI, Dato' Seri Mohamed Azmin Ali and Deputy Minister of MITI, Senator Datuk Lim Ban Hong. Besides the Board, Shariah Committee and employees of the Bank, other distinguished guests were also present to lend an air of festivities to the Bank's Raya Open House.







**JUNE  
2022**



**EXIM Bank  
Malaysia, Kuala  
Lumpur**

### A MEETING IN THE MAKING

Ahead of the 27th Asian Exim Banks' Forum taking place in the month of November 2022, all members gathered virtually in the Technical Working Group to discuss issues that will be brought for further deliberation by the Heads of Delegation.



**AUGUST  
2022**



**EXIM Bank  
Malaysia, Kuala  
Lumpur**

### WOMEN POWER AT EXIM

The Exporters' Breakfast Talk was jointly organised by EXIM Bank Malaysia and Usahanita Malaysia, where close to 70 women entrepreneurs joined and networked during the enlightening session.





## CORPORATE EVENTS



**SEPTEMBER  
2022**



Kuala Lumpur  
Convention  
Centre, Kuala  
Lumpur

### JOB HUNTERS THROG THE FAIR

It was all hands on deck for the Human Capital Management Department at the Mega Career Fair, as many job seekers thronged the EXIM booth to find out about career opportunities with the Bank.



**OCTOBER  
2022**



Melawati Mall,  
Gombak,  
Selangor

### MITI DAY IS HERE AGAIN!

As an agency under the Ministry of Investment, Trade and Industry, EXIM Bank Malaysia played an active role in the MITI Day celebrations held at the Parking Lot of Melawati Mall in Selangor.





**NOVEMBER  
2022**



**Mandarin  
Oriental,  
Kuala Lumpur**

### POMP & GALORE AT THE 27TH AEBF ANNUAL MEETING

Held over three days, the 27th Asian Exim Banks' Forum 2022 was conducted in Kuala Lumpur, Malaysia and hosted by none other than EXIM Bank Malaysia. The event kicked off with bilateral meetings among the members of the forum, followed by a grand welcoming dinner. The next day, 10 Heads of Delegation convened in the annual meeting that also saw the culmination of a Joint Statement regarding Financial Support to Green Development signed among the members. The final day was a fun-filled day with the delegates experiencing Malaysian hospitality, where they were brought to the School of Hard Knock by Royal Selangor, did batik painting and also enjoyed local fusion cuisine.



Heads of Delegation wearing the 'tanjak or tengkolok', a traditional Malay male headgear made from songket, and the 'songket' shawl for the female, as the theme for this year's AEBF 2022 hosted by EXIM Bank Malaysia.



## CORPORATE EVENTS



50 participants from the 12 Asian Exim Banks member countries who attended the annual meeting in Kuala Lumpur.



Signed and sealed – the Joint Statement regarding Financial Support to Green Development by the Heads of Asian Exim Banks.





**DECEMBER  
2022**



**Sheraton  
Imperial,  
Kuala Lumpur**

### EXPORTERS ENGAGEMENT

EXIM Bank Malaysia, together with Malaysian International Chambers of Commerce (MICCI), joined hands to give a talk to over 60 exporters on the economic outlook and the product offerings they have to offer.



**DECEMBER  
2022**



**Double Tree  
Hotel, Kuala  
Lumpur**

### STRONG SHOW AT AICIF

The 10th ASEAN International Conference on Islamic Finance (AICIF) saw EXIM Bank Malaysia demonstrating a strong showing, as it took part at the talk and exhibited its solutions to all participants.





## MEDIA HIGHLIGHTS



**KUCHING:** Perbadanan Produktiviti Malaysia (MPC) Wilayah Sarawak mengahang 300 pekubutur lambuk kepada semua kakitangan Agensi Kementerian Perdagangan Antarabangsa dan Industri (MITI) dan masyarakat setempat, baru-baru ini.

Pengarah MPC Wilayah Sarawak Nor Hafiz Mohd Anop menaruh kenyataan media memberikan pengahang butur lambuk tersebut dalam tempoh selepas aktiviti memasak bersama berhemkan 'Tilpan Ramadan'.

Ujarnya, program tersebut merupakan aksi tahunan MPG sejak 2018 dan merupakan acara pertama antara agensi MITI Sarawak selepas dua tahun tidak dapat diadakan disebabkan pandemik Covid-19.

"Saya berharap lebih banyak usaha kolaborasi inovatif dapat dilaksanakan sepanjang tahun bagi mengukuhkan lagi kerjasama antara agensi dalam meningkatkan produktiviti.

"Selain itu, program ini diadakan bertujuan untuk mengeratkan silaturahim di kalangan warga

Dedahnya lagi, program tersebut merupakan anjuran bersama antara (MITI) Sarawak serta agensi lain termasuk Malaysia Productivity Corporation (MPC), SIRIM, Malaysia Investment Development Authority (MIDA), Malaysia External Trade Development Corporation (MATRADE), Malaysian Industrial Development Fund (MIDF) dan Exim Bank Malaysia.

BUSINESS / Corporate World



**FOR THE ALBUM**  
Jioe International  
and Industry  
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puty Datuk Lim  
ng (second from  
nd Export-Import  
of Malaysia Bhd  
man Datuk Azman  
rud (second from  
t a Hari Raya open

**2 BIG WINNER** (From left) Sunway University Vice-Chancellor Prof Graeme Wilkinson, Sunway Ihd founder and chairman Tan Sri Dr Jeffrey Cheah and Lancaster University academic dean at Sunway University Prof Andrew Abbott with the 'UK-Malaysia Partnership of the Year' and 'UK-Malaysia Education Institutional Partnership' awards at the British Malaysian Chamber of Commerce Business Excellence Awards 2022 event.

**3 SUSTAINABILITY INITIATIVE**  
Standard Chartered Saadiah Ibbi chief executive officer Mohd Suhaimi Abd Hamid (second from right) and United Nations Global Compact (UNGC) Network Malaysia and Brunei executive Nadar (second from left):  
dum of understanding s  
With them are Standard  
Malaysia executive direc  
ness) and head of products  
and UNGC outreach and

4 GLOBE EVENT  
HBS Asia Ind co-chief ex-  
ecutive officer, HBS Liaison  
University of Hong Kong (HKU)  
Business School, Prof Hon

**5 IMPROVED EXPERIENCE**  
(From left) Jaguar Land Rover Malaysia Sdn Bhd sales head Kelvin Chuah, managing director Syed Ahmad Muzri Syed Faiz, Singapore-based Jaguar Land Rover (distribution) Joint Venture Group chairman and managing director, the Robert Ayres Group, and Jaguar Land Rover Malaysia managing director, the Robert Ayres Group, and Jaguar Land Rover Malaysia managing director, the Robert Ayres Group, and Jaguar Land Rover Malaysia managing director, the Robert Ayres Group.


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depending on export markets or the availability of foreign exchange. According to their economy ministers, the two countries have no fundamental risks before them. They are confident that the business losses in the second half of 1998 will be limited by the stability of long-term export agreements and the low level of foreign debt. They also expect that the government will be able to negotiate a successful restructuring of the national debt with the IMF and the World Bank. In the case of Russia, the IMF and the World Bank (WB) are also confident that the country's economic growth will be sustained by the recovery of the private sector, the high unemployment rate, the high inflation rate and the high unemployment rate. The IMF and the WB are also confident that the country's economic growth will be sustained by the recovery of the private sector, the high unemployment rate, the high inflation rate and the high unemployment rate.

## FINANCIAL REGISTERED

STAMPDOKI

Thursday 25-Aug-2022 8:48 AM

**MOODY'S AFFIRMS EXIM BANK'S A3 RATINGS**

Moody's

### 林伟才扶盘增持顶级手套

**取**代达雅集团上市地位的Propel环球(PGB, 0091, 主板能源股), 在重组计划下, 向大马进出口银行发出4893万股或8.1%股权偿付部份欠债, 后者因此成为大股东。

顶级手套 (TOPGLOV,  
7447 十位/百位/千位) 81/100 21

Thursday, 25 Aug 2022 8:46 AM MYT



The PETRONAS WFP Conservation Day connected OSE vendors with financial institutions for financial solution

PETRONAS, MOCSC and MODVA facilitate access to financial institution partners

PETRONAS, in collaboration with the Malaysian Oil, Gas and Energy Services Council (MOGSC) and Malaysia OGV Owners Association (MOGA), recently hosted the PETRONAS Vendor Finance Programme (VFP) Conversation Day aimed at connecting vendors in the oil and gas service equipment (OGSE) ecosystem with VFP's partnering financial institutions to explore viable fi...

### Exim Bank to help companies weather through next year's storm



**KUALA LUMPUR:** The Export-Import Bank of Malaysia Bhd (Eim Bank) will step up its efforts to provide the support needed by companies to survive and thrive throughout next year's stormy economic climate, where the global economy is expected to return to its slowing growth rate.



BERNAMA.com

**ASIAN EXIM BANK FORUM MEMBERS ON BRINK TO INK JOINT STATEMENT ON GREEN FINANCIAL SUPPORT**

By Nurul Jannah Kamaruddin

KUALA LUMPUR, Nov 15 (Bernama) — Asian EXIM Bank Forum (AEBF) members will be signing a joint statement on Financial Support to Green Development tomorrow in conjunction with their 27th annual meeting which started today.

The three-day AEBF annual meeting, which ends on Nov 17, 2022, is being held by the Export-Import Bank of Malaysia Bhd (EXIM Bank Malaysia).

**Members of the Asian EXIM Bank Forum are verging on signing a joint statement on green financial support**

by moneycompass — November 16, 2022 in Current News

**銀行業人事大風吹  
今年11家銀行換掌舵人**

【本報訊】從今年11月開始，國內銀行業進入一大人事變動時期。迄今至少有11家銀行宣佈更換掌舵人。除了因時任總執行長屆滿而退休或選擇不續約，評選為亞太區商業金志（Finance Asia）授予「亞太區最佳財務長」獎。在過去幾個月，國內銀行業經歷了多起人事變動。其中，渣打銀行（Standard Chartered）宣佈更換總執行長，由現任副總裁接任。此外，匯豐銀行（HSBC）也宣佈更換總執行長，由現任副總裁接任。這些變動反映了銀行業在面對挑戰時的調整和變革。

渣打銀行（Standard Chartered）宣佈更換總執行長，由現任副總裁接任。此外，匯豐銀行（HSBC）也宣佈更換總執行長，由現任副總裁接任。這些變動反映了銀行業在面對挑戰時的調整和變革。

IR, 15 November (Bernama) — Members of the Asian EXIM Bank Forum (AEBF) will sign a joint statement on financial development tomorrow as part of their 27th annual meeting, which began today.

port Bank of Malaysia Bhd is hosting the three-day AEBF annual meeting, which concludes on November 17, 2022 (EXIM

**BUDGET 2023'S INITIATIVES TO MOBILISE DOMESTIC FRONT, PROVIDES SUPPORT TO LOCAL BIZ -- EXIM BANK****EXIM BANK TERUSKAN KOMITMEN DALAM PEMULIHARAAN GAJAH****Arshad dilantik CEO baharu EXIM Bank**

Export-Import Bank of Malaysia Bhd (EXIM Bank) mengumumkan pelantikan Arshad Mohamed Ismail sebagai Presiden dan Ketua Pegawai Eksekutif (CEO) baharu berkuat kuasa 1 Ogos 2022.

"Arshad membawa pengalaman luas dalam pelbagai bidang kuasa perbankan dan kewangan, terutama perbankan korporat, pasaran modal hutang, kewangan Islam, pengurusan aset dan pembiayaan pembangunan, yang akan melaksanakannya di kedudukan mantap untuk memacu perniagaan serta melaksanakan perubahan diperlukan organisasi," kata Pengurus EXIM Bank, Datuk Azman Mahmud.

Arshad sebelum ini dilantik sebagai Presiden/CEO Kumpulan Bank Pembangunan Malaysia Bhd (BPMB).

Sebelum BPMB, pelantikan beliau termasuk pelbagai jawatan kepimpinan dan

pengurusan di Maybank Islamic Bhd, International Islamic Liquidity Management Corporation (IILM), Al Hilal Bank di Abu Dhabi, Aayan Capital di Arab Saudi, HSBC Amanah di Emiriah Arab Bersatu (UAE), selain salah seorang anggota perintis CIMB Islamic.

Arshad memegang Ijazah Sarjana Muda Undang-Undang daripada Universiti Islam Antarabangsa Malaysia (UIAM) dan Sarjana Pentadbiran Perniagaan daripada London Business School, United Kingdom.

Beliau adalah Ahli Perbankan bertauliah dengan Asian Institute of Chartered Bankers dan dilantik ke dalam SC-OCIS Fellowship in Islamic Finance di Oxford Centre for Islamic Studies pada 2015.

Arshad  
Mohamed  
Ismail



# STATEMENT OF CORPORATE GOVERNANCE

## INTRODUCTION

The Board of Directors (Board) of Export Import Bank of Malaysia Berhad (EXIM Bank or the Bank) is committed to upholding the principles and best practices of corporate governance and adheres to the Bank Negara Malaysia's (BNM) Corporate Governance Policy Document (CGPD), and primary legislative and regulatory provisions. The Board remains dedicated and committed in its efforts to build an environment of trust by continuously promoting transparency, accountability, responsibility and integrity in its decision making process to achieve the Bank's long term growth strategies, maximise shareholder value, protect the interest of the Bank's stakeholders, ensure continuous sustainability and to set a solid foundation for the Bank to carry out its mandated role as a Development Financial Institution.

The Board also recognises the Board Charter as an important governance tool and guiding document that sets out the Board's strategic intent and outlines the roles and powers that the Board specifically reserves for itself, and those which it delegates to the Board Committees and Senior Management. The Board delegates certain functions to Board Committees, which comprises of members of the Board and these Board Committees operate within clearly defined Terms of References primarily to assist the Board in the execution of its duties and responsibilities. Nevertheless, the Board remains fully accountable and responsible for the actions and decisions carried out by the Board Committees.

The Board Charter adopted by the Bank took into consideration the Board's roles and responsibilities (both collectively and individually), powers, fiduciary duties, integrity and functions as provided for in the Development Financial Institutions Act 2002 (DFIA 2002), Companies Act 2016, Constitution of the Bank as well as other primary legislative and regulatory provisions applicable to the Bank. The Board Charter also includes principles and best practices of Corporate Governance advocated under BNM CGPD and the Malaysian Code on Corporate Governance (the Code).

The following are key Corporate Governance practices adopted by the Bank as per its Board Charter:

## PART 1: ROLES AND RESPONSIBILITIES OF THE BOARD

### Roles and Responsibilities

The Board acknowledges Corporate Governance is vitally important to the business of the Bank and is committed and steadfast in the application of Corporate Governance principles in all its business dealings with its stakeholders.

The Board together with the Management is focused on the overall strategic direction, development and control of the Bank in an effective and responsible manner. The Management is also responsible for the running of the Bank's business operations, general activities and administration of financial and non-financial matters guided by the established delegated authority from the Board.

The Bank also recognises effective participation by Independent Directors which enables a balanced and objective assessment of issues and increases accountability during the decision-making process. Independent Directors who meet the criteria for suitability can act as a check and balance on the Board. Additionally, such members can bring fresh perspectives from other businesses, which can help the Board to function more effectively. The Bank's Independent Directors' roles and responsibilities shall be independent of the Management's functions and free of any business or other relationship that might impair their ability to exercise independent judgement or act in the Bank's best interests.

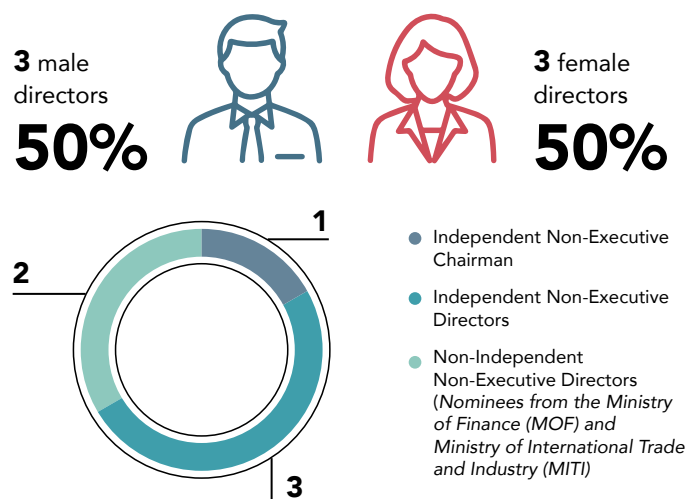
The Board Charter outlines the roles and responsibilities of the Board which includes to provide oversight on Management. The Board stand guided amongst others with the following core responsibilities in performing its duties for the Bank:

- 1) The Board is charged with leading and managing the Bank in an effective and responsible manner. Each Director has a legal duty to act in the best interest of the Bank. The Directors, collectively and individually, are aware of their responsibilities to shareholders and stakeholders for the manner in which the affairs of the Bank are managed. The Board sets the Bank's values and standards and ensures that its obligations to its shareholders and stakeholders are understood and met.
- 2) The Board plays a critical role in ensuring that the Bank upholds sound and prudent policies and practices. The Board will perform its oversight role effectively and understands its overall responsibilities to shareholders and stakeholders. The Board members are not involved in the day-to-day operations of the Bank but will provide an effective check and balance mechanism in the overall management of the Bank.
- 3) The Board bears ultimate responsibility for the proper stewardship of the Bank. The Board understands that the responsibility for good Corporate Governance in ensuring the maximisation of shareholders' value and the safeguarding of stakeholders' interest is performed through rigorous and diligent oversight of the Bank's affairs, establishing, amongst others, the corporate values, vision and strategies that will steer the activities of the Bank, and to be aware of the types of material financial activities the Bank intends to pursue.
- 4) The Board has a fiduciary duty to act in the best interest of the Bank and understands the responsibility for good Corporate Governance therefore strives to ensure the highest standards of Corporate Governance are practised.
- 5) The Board also provides the necessary and requisite overall oversight on the Shariah governance structure and Shariah compliance of the Bank as required under BNM's Shariah Governance Framework for Islamic Financial Institutions. The Board, upon consultation with the Shariah Committee (SC) shall approve all policies relating to Shariah matters and is expected to ensure that such policies are implemented effectively.

## PART 2: BOARD COMPOSITION

### Board Size, Composition and Diversity

Article 94(1) of the Constitution of the Bank provides that number of Board members should be between two (2) to twelve (12) members. As at 31 December 2022, the Board consists of:



#### Core competencies

- |              |   |
|--------------|---|
| » Banking    | » Business management   |
| » Insurance  | » Socio-economics/<br>public policy, and public<br>administration |
| » Finance    | » Industry/Subject Matter<br>Expert (SME)                         |
| » Accounting |   |
| » Audit      |   |
| » Legal      |   |

Based on the above:

- The present composition of the Board is in compliance with BNM's Policy Document on Corporate Governance as more than half of its members are Independent Directors;
- The Board applied gender diversity as recommended by MOF and Malaysian Code on Corporate Governance of Securities Commission Malaysia (the Code) of having at least 30% women director representation on the Board.
- The Board had indicated their commitment in maintaining diversity from different aspects such as gender, age, cultural and educational background, professional experience, skills, knowledge and length of service which enables the Board to have the critical capabilities, expertise and experience necessary to carry out its functions effectively which is reflected in the Board's composition and decision-making process to address key risks and major issues relating to the Bank's long-term strategies and sustainability.

## STATEMENT OF CORPORATE GOVERNANCE

A brief profile of each member of the Board is presented on pages 14 to 20 of this Annual Report.

The current Board members are as follows:

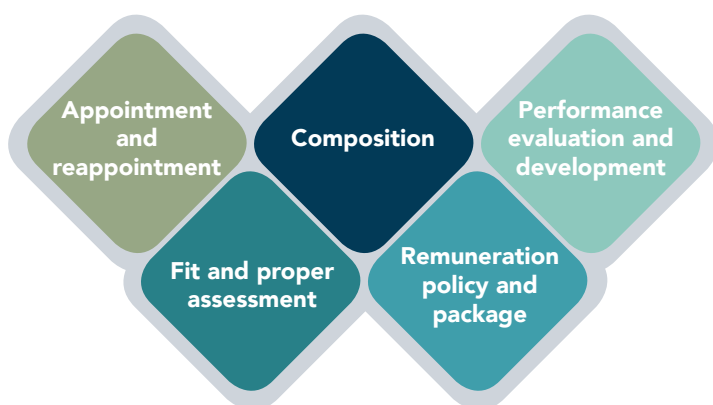
1. Dato' Azman Mahmud (Chairman)
2. Datuk Dr. Syed Muhamad Syed Abdul Kadir;
3. Datuk Bahria Mohd Tamil;
4. Dato' Dr. Amiruddin Muhamed;
5. Dato' Sandra Wong Lee Yun;
6. Pauline Teh Abdullah;
7. Raymond Fam Chye Soon <sup>1</sup>; and
8. Wong Yoke Nyen <sup>2</sup>.

### Separation of Roles of the Chairman and the President/Chief Executive Officer

The Board aims to ensure an appropriate balance of roles, responsibility, authority and accountability between the Chairman and the P/CEO with a clear division of responsibility between the running of the Board and the Bank's operations respectively. The positions of Chairman and P/CEO are held by different individuals with distinct roles and responsibilities to advocate governance and transparency while providing effective check and balance.

### PART 3: BOARD APPOINTMENT/ REAPPOINTMENT PROCESS

The Nomination and Remuneration Committee (NRC) has been delegated by the Board in overseeing the following matters concerning the Board, Board Committees, SC, P/CEO and Senior Management:



The appointment and reappointment of Directors is governed under the *Garis Panduan Ahli Lembaga Pengarah Lantikan Menteri Kewangan (Diperbadankan)*, BNM's Policy on Fit and Proper Criteria as well as the Bank's Policy on Fit and Proper Criteria and Policy on the Appointment/Reappointment of Chairman, Directors and P/CEO. In accordance with these policies and guidelines, the NRC undertakes the crucial role in the nomination and selection process of potential candidates to be appointed as Directors and members of the Board Committees.

The NRC screens qualified candidates to serve as Directors and members of Board Committees based on their skills, core competencies, experience, and commitment to effectively discharge their roles to fill any gaps in the present Board's skills and expertise. Subsequently, the NRC recommends the appointments for the Board's approval prior to the submission to BNM for verification and finally to the MOF for the final approval. The appointment and reappointment tenure shall be for a term of two (2) years with maximum service tenure of six (6) years.

In respect of the fit and proper assessment of a candidate, the NRC considers the following criteria:

#### » Probity and reputation

the candidate must have the requisite qualities such as honesty, integrity, diligence and independence

#### » Competency

the candidate must have the necessary qualifications, skills, experience, ability and commitment to carry out the role

#### » Financial Integrity

the candidate must be able to manage his debts or financial affairs prudently.

The NRC is guided by BNM's as well the Bank's internal Policy on Fit and Proper Criteria to perform fit and proper assessments on the suitability of the Board members to continue in their present role. The assessment involves a self-declaration by the Directors to ensure the suitability and independence of the Directors to continue to serve as Directors of the Bank.

<sup>1</sup> Appointed as Director with effect from 15 February 2023

<sup>2</sup> Resigned as Director with effect from 15 July 2022



## PART 4: BOARD AND BOARD COMMITTEES

### Board Meetings

The Board Charter stipulates that the Board needs to meet at least once a month in discharging their duties and responsibilities. Company Secretarial Department (CSD) had pre-scheduled twelve (12) Board meetings in advance which enable the Directors to plan their meeting schedules. Additionally, special Board meetings will be organised if required.

Board members are required to attend at least 75% of the Board meetings held in each financial year as stated in BNM CGPD. For the financial year ended 31 December 2022, the Bank conducted 14 Board meetings. All Board members fulfilled the minimum 75% attendance requirement.

Senior Management is invited to attend these meetings to share their views and feedback on the proposals submitted. Their attendance also provides an opportunity for the Board to discuss the subject matter presented directly with Management.

All issues raised, discussions, deliberations, decisions and conclusions including dissenting views made at the meetings, must be recorded without fear or favour with clear actions to be taken by the affected parties as recorded in the minutes of meetings.

### The Roles of the Chairman at Board Meetings

The Chairman's primary role is to preside over board meetings and to ensure the smooth functioning of the board in the interest of good corporate governance. In performing this role, the Chairman is responsible for, amongst others:

1. Leading the Board and Management in setting the values and standards of the Bank along with the Directors to create an environment of trust.
2. Promoting the highest standards of corporate governance, probity and integrity with respect to the deliberations and decisions made.
3. Ensuring complete, timely, relevant, accurate, honest and accessible information is placed before the Board to enable Board members to reach an informed decision.

The Bank has complied with the Code where the Chairman shall only chair Board and General meetings and the Chairman shall not be appointed as Chairman or member of any of the Board Committees. This to promote robust and open deliberations by the Board while providing effective check and balance on matters referred by the Board Committees.

### Board Committees

The Board has delegated certain of its governance responsibilities to the Board Committees which consist of Board Credit Committee, Board Audit Committee, Board Risk Committee, Nomination and Remuneration Committee; and Board Tender Committee. The Board Committees operate within clearly defined Terms of References, primarily to assist the Board in the execution of its duties and responsibilities.

Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain key and strategic matters, the ultimate responsibility still lies with the Board. The Chairpersons of the respective Board Committees will report to the Board on matters dealt with at their respective Board Committee meetings.

### Board Credit Committee (BCC)

The BCC is primarily responsible to perform supervisory and oversight role on financing and credit related proposals and approval. The BCC shall make reference to the Credit Risk Policy and the Bank's latest Approving Authorities and Authority Limits.

The BCC comprises four (4) members, a majority being Independent Non-Executive Directors (INEDs) and chaired by an INED. Details of Terms of Reference of BCC is available on the Bank's corporate website at <https://www.exim.com.my>.



During the financial year ended 31 December 2022, the BCC met 19 times. Members of the BCC and details of the meetings attended by the members are stated on pages 66 to 67 of this Annual Report.

### Board Audit Committee (BAC)

The BAC is tasked to review the financial condition of the Bank, its internal controls, performance and findings of the internal auditors, and to recommend appropriate remedial action regularly through its meetings, preferably to be held at least once in two (2) months or as and when required.

The BAC comprises of three (3) members (including the BAC Chairman) a majority being INEDs and chaired by an INED. Details of Terms of Reference of BAC is available on the Bank's corporate website at <https://www.exim.com.my>.


The BAC held nine (9) meetings during the financial year 31 December 2022. Members of the BAC and details of the meetings attended by the members are stated on pages 66 to 67 of this Annual Report.

## STATEMENT OF CORPORATE GOVERNANCE

### Board Risk Committee (BRC)

The BRC's main function is to support the Board in managing risks in line with BNM's Policy Document on Risk Governance and to oversee Management's activities in managing risks with respect to credit, market, liquidity and other risks while ensuring that the risk management process is in place and functioning.

The BRC comprises of four (4) members (including the BRC Chairman) majority of whom are INEDs and chaired by an INED. Details of Terms of Reference of BRC is available on the Bank's corporate website at <https://www.exim.com.my>.

 The BRC met twelve (12) times during the financial year ended 31 December 2022. Members of the BRC and details of the meeting attended by the members are stated on pages 66 to 67 of this Annual Report.


### Nomination and Remuneration Committee (NRC)

The NRC primary objectives are as follows:

- (i) Providing a formal and transparent procedure and support to the Board in carrying out its function in overseeing the following matters concerning the Board, Board Committees, Directors, SC, P/CEO and Senior Management:
  - (a) Appointments, reappointments and removals.
  - (b) Composition.
  - (c) Performance evaluation and development.
  - (d) Fit and proper assessments.

- (ii) Supporting the Board in overseeing matters relating to the remuneration policy and packages for the Directors, SC members, P/CEO and Senior Management of the Bank including various incentives or retention schemes implemented by the Bank.


The NRC comprises three (3) members (including the NRC Chairman) majority of whom are INEDs and is chaired by an INED. Details of Terms of Reference of NRC is available on the Bank's corporate website at <https://www.exim.com.my>.

 The NRC held sixteen (16) meetings during the financial year 31 December 2022. Members of the NRC and details of the meeting attended by the members are stated on pages 66 to 67 of this Annual Report.

### Board Tender Committee (BTC)

The BTC is primarily to provide the necessary oversight over the Bank's procurement process in line with the Approving Authorities and Authority Limits (AA) and compliance with the Procurement Policy of the Bank to ensure the highest ethical standards, compliance to legal and regulatory requirements, and strong governance of the procurement activities.

The BTC comprises three (3) members, a majority being INEDs and chaired by an INED. Details of Terms of Reference of BTC is available on the Bank's corporate website at <https://www.exim.com.my>.

 During the financial year ended 31 December 2022, the BTC met three (3) times. Members of the BTC and details of the meetings attended by the members are stated on pages 66 to 67 of this Annual Report.

### Board and Board Committees Attendance

Details of attendance of each Director at the Board and respective Board Committees meetings during the financial year ended 31 December 2022 are as follows:

Name of Directors	Number of Meetings											
	Board Meetings		BCC		BRC		NRC		BAC		BTC	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
<b>Directors</b>												
Dato' Azman Mahmud (DAM)	14	14	-	-	-	-	-	-	-	-	-	-
% of attendance	100%		n/a		n/a		n/a		n/a		n/a	
Datuk Dr. Syed Muhamad Syed Abdul Kadir (DSM) <sup>3</sup>	14	14	9	9	8	8	16	16	9	9	2	2
% of attendance	100%		100%		100%		100%		100%		100%	
Datuk Bahria Mohd Tamil (DBMT) <sup>4</sup>	14	13	17	17	12	11	16	16	-	-	3	3
% of attendance	93%		100%		92%		100%		n/a		100%	

Name of Directors	Number of Meetings											
	Board Meetings		BCC		BRC		NRC		BAC		BTC	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Dato’ Dr. Amiruddin Muhamed (DDA)	14	11	19	19	-	-	-	-	9	9	-	-
% of attendance	79%		100%		n/a		100%		n/a		92%	
Dato’ Sandra Wong Lee Yun (DSW) <sup>5</sup>	14	14	10	10	5	5	2	2	9	9	-	-
% of attendance	100%		100%		100%		100%		100%		n/a	
Puan Pauline Teh Abdullah (PTA) <sup>6</sup>	14	14	10	9	12	12	16	16	-	-	3	3
% of attendance	100%		90%		100%		100%		n/a		100%	
Directors who have ceased /resigned since the last report												
Mr Wong Yoke Nyen (WYN) <sup>7</sup>	7	7	10	10	6	6	-	-	-	-	-	-

### Supply and Access of Information

The Board has unlimited and timely access to information with respect to the Board papers distributed in advance of meetings to enable the Directors to obtain further explanations, where necessary, in order to be adequately prepared prior to the meetings. The Board must also be provided with the minutes of Board meetings, Board Committee meetings as well as reports relevant to the issues of the meetings covering the areas of financial, information technology, operations, budgets, risk management and annual management plans.

The Board has access to the advice and services of the Company Secretary. Additionally, the Board may seek independent professional advice in discharging their duties, if required.

## PART 5: BOARD CULTURE & CONTINUING PROCESSES

### Ethical Standards

The Board members are expected to observe the highest standards of ethical behaviour and fair dealings in relation to customers, employees and regulators in the communities within which the Bank operates in and to ensure compliance with all applicable laws, rules and regulations to which the Bank is bound to observe in the performance of its duties.

In addition to the Board Charter, the Board members are further guided by the Bank's Code of Conduct for Directors in discharging their duties. The Code of Conduct shall be read in conjunction with the Board Charter.

The Board endorsed the Whistleblowing Policy which provides an avenue for all employees of the Bank (whether permanent, contract, temporary or trainee), Directors, Shareholders, Customers, Consultants, Vendors, Contractors, agencies or any parties with a business relationship with the Bank to disclose any unethical conduct or malpractice in accordance with the procedures as provided under the policy and to provide protection for employees and members of the related parties who report such allegations. Whistleblowers who make a disclosure shall be protected against any form of retaliation or reprisal.

The Board members are also guided by the following policies in carrying out their duties:

<b>No Gift Policy</b>
<b>Entertainment Policy</b>
<b>Anti-Bribery and Corruption Policy</b>
<b>Policy on Financing Facilities with Connected Party</b>

<sup>3</sup> DSM appointed as BCC Chairman with effect from 15 July 2022

<sup>4</sup> DBMT appointed as BCC member with effect from 1 March 2022

<sup>5</sup> DSW appointed as BRC member with effect from 15 August 2022

<sup>6</sup> PTA appointed as BRC Chairman and BCC member with effect from 1 March 2022 and July 2022 respectively

<sup>7</sup> WYN resigned as Director with effect from 15 July 2022



## STATEMENT OF CORPORATE GOVERNANCE

### Directors' Conflict of Interest

The Board members will declare if they have an interest either directly or indirectly in any transaction to be entered by the Bank in every Board and Board Committees' meeting. An interested or conflicted Director, or if the Director is deemed as a "connected party", is required to abstain from the deliberations and voting on a transaction.

### Training and Development of Directors

The Board recognises the importance of continuing professional education of its Board members and encourages them to participate in courses or activities. This would enhance their knowledge to assist the Board members in the performance of their duties in the best interest of the Bank. The Company Secretary continuously informs the Board members of relevant training courses for their consideration.

The Board Charter requires newly appointed Directors to complete the Financial Institutions Directors' Education (FIDE) core programme as well as Islamic Finance for Board of Directors' Programme organised by ISRA Consulting. In addition, newly appointed Directors are also required to attend an induction programme coordinated by the Bank.

The induction programme will provide the new Directors with the necessary information and overview to assist them in understanding the operations of the Bank and appreciating the challenges faced by the Bank in achieving its objectives.

CSD had conducted an induction programme for Mr Raymond Fam Chye Soon who was appointed as Director of the Bank on 15 February 2023. The programme was led by the P/CEO and also Senior Management which was conducted at the Bank's premises. The programme covers diverse subject matters, amongst others, the Bank's business and strategies, work processes, Board Committees and the duties and responsibilities of Directors of financial institutions.

Beside attending FIDE core programme, the Directors are encouraged to continuously acquire relevant skills and knowledge. The following are conferences, seminars and training programmes attended by the Directors for the financial year ended 31 December 2022:

Training Focus	List of Conferences/Seminars and Training Programmes
<b>Corporate Governance</b>	<ul style="list-style-type: none"> <li>FIDE Core Programme</li> <li>Invitation to a Complimentary Talk on "Corporate Governance &amp; Remuneration Practices For The ESG World"</li> <li>Iclif: Corporate Governance &amp; Remuneration Practices For The ESG World</li> </ul>
<b>Leadership</b>	<ul style="list-style-type: none"> <li>Climate Change: Impact on Banks and Role of the Board</li> <li>FIDE FORUM - CGM Conversations with Chairmen: A Standing Item in Board Agendas</li> <li>Board Effectiveness Evaluation - Post-launch Workshop (Session 2)</li> </ul>
<b>Finance</b>	<ul style="list-style-type: none"> <li>Islamic Finance for Board of Directors' Programme</li> <li>KLBC Pre-Budget 2023 Dialogue with YB Tengku Datuk Seri Utama Zafrul Tengku Abdul Aziz, Minister of Finance, Malaysia</li> </ul>
<b>Audit, Compliance and Risk Management</b>	<ul style="list-style-type: none"> <li>Series 3: Risk Appetite, Tolerance and Board Oversight</li> <li>Series 5: Evolving Expectations for Boards in ERM</li> <li>QRD Series 18 – Directors Guide to RMIT (Risk Management in Technology)</li> <li>The Audit Committee - Unpacking the roles of the Committee &amp; honing its effectiveness in discharging its responsibilities holistically</li> </ul>
<b>Others</b>	<ul style="list-style-type: none"> <li>BNM-FIDE FORUM Dialogue: Licensing Framework for Digital Insurers and Takaful Operators</li> <li>MICG: Webinar on Artificial Intelligence (AI) for Company Directors and Executives</li> <li>Emerging Trends Talk #2: Cyber Kill Chain and Security Capabilities</li> <li>MetaFinance: The Next Frontier of the Global Economy</li> </ul>

### Board Effectiveness Evaluation

The Board undertakes an annual evaluation on the effectiveness of the Board, Board Committees and of each individual Director based on MOF's guidelines and BNM's Policy Document on Corporate Governance to ensure the appointed Board members are able to contribute to the effectiveness of the performance of the whole Board. This exercise is used as one (1) of the criteria for the re-appointment of a Director.

The performance evaluation form comprises assessment on the Board, Board Committees, Self and Peer Evaluation and Board Skills Matrix. It is designed to improve the Board's overall effectiveness as well as to draw the Board's attention to key areas that need to be addressed in order to maintain the cohesion of the Board despite its diversity.

CSD had engaged an external consultant to conduct an independent Board Evaluation exercise for financial year end 2020 and 2021 as per BNM CGPD requirement. CSD has conducted an internal Board Evaluation exercise for 2022. The evaluation results will be presented and deliberated at the NRC and thereafter, presented to the Board to enable the Board to identify its strengths, areas for improvement and potential issues that need to be addressed.

### PART 6: DIRECTORS' REMUNERATION

The Bank acknowledges the importance of aligning pay and performance against the key strategic drivers of the Bank's long-term growth, attracting and retaining high calibre and qualified Directors with the necessary skills, qualifications and experience to have an effective Board.

The INEDs' remuneration package generally commensurate with the expertise, skills, responsibilities and risks associated with being a director of the Bank. The INEDs are entitled to monthly director fees, meeting allowances and reimbursement of expenses incurred in the course of their duties as a director.



Details of the total remuneration of the Directors for the financial year ended 31 December 2022 is set out on pages 169 and 170 of this Annual Report.

### PART 7: COMPANY SECRETARY

The Board is supported by an experienced and licensed Company Secretary. The Company Secretary together with the Corporate Secretarial Department is responsible for the effective functioning of the Board and to provide guidance and advice to the Board on Corporate Governance related matters and to facilitate effective dissemination of information between the Board and Senior Management. The Company Secretary shall keep confidential the affairs of the Bank at all times.

## DISCLOSURE ON SHARIAH GOVERNANCE

**EXIM Bank offered Islamic financing facilities alongside its conventional business facilities in meeting cross-border business requirements. The conduct of Islamic financing business by EXIM Bank is regulated mainly by the relevant provisions in the Development Financial Institutions Act (DFIA) 2002 and governed by regulations issued by Bank Negara Malaysia (BNM) from time to time.**

Shariah governance of EXIM Bank is bound to follow requirements as stipulated under BNM's Shariah Governance Policy Document (SGPD). EXIM Bank's Shariah governance provides a sound and robust Shariah compliance framework of EXIM Bank vis-a-vis the Board of Directors' (the Board) oversight accountability over Shariah governance, the Management's responsibility over day-to-day EXIM Bank's business, operations, affairs and activities and an independent Shariah Committee responsibility supported by a secretariat function to serve the Shariah Committee and Shariah control functions in managing Shariah non-compliance risk through Shariah risk management, Shariah review and Shariah audit functions.

### SHARIAH COMMITTEE

While the Board is ultimately responsible and accountable for the overall Shariah governance implementation and Shariah compliance of EXIM Bank, the Board is advised and guided by the Shariah Committee on Shariah matters in relation to the Islamic finance business of EXIM Bank.

#### Duties & Responsibilities

Shariah Committee has the responsibility to provide objective and sound advice to EXIM Bank to ensure that its aims and operations, business, affairs, and activities are conducted in compliance with Shariah. Specifically, the functions and responsibilities of the Shariah Committee are, inter alia:

1. To provide a decision or advice to the Bank on the application of any rulings of the Shariah Advisory Council (SAC) of BNM or standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Bank;
2. To provide a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance (SNC) event;
3. To deliberate SNC finding by any relevant functions and endorsing a rectification measure to address a Shariah non-compliance event.
4. To be accountable for the quality, accuracy and soundness of its own decision or advice.
5. To establish a robust methodology to guide its decision-making process. The Shariah Committee must take into account relevant business and risk practices in arriving at a decision or advice.
6. In the event where the Shariah Committee decides or advises to place additional restrictions on the operations, business, affairs and activities of the Bank in applying the SAC rulings, the Bank must:
  - i) document the deliberations and justifications of the Shariah Committee decision or advice;
  - ii) ascertain the Board's views on the decision or advice made by the Shariah Committee with regards to the SAC ruling; and
  - iii) ensure immediate notification to the BNM of such decision or advice.



7. To has rights to delegate some of its functions to Shariah Management Department and other Shariah control functions of the Bank in endorsing and validating products guidelines, marketing advertisement, sales illustrations and brochures used to describe the Bank's products. Similarly, the Shariah Committee may delegate its power and authority to the Bank's Shariah control functions in reviewing, from time to time and on regular basis, the level of Shariah compliance, particularly with regards to the actual implementation and operation of the Bank's Islamic financial contracts.

In delegating any of its responsibility, it must be ensured that:

- i) Areas of delegated authority by the Shariah Committee and operating procedures are set out clearly in the Bank's internal policies.
  - ii) Reporting arrangements are established to keep the Shariah Committee informed of the work, key deliberations, and decisions on delegated matters.
  - iii) The Shariah Committee must remain fully accountable for the decisions and any ensuing implications arising from the delegated responsibility.
8. To exercise objectivity in coming up with his judgment and be free from associations or circumstances that may impair the exercise of his professional objectivity. In fulfilling his responsibility, a Shariah Committee member must ensure that his judgment in arriving at a Shariah decision or advice is not affected by his other professional commitments.
9. Shariah Committee is expected to devote sufficient time to prepare for and attend Shariah Committee meetings.
10. To ensure consistency in providing views and must not act in a manner that would undermine the rulings of the SAC or any decisions of the Shariah Committee that they represent.
11. To endorse relevant EXIM Bank's policies and procedures to ensure that the contents do not contain any elements which are not in line with Shariah.
12. To ensure that the Islamic finance products of the Bank comply with Shariah principles in all aspects, the Shariah Committee must endorse the following:
- i) The terms and conditions contained in the proposal form, contract, agreement or other legal documentation used in executing the transactions; and
  - ii) The product manual, marketing advertisements, sales illustrations and brochures used to describe the product.
13. To assess work carried out by Shariah review, Shariah research and Shariah audit functions in order to ensure compliance with Shariah matters in its Islamic business operations.
14. The Shariah Committee is expected to provide assistance to the external/third party appointed by the Bank such as legal counsel, auditor or consultant, in the event they seek advice on Shariah matters from the Shariah Committee so as to ensure compliance with the Shariah principles.
15. To advise the Bank to refer the SAC on any Shariah matters that could not be resolved. Upon obtaining any advice of the SAC, the Shariah Committee to ensure that all SAC's decision is properly implemented by the Bank.
16. The Shariah Committee will represent the Bank to attend any meetings with the SAC or other relevant bodies pertaining to any Shariah issues relating to the Bank's Islamic business and operation as and when necessary.
17. The Shariah Committee may recommend and assess the nominees for Shariah Committee members. This includes assessing Shariah Committee members proposed for reappointment, before submission to Nomination and Remuneration Committee (NRC), the Board and subsequently, for final approval by BNM.

## DISCLOSURE ON SHARIAH GOVERNANCE

### Training Requirements for Shariah Committee

The newly appointed member of the Shariah Committee has attended an in-house induction session arranged by Shariah Management Department of EXIM Bank in order to provide the new member, not only with the overall understanding of EXIM Bank business and operations but also on the internal Shariah functions and roles. Shariah Committee members has attended selected local programmes and seminars to keep them abreast with developments Islamic financial business. Shariah Committee members are recommended to attend courses, talks, training programmes and seminars to update themselves and to keep abreast with new developments in the industry for their continuing education and skills improvement.

### Composition & Background

Current composition of Shariah Committee members of EXIM Bank for 2022 are five (5) members where a majority i.e., three (3) members are Shariah qualified person while two (2) members with non-Shariah background to complement the robust and vigorous deliberation of Shariah Committee meeting.

### Meetings & Attendance

During the financial year ended 31 December 2022, the Shariah Committee held fourteen (14) series of meeting, including seven (7) sessions of special meeting. The record of attendance of members of the Shariah Committee for the meetings is as follows:

No.	Name of Shariah Committee Members	No. of Meetings Attended*
1.	Prof. Datin Dr. Rusni Hassan (Chairperson)	14/14
2.	Dr. Safinar Salleh	13/14
3.	Dr. Ghazali Jaapar	14/14
4.	Dr. Muhammad Syahmi Mohd Karim	13/14
5.	Prof. Dr. Muhammad Ridhwan Ab. Aziz (appointed w.e.f. 1 June 2022)	7/7

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

## SECRETARIAT TO THE SHARIAH COMMITTEE

Shariah Management Department (SMD) takes the roles as the secretariat to the Shariah Committee and has the responsibility of providing operational support for effective functioning of the Shariah Committee.

SMD is structured into three (3) main categories to carry out its designated functions, inter alia, as per following:

### Shariah Advisory

- Providing Shariah related advisory and consultancy on the Bank's businesses, activities operation including but not limited to Islamic banking and Takaful businesses.
- Review and vetting of Legal documents in relation to Shariah matters to ensure its' compliance according to Shariah requirements.
- Review and verify the supporting documents such as Islamic Transaction Forms (ITF) for disbursement are intact and in order accordance to Shariah parameters via issuance of Shariah Certificate.
- Provide and arrange training on Shariah, Islamic Banking, Takaful awareness programme on governance and structures.

### Shariah Research

- Conduct in-depth research and studies on Shariah issues which are relevant to the Islamic finance businesses and operations of EXIM Bank.
- Assist Shariah Advisory in providing day-to-day Shariah advice and consultancy to relevant department/parties based on the decision by the Shariah Committee.
- Conduct pre-product approval process, *Takyif Fiqhi* (*Fiqh* adaptation), vetting of issues for submission to the Shariah Committee.

### Shariah Secretariat

- Responsible in providing input and supports to the Shariah Committee which shall include but not limited to Shariah meeting arrangement, takings minutes of meetings, compiling Shariah resolutions, circulating and contributing relevant information to Shariah Committee members.
- Coordinating communications and disseminating information among the Shariah Committee, the Board and senior management.
- Responsible for matters relating to appointment and re-appointment of the Shariah Committee.
- Ensuring the welfare of Shariah Committee members is accordingly served including payment of their allowances and sending them to the seminars, trainings and/or workshops, as part of process of furnishing them with the latest development on Islamic banking and finance.

## INTERNAL SHARIAH CONTROL FUNCTIONS

In ensuring effective management of Shariah non-compliance risk within EXIM Bank, the following functions has performed its roles on an ongoing basis:

- i) Shariah risk management;
- ii) Shariah review; and
- iii) Shariah audit.



## DISCLOSURE ON SHARIAH GOVERNANCE

### Shariah Risk Management

Shariah risk management function is part of the Bank's integrated risk management framework in line with the principles outlined in the BNM's Policy Document on Shariah Governance. The function is resided under Shariah & Operational Risk Department, Risk Management Division. The main function of Shariah risk management is systematically to identify, measure, monitor, control and report the Shariah non-compliance risks exposures associated with the operations, business, affairs, and activities of the Bank. As part of control measures, the Bank shall endeavour a zero-tolerance approach on the non-compliance with the Shariah principles and requirements as prescribed by the SAC BNM and Securities Commission Malaysia (SCM), as well as the Shariah Committee.

Shariah risk is responsible for the development, maintenance and enhancement of the Shariah Risk Management governance, policies and procedures and its implementation, including reporting of the Shariah non-compliance risk exposures to the Management Audit, Risk and Compliance Committee (MARCC), Shariah Committee, Board Risk Committee (BRC), and the Board.

These also include the development and implementation of measures to elevate Shariah risk awareness within the Bank, as well as ensure the purification of the tainted income due to non-compliance with Shariah requirements as guided by the Shariah Committee and provide mitigation to avoid the recurrence of event(s) that could potentially result in SNC event. The Shariah risk function also ensures that any incident of Shariah non-compliance is reported to BNM as requirement outlined in BNM Policy Document on Operational Risk Integrated Online Network (ORION).

### Shariah Review

Dedicated Shariah review of EXIM Bank is established under the purview of Compliance Department which undertake the roles of conducting regular review to ensure EXIM Bank's businesses, operations, affairs, and activities of Islamic Banking and Takaful are conducted in compliance with Shariah requirements as per the BNM's Shariah Advisory Council (SAC) and the Bank's Shariah Committee's resolution.

Shariah review of EXIM Bank are consisting of Shariah qualified officers to carry out Shariah review functions in evaluating EXIM Bank's level of compliance to the Shariah, propose remedial rectification measures to resolve non-compliance and put control mechanism to avoid recurrences.

Shariah review is guided by its Shariah Review Plan in performing regular review exercise to provide assurance to the Senior Management, Shariah Committee, and the Board on the state of Shariah compliance in EXIM Bank.

Shariah Review Plan is developed mainly by the risk-based approach in evaluating the adequacy and effectiveness of the policies and procedures emplaced in managing Shariah non-compliant and approved by relevant committees including Shariah Committee. Subsequently, the outcome of Shariah review activities shall be reported periodically to the relevant internal committees including the Shariah Committee.

### Shariah Audit

Shariah Audit of EXIM Bank which resides under Audit & Assurance Department (AAD) bears the responsibility to provide an independent assessment on the quality and effectiveness of EXIM Bank's internal control, risk management systems, governance processes as well as the overall compliance of the Bank's operations, business, affairs, and activities with Shariah.

Shariah Audit is guided by annual audit plan issued by AAD. It is classified as regulatory audit which required to be conducted every year.

Reporting independently to both the Board Audit Committee and the Shariah Committee, Shariah Audit provides independent assurance on the effectiveness of internal control systems and related policies and procedures implemented by EXIM Bank to govern the conduct of its Islamic financial business operations and activities. The scope of Shariah Audit is established in line with the areas stipulated by BNM's SGPD as well as accepted auditing standards.

# STATEMENT OF RISK MANAGEMENT

## RISK MANAGEMENT FRAMEWORK OVERVIEW

The Bank's risk management strategy has evolved over the years to support the Bank's risk related decision-making while balancing the appropriate level of risk taken to the desired level of rewards.

The Bank has implemented an effective risk management framework which identifies, assess and manages risk that could impact our business objectives. Our risk framework is designed to enable proactive identification of potential risk primarily the enterprise risk categories, risk governance and the development of strategies to mitigate them through broad risk approaches and specific risk management tools.

The Bank has a dedicated risk management function to manage risks through the process of identifying, measuring, monitoring and controlling the primary enterprise risk categories as well as timely reporting and update of action plans on the risk findings. These are governed by a structured risk governance mechanism consisting of strong Board and Management oversight roles and responsibilities.

Our risk management framework is integrated into our business processes and culture, and it is reviewed and updated regularly as reflected through the regular review of other risk related frameworks, policies, procedures and manuals to support risk related decision-making; and to ensure that the Bank is able to swiftly response to any internal as well as external changes which will have an impact on the Bank's operating environment.

Our risk management framework involves the following steps:

- a. Establishment and review of the risk appetite approved by the Board.
- b. Formulation of risk limits covering all relevant and material risks.
- c. Establishment of effective risk assessment, monitoring, mitigation and reporting processes.
- d. Development of risk methodology and models supported by a robust model validation process.

The risk management function is regularly assessed to provide assurance on the Bank's compliance to the applicable laws, regulations, internal policies, procedures and limits.

## RISK MANAGEMENT STRATEGIES

The following principles underpin the Bank's risk management strategies:

Principle	Details
<b>Principle 1</b> Clear responsibilities on risk management	a. The Bank shall clearly define the roles and responsibilities of parties involved in the entire risk management processes. b. The Board has the ultimate responsibility for identifying the Bank's risks and ensuring that they are effectively managed. The Board Risk Committee is tasked to assist the Board in carrying out this responsibility. c. The Senior Management will oversee managing the Bank's day-to-day risk management.
<b>Principle 2</b> Risk management shall be incorporated into all decision-making processes	The Bank shall integrate risk management into its existing strategic management and operational process, as risk management is an important component of robust decision making.
<b>Principle 3</b> Comprehensive assessment of risks on all activities	All material risks to which the Bank is exposed to must be thoroughly analysed based on the consistent application of the following processes: risk identification, risk measurement, and risk evaluation.

## STATEMENT OF RISK MANAGEMENT

Principle	Details
<b>Principle 4</b> Effective risk control mechanism	Frameworks, guidelines, procedures, and risk limits are examples of risk control mechanisms. They are aimed, among others, to ensure that each risk has a proper mitigation method and measurement, as well as being efficiently and effectively applied.
<b>Principle 5</b> Adequate system for monitoring and reporting	a. The Bank is responsible for ensuring that the monitoring and reporting systems are properly implemented. b. The Bank's risk profiles, as well as any substantial risk issues, must be communicated on a regular basis to the Board and Senior Management.
<b>Principle 6</b> Effective internal control review	As part of its risk management approaches, the Bank must develop an effective internal control review system, which includes independent evaluation and, when needed, the involvement of internal or external audits.

### RISK GOVERNANCE AND OVERSIGHT

The Bank's Risk Management Framework provides a comprehensive structure for developing and approving risk strategies, as well as managing risk governance, that is tailored to the Bank's business activities and operations, taking into account our nature, scale and complexity.

To ensure a consistent approach to risk management across the organisation, the Bank's risk management culture is supported by its organisational structure. As such the Bank's risk management culture includes the following characteristic:

- The Board and Senior Management have clear roles and responsibilities in managing the Bank's risks.
- Roles and responsibilities of various committees and Senior Management that support the Bank's risk management initiatives are clearly defined.
- An independent risk management function with adequate authority, resources, and access to the Board that can provide an independent assessment of the Bank's risk positions.
- A strong risk management culture manifested by a shared understanding of risks at all levels of the organisation, as well as business and activity decisions are consistent with the Bank's risk management strategy and risk appetite.

The Bank's overall risk governance structure as detailed below:

Board of Directors (Board)	
The ultimate governing body, responsible for overall risk oversight and setting the appropriate governance structure and risk appetite.	
Shariah Committee (SC)	
Responsible for ensuring that the Bank's Islamic banking and takaful business activities adhere to Shariah principles and rules.	
Board Committee	
Board Risk Committee (BRC)	Board Credit Committee (BCC)
Responsible for reviewing the risk management framework, key risk policies, and risk appetite for Board's approval, as well as reviewing the risk reports and assessment which have been deliberated at the Management Audit, Risk and Compliance Committee (MARCC), Assets and Liabilities Committee (ALCO) and Information Technology Steering Committee (ITSC).	Responsible for reviewing and approving the credit papers related to loan/financing which have been recommended by the Management Credit Committee (MCC).



Management Committees	
<b>Management Audit, Risk and Compliance Committee (MARCC)</b>	<ul style="list-style-type: none"> <li>a. Responsible for monitoring and reviewing the management of key and emerging risks of the Bank. These include review the framework, policies, risk appetite as approved by the Board, procedures, adequacy of internal control and systems as well as the review of new products or material variation to existing product offering.</li> <li>b. The MARCC, if deemed appropriate, may recommend to the BRC for review and approval at the Board.</li> </ul>
<b>Management Credit Committee (MCC)</b>	Responsible for reviewing, deliberating and approving new and renewal of loan/financing/credit/ insurance related proposals including recovery, restructuring, and rescheduling proposals as prescribed in the Approving Authority and Authority Limits.
<b>Assets and Liabilities Committee (ALCO)</b>	Responsible to oversee the overall asset and liability (ALM) management including endorsing the appropriate strategies for ALM management, deliberation on net interest income (NII) performance and ensuring that all ALM risks remain within the risk appetite set by the Board.
<b>Information Technology Steering Committee (ITSC)</b>	<ul style="list-style-type: none"> <li>a. Responsible in providing oversight in Information Technology (IT) governance and to formulate the IT strategic plans in ensuring that IT is capable of supporting the Bank's strategic business plans.</li> <li>b. These functions include monitoring and deliberation on any new IT regulations that may have an operational impact to the Bank. The ITSC, if deemed appropriate, to recommend to the MARCC and BRC for review and approval at the Board.</li> </ul>

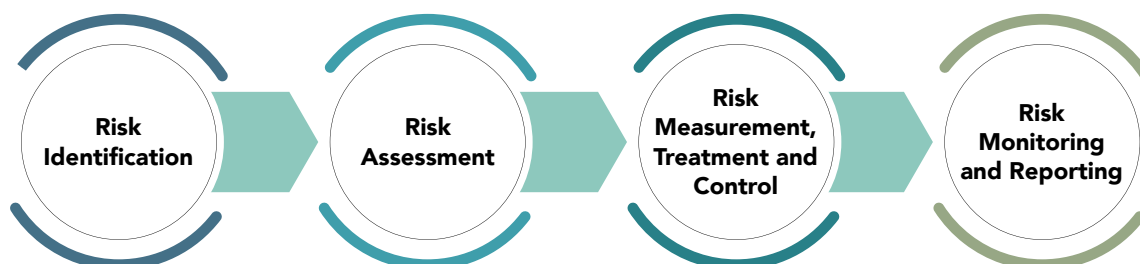
The Three Lines of Defense model adopted by the Bank is as follows:

Line of Defense	
<b>First Line</b>	Business units and functional lines are responsible and accountable for identification, reporting and mitigating the risk exposures through agreed monitoring and reporting tools.
<b>Second Line</b>	<ul style="list-style-type: none"> <li>a. Second line of defense shall remain well-defined, effective and independent from business and operational decisions.</li> <li>b. Compliance Department (CD) and the Risk Management Division (RMD) as part of the second line of defense must possess the knowledge and expertise required to effectively perform compliance and risk management functions. They should provide constructive challenge to business units and functional lines in managing risk.</li> <li>c. Appropriate resources and support are provided to enable them to fulfil their risk management and responsibilities, including unrestricted access to internal system and information.</li> <li>d. To ensure effective compliance and risk management throughout the Bank, regular communication with the first line of defense is established.</li> </ul>
<b>Third Line</b>	<ul style="list-style-type: none"> <li>a. To ensure the integrity, accuracy, and reasonableness of the Bank's risk management processes, as well as to provide assurance overall compliance with applicable laws, regulations, internal policies, procedures and limits, periodic review are conducted.</li> <li>b. The Audit and Assurance Department (AAD) shall closely interact with the second line of defense to escalate the risk issues and ensure effective controls and compliance with risk management Bank-wide.</li> <li>c. Part of this process includes to following through and following up on the action plans related to the risk findings prior to submission to relevant authorities.</li> </ul>

## STATEMENT OF RISK MANAGEMENT

### RISK MANAGEMENT PROCESSES

The following is a summary of the Risk Management Processes:



Risk Management Processes	
<b>Risk Identification</b>	<ul style="list-style-type: none"> <li>a. Identify the key primary enterprise risk exposures including credit risk, operational risk, Shariah non-compliance risk, market risk, liquidity risk, information and cyber security risk and compliance risk as well as any emerging risks that may potentially impact the Bank significantly.</li> <li>b. Classify the risk exposures in accordance to its risk characteristics i.e impact (example: internal or external, material or non-material, financial or non-financial impact, impact on current or future position) and likelihood of the risk materialising.</li> </ul>
<b>Risk Assessment</b>	<ul style="list-style-type: none"> <li>a. Regular assessment on the effectiveness of the Bank's management of risk.</li> <li>b. Continuous assessment on the risks together with the measurement of the potential impact of the risk exposure such as the estimated credit loss computation using the Probability of Default (PD), the Loss Given Default (LGD) and the Exposure at Default (EAD) on the Bank's credit exposures and the assessment for loss event of the Bank's exposures to operational risk and the effectiveness of the internal controls.</li> <li>c. Periodic assessment through the agreed risk methodology and relevant tools such as Risk and Control Self-Assessment (RCSA), Key Risk Indicator (KRI), Key Control Testing (KCT) and Risk Assessment and Business Impact Analysis (RABIA).</li> </ul>
<b>Risk Measurement, Treatment and Control</b>	<ul style="list-style-type: none"> <li>a. Establishment of proper controls and limits.</li> <li>b. Proper coordination and communication for effective risk management between the business and functional lines.</li> <li>c. Evaluation for the effectiveness of the risk mitigation plan or strategy provided.</li> <li>d. Constructively challenge the assessments produced by the business lines.</li> <li>e. Ensure the risk information is captured timely and relevant for further escalation and reporting for management and Board's oversight and decision.</li> </ul>
<b>Risk Monitoring and Reporting</b>	<ul style="list-style-type: none"> <li>a. Identify and specify the internal and external requirements of monitoring and reporting.</li> <li>b. Monitor and escalate any breaches of risk limits and ensure the proposed risk mitigation implemented are effective in managing the risk exposures back within the risk limit within specific time frame.</li> <li>c. The risk reporting systems shall be accurate, dynamic and comprehensive.</li> </ul>

## RISK AND COMPLIANCE CULTURE

The Bank aims to strengthen the Designated Compliance and Operational Risk Officer (DCORO) programme to promote effective compliance and risk management practices by business units and functional lines, and to cultivate positive risk and compliance culture across the Bank.

The DCOROs are responsible for identifying, documenting, and assessing the compliance risk as well as to review the operational and Shariah non-compliance risk that may arise from the Bank's product, people, processes, and system. In addition, they facilitate the effective management of information disclosure from regulatory authorities forwarding submission to the Chief Compliance Officer (CCO) for compliance related issues and the Chief Risk Officer (CRO) for operating risk related matters.

Additionally, the DCOROs are responsible for periodically reporting on compliance and operational risk matters, as well as reporting on loss event as required by the Operational Risk Integrated Online Network (ORION) Reporting Procedures and Procedures on Managing Shariah Non-Compliance (SNC) Risk.

## COMPLIANCE RISK MANAGEMENT

The compliance function uses both the qualitative or quantitative indicators to identify and assess the adequacy of internal controls in managing compliance risk.

The compliance function reports to the Board oversight on the assessment and analysis of compliance risk highlighting key changes in the compliance risk profile that require further attention. Additionally, the compliance function reports any identified deficiencies and provides action plans to address them within stipulated a timeframe.

The compliance function also serves as an advisory resource to the Board and the Bank's staff providing updates on the developments affecting legal and regulatory requirements and accessing their implications on the Bank's compliance risk profile and capacity to manage compliance risk in the future.

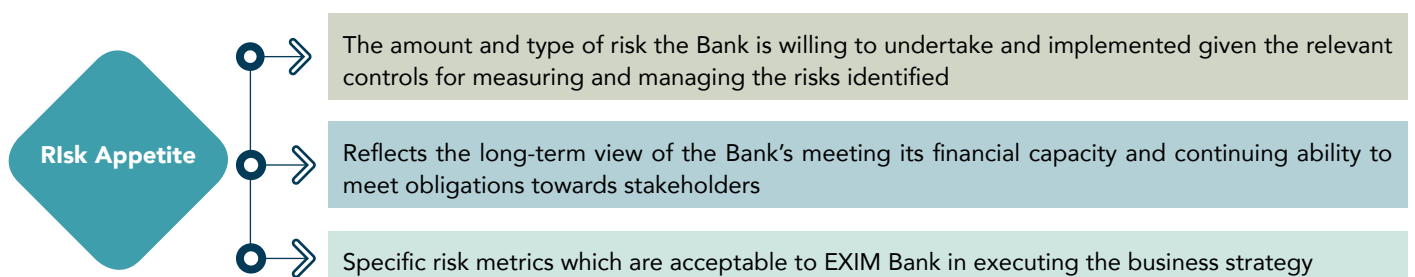
## TECHNOLOGY RISK MANAGEMENT

The technology risk management function is responsible for the establishment of board-approved Technology Risk Management Framework (TRMF) and Cyber Resilience Framework (CRF) as well as the specific policies and procedures that are consistent with the regulatory requirements.

These specific policies and procedures include the Bank's technology processes and services as well as proper cyber-resilience capabilities with continuous validation of controls and as the overseeing party of the information technology and cyber risks.

The technology risk management function also provides independent advice on critical technology projects and ensuring critical issues that may have an impact on the Bank's risk appetite are adequately deliberated or escalated in a timely manner.

## RISK APPETITE





## STATEMENT OF RISK MANAGEMENT

### Key Elements of Risk Appetite

Linked to the Bank's strategic objectives, capital and business plans.

Establishes the amount of risk the Bank is prepared to accept in pursuit of its strategic objectives and business plan, considering the interest of its stakeholders within the boundaries of its capital adequacy and regulatory requirements.

Determines material risks and the maximum tolerance level of risks the Bank is willing to operate based on its risk appetite, risk capacity and risk profile.

Includes quantitative measures that are translated into risk limits applicable to business lines which in turn will provide direction to measure risk profile against risk appetite and risk capacity.

Includes qualitative statements for risk that cannot be measured e.g., reputational risk, as a guide for proper management of such risks.

As part of the Bank's risk strategy, its risk appetite is aligned to the Bank's strategy and considered in the budget setting and decision-making process to ensure projection for business growth.

The Bank's Risk Appetite Policy (the Policy) address the following:

- Overall approach including policies, processes, controls, and systems through which the risk appetite is established, communicated, and monitored.
- The governance in overseeing the implementation and monitoring of the risk appetite in EXIM Bank.
- Address the Risk Appetite Statement (RAS) and risk appetite metrics coverage.
- The roles and responsibilities of those overseeing the establishment, approval, implementation and monitoring of the risk appetite framework.

The risk appetite metrics as the expansion of the broad RAS are to comprehensively manage the Bank's operating dimensions and the respective key enterprise risk categories as identified in the Risk Management Framework.

The articulation of the risk appetite metrics for the Bank's key primary enterprise risk category are as follows:

Primary Enterprise Risk Category	Risk Metrics Dimension
<b>1. General</b>	<ul style="list-style-type: none"> <li>Overall risks</li> </ul>
<b>2. Credit Risk</b>	<ul style="list-style-type: none"> <li>Asset Quality</li> <li>Concentration Risk</li> <li>Insurance Business Exposures</li> </ul>
<b>3. Operational Risk</b>	<ul style="list-style-type: none"> <li>Loss event</li> </ul>
<b>4. Shariah Non-Compliance Risk</b>	<ul style="list-style-type: none"> <li>Shariah Non-Compliance (SNC) Income</li> </ul>
<b>5. Asset Liability, Liquidity and Market Risk</b>	<ul style="list-style-type: none"> <li>Capital/ALM/Liquidity Risk</li> <li>Earnings/Profitability</li> </ul>
<b>6. Information and Cyber Security Risk</b>	<ul style="list-style-type: none"> <li>System vulnerabilities</li> </ul>
<b>7. Compliance Risk</b>	<ul style="list-style-type: none"> <li>Regulatory &amp; Compliance</li> </ul>
<b>8. Environmental, Social and Governance (ESG) Risk</b>	<ul style="list-style-type: none"> <li>ESG loan/financing exposures</li> </ul>

The Board's risk appetite must be assessed on a regular basis to ensure that it remains aligned with the Bank's strategic objectives, business performance, any new emerging risks, and external environment changes.

## STRESS TEST

To anticipate and respond swiftly to the new or emerging risks, the Bank perform stress tests as part of the risk management process. The results are integrated into the decision making and regularly reviewed against actual performance versus the risk estimation (back-testing).

The stress testing exercise must be comprehensive and include both on and off balance sheet exposures, commitments, guarantees, and contingent liabilities as well as other risk drivers on credit, market, operational and Shariah risk. The exercise must also commensurate with the nature, size and complexity of the Bank's business operations and risk profile.

As stress test is a continuous process, RMD will continuously strive for improvement on the stress test exercise by exploring potential areas for enhancements as well as establishing linkages between stress test to the risk appetite metrics moving forward.

The stress test methodology is guided by the Stress Test Policy document issued by the Bank Negara Malaysia (BNM). The Stress Test Working Group (STWG) is established to conduct the stress test based on the approved methodologies and parameters.

Respective primary enterprise risks in the Bank are managed by the following key frameworks and approved policies:

<b>Key Frameworks</b>	<ul style="list-style-type: none"> <li>• Risk Management Framework</li> <li>• Technology Risk Management Framework</li> <li>• Cyber Resilience Framework</li> </ul>	
<b>Key Policies</b>	<ul style="list-style-type: none"> <li>• Risk Appetite Policy</li> <li>• Credit Risk Policy</li> <li>• Expected Credit Loss Policy</li> <li>• Operational Risk Policy</li> <li>• Shariah Risk Management Policy</li> </ul>	<ul style="list-style-type: none"> <li>• Asset Liability Management and Market Risk Policy</li> <li>• Liquidity Risk Management Policy</li> <li>• Risk Retention Policy</li> <li>• Policy on Product Management</li> <li>• Fraud Management Policy</li> </ul>

## PRIMARY ENTERPRISE RISK CATEGORY DEFINITION & RISK MITIGATION

To enable robust and sustained growth, effective management of recognised major enterprise risk is critical.

Based on operating landscape in 2022, the Bank has identified the primary enterprise risk category & risk mitigation as follows:

No	Primary Enterprise Risk	Definition
1.	<b>Credit Risk</b>	The risk due to uncertainty on the customer or the customer's counterparty ability to meet its obligations or failure to perform according to the terms and conditions of the credit related contract.
2.	<b>Shariah Non-Compliance (SNC) Risk</b>	Shariah non-compliance risk is the risk that arises from the Bank's failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia (SAC), standards on Shariah matters issued by the Bank Negara Malaysia pursuant to section 29(1) of the IFSA and section 33E(1) of the DFIA, or decisions or advice of the Shariah Committee for its Islamic finance activities.
3.	<b>Operational Risk</b>	Operational risk is the risk of loss resulting from inadequate or failed internal operational or financial processes and systems, the actions of people or from external events.
4.	<b>Market Risk</b>	Market risk refers to the potential loss arising from adverse movements in the market prices.

## STATEMENT OF RISK MANAGEMENT

No	Primary Enterprise Risk	Definition
5.	<b>Liquidity Risk</b>	Liquidity risk is the risk of Bank's inability to fund increases in assets and meet cash flow obligations as they come due, without incurring unacceptable losses.
6.	<b>Technology Risk</b>	Information and cyber security risk are the risks emanating from the use of information technology (IT) and the Internet. These risks arise from failures or breaches of IT systems, applications, platforms or infrastructure, which could result in financial loss, disruptions in financial services or operations, or reputational harm to the Bank.
7.	<b>Compliance Risk</b>	Compliance risk is the risk of legal or regulatory sanctions, financial loss or reputational damage which the Bank may suffer as a result of its failure to comply with legal and regulatory requirements applicable to its activities.
8.	<b>Environmental, Social and Governance (ESG) Risk</b>	Risk that may have an impact on the internal and external environment of the Bank's operating and banking activities, reputation, financial and going concern as a result of climate change affecting natural and human systems.

### PRIMARY ENTERPRISE RISK MITIGATION

No	Primary Enterprise Risk	Mitigations
1.	<b>Credit Risk</b>	<ul style="list-style-type: none"> <li>Perform independent credit evaluation as well as periodic review of the Portfolio Risk Rating (PRR), Target Market and Risk Acceptance Criteria (TMRAC), product programmes, Underwriting Standards and all other matters pertaining to credit risks.</li> <li>Proactive account management through identification of Significant Increase in Credit Risk (SICR) events for timely account classification and re-classification with appropriate expected credit loss provisioning and effective credit risk mitigation.</li> <li>Maintain comprehensive credit policy and limits within the Board approved Risk Appetite.</li> <li>All exposures and non-compliances including emerging risks are assessed and escalated to the Management and Board Committees with action plan and monitoring status.</li> </ul>
2.	<b>Operational Risk</b>	<ul style="list-style-type: none"> <li>Embedded risk function through the establishment of the Designated Compliance and Operational Risk Officer (DCORO) functions in every division for active monitoring of operational risks and reporting matters.</li> <li>All operational risk issues and incidents with detailed analysis and action plan are promptly reported to Management and Board Committees.</li> </ul>
3.	<b>Shariah Non-Compliance (SNC) Risk</b>	<ul style="list-style-type: none"> <li>Ascertain the soundness of Shariah governance framework through four dedicated functions - Shariah Research &amp; Advisory, Shariah Risk Management, Shariah Review and Shariah Audit - as required under BNM Shariah Governance Framework.</li> <li>Embedded risk function through the establishment of the Designated Compliance and Operational Risk Officer (DCORO) functions in every division for active monitoring of SNC risks and reporting matter.</li> <li>All SNC risk issues and incidents with detailed analysis and action plan are timely reported to the Management, Board and Shariah Committee.</li> </ul>



No	Primary Enterprise Risk	Mitigations
4.	<b>Market Risk</b>	<ul style="list-style-type: none"> <li>• Maintain a comprehensive market risk policy and control.</li> <li>• Proactive monitoring, analysis and reporting by Treasury Middle Office to ensure the market risk management is within the Board approved Risk Appetite.</li> <li>• All exposures and non-compliances including emerging risks are properly assessed and escalated to the Management and Board Committees with action plan and monitoring status.</li> </ul>
5.	<b>Liquidity Risk</b>	<ul style="list-style-type: none"> <li>• Maintain a comprehensive liquidity risk policy and control.</li> <li>• Proactive monitoring and liquidity risk management to ensure it is within the Board approved Risk Appetite</li> <li>• Conduct forward-looking scenario analysis and stress test to identify the areas that are vulnerable to liquidity risk and mitigate it with right amount of liquidity buffer and contingency funding plan.</li> <li>• All exposure and non-compliance including emerging risks are properly assessed and escalated to the Management and Board Committees with action plan and monitoring status.</li> </ul>
6.	<b>Technology Risk</b>	<ul style="list-style-type: none"> <li>• Establish adequate internal process and controls, include system backup &amp; recovery.</li> <li>• Maintain listing of IT-related issues and incidents with close monitoring of rectification progress by the working level committees, for escalation to the Management and Board Committees, where relevant.</li> </ul>
7.	<b>Compliance Risk</b>	<ul style="list-style-type: none"> <li>• Support the Bank's strategy by establishing clear roles and responsibilities to help embed good compliance and risk management practices throughout the business to align business outcome with the risk appetite.</li> <li>• Integrating a Compliance Risk Management Programme (CRMP) into the daily management of business and strategic planning. The CRMP helps to protect the Bank's reputation, lower the cost of capital, reduce costs and helps the Bank to minimise the risk of investigation, prosecution, and penalties.</li> <li>• Maintain robust and comprehensive compliance framework, policies and procedures.</li> <li>• Embedded compliance function through the establishment of the Designated Compliance and Operational Risk Officer (DCORO) functions in every division for active monitoring of compliance and reporting matters.</li> <li>• Compliance issues are promptly highlighted and presented for deliberation at the Management and Board Committees.</li> </ul>
8.	<b>Environmental, Social and Governance (ESG) Risk</b>	<ul style="list-style-type: none"> <li>• Integration of major climate-related risk factors into the existing enterprise-wide risk management framework.</li> <li>• Continuously develop data capabilities, tool and methodologies to effectively aggregate and report material ESG- related risks.</li> <li>• Reflect the ESG considerations in the governance, business strategy and operations, reporting and risk management systems.</li> </ul>

## STATEMENT OF RISK MANAGEMENT

### MILESTONE AND ACHIEVEMENTS IN 2022

In line with the Bank's Corporate Strategic Plan, the Bank is strengthening sound risk management practices and promoting good governance.

In 2022, the Risk Management Division achieved the following major milestones and implemented the following initiatives:

#### 1. Review of Approving Authorities and Authority Limits

The Approving Authorities and Authority Limits (AA) is a compilation of authorised approving authorities, signatories and their respective limits approving financial and non-financial transactions as well as expenditures or activities within the Bank.

The review considers the latest organisational structure of the Bank which prioritises operational efficiency of the Bank's AA and activities, as well as the associated risk factors and control measures including the recommending party and approval authority. Additionally, the review addresses best governance practices to ensure compliance with regulatory requirements.

#### 2. Review of Risk Appetite Metrics

The Risk Appetite Policy (The Policy) governs the Bank's approach to establishing, communicating and monitoring risk appetite through policies, controls and mechanisms. The Policy also outlines the governance structure for overseeing the implementation and monitoring of the Bank's risk appetite.

The Bank's risk appetite addresses major types of risk taking into account both the willingness and capacity to take on risk while considering the long-term financial capacity and ability to meeting obligations to stakeholders.

To comprehensively manage the Bank's operating dimensions and the enterprise risk categories identified in the Risk Management Framework, the Bank is further streamlining its risk appetite metrics in accordance with the Bank's Corporate Strategic Plan year 2023. This will allow for more granular monitoring and reporting of the risk appetite metrics.

#### 3. Review of the Risk Management Framework

The Risk Management Framework (the Framework) is an overarching risk management document for the Bank based on its mandated role as a government-owned Development Financial Institution (DFI) to promote reverse investment and export of strategic sectors such as capital goods, infrastructure projects, shipping, value added manufactured products and to facilitate the entry of Malaysian companies to new markets, particularly to the non-traditional markets.

The review is to include the Environmental, Social and Governance (ESG) Risk and its definition.

#### 4. Review of the Bank's credit related documentations

The Bank has reviewed and enhanced its credit risk policy and procedures for effective implementation across the organisation.

The Credit Risk Policy (the Policy) is the governing Policy of the Bank's credit management.

The Credit Processes and Procedures (the Procedures) is a procedural document for the implementation of the Credit Risk Policy. The Procedures review was to provide clarity on end-to-end credit processes for both conventional and also the Islamic processes and terminologies.

The review and enhancement to the Procedures was approved at the Management Audit, Risk & Compliance Committee meeting and subsequently endorsed by the Shariah Committee.

The identification of Connected Party and Politically Exposed Persons (PEP) has been clearly defined and this has been reflected in the review of Bank's Approving Authority and Authority Limits for the New & Review application.

## 5. Review of the Bank's portfolio management and exposures

During the year, the Bank also conducted a review of its credit portfolio limits specifically on investment, country and sector. These limits, along with their respective risk appetite metrics are monitored and reported on monthly basis in the credit risk reporting to the Board of Directors.

Credit Risk Department had completed the review of Procedures on Country Risk Management and obtained approval at the Management Audit, Risk & Compliance Committee Meeting.

Further, the Market Risk Department has completed the review of Procedures on Validation of Internal Rating System and MFRS9 Models and obtained approval as per the above meeting.

## 6. Review of Policy on Product Management

The Bank's internal Policy on Product Management (the Policy) was established to address the requirements of BNM's Policy on Introduction of New Product.

The Policy sets out the internal requirements for Islamic and conventional product management developed within the scope of EXIM Bank's mandated roles. These include providing credit facilities to finance and support exports and imports of goods, services, and overseas projects with emphasis on non-traditional markets, in addition to providing export credit insurance services, export financing insurance, overseas investments insurance and guarantee facilities.

This Policy specified the Bank's overall product management, requirements and governance including the responsible parties, the management and control of risk associated with the development, offering and marketing of new product as well as product variation.

The Policy review was endorsed at the Shariah Committee Meeting and approved at the Board of Directors Meeting.

## 7. Stress Test Methodologies, Analysis and Documentations

The Bank conducted comprehensive stress test covering all the material risks i.e credit risk, market risk, interest rate risk, operational risk and Shariah non-compliance (SNC) risk periodically as required by the BNM.

The stress test conducted covered a broad range of scenarios capturing foreseeable changes in the Bank's portfolio composition, new information, developments in operating conditions and emerging risks which may not necessarily be covered by historical events.

The review of Procedures on Stress Testing (the Procedures) was approved at the Management Audit, Risk and Compliance Committee (MARCC) meeting.

The Procedures is the primary document that serve as guidance for the Bank's management of stress testing and assessment towards the Bank's potential vulnerabilities to stressed business conditions and potential adverse changes to a variety of risk factors identified.



## STATEMENT OF RISK MANAGEMENT

### RISK MANAGEMENT KEY PRIORITIES FOR 2023

Key risk management priorities:

Areas	Details
<b>a. Review of Risk Appetite Metric</b>	<p>Conduct review based on latest Bank's position and align it with the Corporate Strategic Plan (CSP).</p> <p>The metric shall be read together with the Risk Appetite Policy document which defines the overall governance, types and aggregate tolerance levels of risk that the Bank is willing to accept in pursuit of its business objectives arising from the banking and insurance/ takaful activities.</p> <p>This includes communication to the stakeholders, monitoring and reporting requirements.</p>
<b>b. Comprehensive stress test assessment</b>	<p>As the comprehensive stress testing is a continuous process and assessment, Risk Management Division will strive for continuous improvement on the stress test exercise moving forward by exploring potential areas for enhancements as well as establishing linkage between stress test to other risk tools and measurements such as ICT and risk appetite metrics.</p>
<b>c. Implementation of the Internal Capital Adequacy Assessment Process (ICAAP)</b>	<p>Effective capital management integrated with business plan and stress test.</p>
<b>d. Risk transformation programme</b>	<p>To shift the way the Bank's approach and manage risk from the Traditional Silo-based to Risk Analytics driven based on integrated enterprise-wide basis based on the following four (4) strategic thrusts:</p> <ul style="list-style-type: none"> <li>a. Risk Portfolio Analytics &amp; Strategy</li> <li>b. Risk Advisory</li> <li>c. Risk Infrastructures</li> <li>d. Risk Control and Governance - Market Risk, Credit Risk and Shariah and Operational Risk</li> </ul>

# STATEMENT OF INTERNAL CONTROL

## INTERNAL CONTROL

Internal Control is defined as a process, performed by EXIM's Board of Directors, management, and personnel, designed to provide reasonable assurance of the achievement of the following objectives:

- The reliability and integrity of information.
- Compliance with policies, plans, procedures, laws and regulations and contracts.
- The safeguarding of assets.
- The economical and efficient use of resources.
- The accomplishment of established objectives and goals for operations or plans.

The Board recognises the importance of maintaining a sound system of internal control and risk management practices, as well as good corporate governance. The Board exercises overall responsibility in identifying, evaluating, and reviewing the adequacy and effectiveness of the Bank's risk management, governance, and internal control. The Board recognises that risks cannot be eliminated completely and as such, systems and processes have been put in place to provide reasonable and not absolute assurance against material misstatement of financial information or against losses and fraud. The Board is of the view that the internal control framework instituted throughout EXIM Bank is sufficient to safeguard stakeholder's investments, customer's interests, and EXIM Bank's assets. Reviews are continuously carried out by the Bank to ensure effectiveness of the system.

## BOARD AUDIT COMMITTEE

The Board Audit Committee (BAC) was established to further strengthen EXIM Bank's internal audit processes, and therefore, meets regularly with the objective of assisting the Board in managing Bank's range of inter-related risks in an integrated manner. The key responsibilities that the BAC execute as established by the Board to ensure the integrity of the systems of the internal controls are as follows:

- a) Reviews the adequacy and integrity of EXIM Bank's internal control systems and management information system, including systems for compliance with applicable laws, regulations, rules, directives, and guidelines, as identified by the internal auditors, the external auditor, and regulatory authorities.
- b) Reviews the adequacy and comprehensiveness of the internal audit process, scope of audit, competency of the auditors and the independence of the Internal Audit function. The Audit & Assurance Department (AAD) reports to the BAC, performs regular reviews of the processes to assess their effectiveness and highlights any significant risks affecting EXIM Bank. The BAC reviews the internal auditor's auditable areas and resources annually, via the Annual Audit Plan; and
- c) Regularly reviews and holds discussions with the Management on actions taken to address lapses in internal control and issues identified in reports prepared by the internal auditors, external auditors, and regulatory authorities.
- d) Reviews all related party transactions, and audit and non-audit related fees proposed by the Bank's external auditors.
- e) Reviews the financial statements of the Bank (half-yearly and annually), preliminary results release and any other formal release relating to its financial performance prior to escalation to the Board for approval to ensure accuracy and appropriateness of the financial reporting.

In the year 2022, the BAC held six scheduled meetings and three Special BAC meetings to discuss and deliberate AAD's Annual Audit Plan and Internal Audit Reports, BNM Composite Risk Rating (CRR) Report, External Auditors' Statutory Audit Plan and their Report, and financial statements of the Bank.

## AUDIT & ASSURANCE DEPARTMENT (AAD)

AAD independently reviews the adequacy and integrity of the systems of internal control in managing key risk and reports accordingly to the Board Audit Committee (BAC) on every two months basis or more often as and when required. Where weaknesses have been identified as a result of reviews, improvement measures are recommended to strengthen controls and follow-up audits are conducted by AAD to assess the status of implementation thereof by Management. In addition, the BAC also meets the Chief Internal Auditor without the presence of Management staff at least once a year.

## RELATIONSHIP WITH EXTERNAL AUDITOR

The BAC has established an appropriate and transparent relationship with the external auditor. The BAC meets at least once a year with the external auditor without the presence of the Management of EXIM Bank.

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# DIRECTORS' REPORT

The Directors hereby present 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 the business of banking in export and import by granting credit, issuing guarantees and providing other related services. The Bank is also engaged in the provision of export and domestic credit insurance facilities, takaful facilities and trade related guarantees to Malaysian companies.

The principal activities of the subsidiaries are as disclosed in Note 14 to the financial statements.

There have been no other significant changes in the nature of the Group's and the Bank's principal activities during the financial year.

## RESULTS

	Group RM'000	Bank RM'000
Loss for the year	(66,477)	(66,477)

There were no material transfers to or from reserves during the financial year other than as disclosed in the financial statements.

In the opinion of the Directors, the results of the operations of the Group and of the Bank during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDENDS

The Directors do not recommend any dividend payment for the current financial year.

## DIRECTORS

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

Dato' Azman Mahmud

Datuk Bahria binti Mohd Tamil

Dato' Dr. Amiruddin bin Muhamed

Dato' Wong Lee Yun

Datuk Dr. Syed Muhamad Syed Abdul Kadir

Pauline Teh Abdullah

Wong Yoke Nyen

Raymond Fam Chye Soon

(Resigned on 15 July 2022)

(Appointed on 15 February 2023)

## DIRECTORS' REPORT

### DIRECTORS (cont'd.)

The names of the Directors of the Bank's subsidiaries in office since the beginning of the financial year to the date of this report are:

#### Malaysian Export Credit Insurance Berhad

Norlela binti Sulaiman

Wan Noorazli Maula Wan Suleiman

(Appointed on 9 August 2022)

Faidzel Adham bin Sohari

(Resigned on 9 August 2022)

#### EXIM Sukuk Malaysia Berhad

Kew Thean Yew

Rupavathy A/P Govindasamy

Ng Jui Shan

(Appointed on 28 April 2022)

Edmund Lee Kwing Mun

(Resigned on 28 April 2022)

None of the Directors at the end of the financial year held any direct interest in the shares of the Bank or its related companies during the financial year.

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by Directors or the fixed salary of a full time employee of the Bank as shown in Note 32 to the financial statements) by reason of a contract made by the Bank or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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 corporate body.

There was an amount of insurance premium expense of RM78,477 for the Directors of the Group and the Bank in respect of their liability for any act or omission in their capacity as Directors of the Group and the Bank or in respect of costs incurred by them in defending or settling any claim or proceedings relating to any such liability for the financial year ended 31 December 2022.

### ISSUE OF SHARES AND DEBENTURES

There were no changes in the issued and paid up capital of the Bank during the financial year.

There were no issuance of debentures 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.

## DIRECTORS' REPORT

### OTHER STATUTORY INFORMATION

- (a) Before the statements of financial position, statements of profit and loss and statements of comprehensive income of the Group and of the Bank were made out, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the Directors are not aware of any circumstances which would render:
- (i) the amount written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Bank misleading.
- (c) At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Bank which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability in respect of the Group and of the Bank which has arisen since the end of the financial year.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Bank to meet its obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Bank for the financial year in which this report is made.
- (g) Before the statements of financial position, statements of profit and loss and statement of comprehensive income of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that there was adequate provision for its Insurance and Takaful liabilities in accordance with the valuation method as prescribed by Bank Negara Malaysia.
- (h) For the purpose of paragraph (e) and (f) above, contingent and other liabilities do not include liabilities arising from contract of Insurance or certificates of Takaful underwritten in the ordinary course of business of the Group and the Bank.



## DIRECTORS' REPORT

### SIGNIFICANT AND SUBSEQUENT EVENTS

- (a) Rating agencies, Fitch Ratings, Moody's Investors Service and RAM Ratings have re-affirmed the Bank's rating during their annual review as follows:

<b>Rating agencies</b>	<b>Date</b>	<b>Ratings</b>
Fitch Ratings	26 August 2022	Long-term Foreign Currency Issuer Default Rating: BBB+ Support Rating Floor: BBB+ Senior Unsecured Notes: BBB+ Outlook: Stable
Moody's Investors Service	11 November 2022	Long-term Foreign Currency Issuer: A3 Senior Unsecured Rating: A3 Long-term Ratings (Exim Sukuk Malaysia Berhad): A3 Outlook: Stable
RAM Ratings	8 December 2022	National Ratings (Long-term): AAA, (Short-term): P1 ASEAN Ratings (Long-term): seaAAA, (Short-term): seaP1 Global Ratings (Long-term): gA2, (Short-term): gP1 Long-term Global Scale Rating (Exim Sukuk Malaysia Berhad): gA2(s) Outlook: Stable

There have been no significant adjusting events subsequent to the financial year ended 31 December 2022.

### AUDITORS AND AUDITORS' REMUNERATION

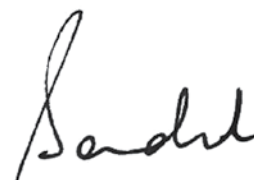
The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 31 (iv) to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.



**Dato' Azman Mahmud**  
30 March 2023



**Dato' Wong Lee Yun**

# SHARIAH COMMITTEE'S REPORT

IN THE NAME OF ALLAH, THE BENEFICENT, THE MOST MERCIFUL



All Praise is due to Allah, the Cherisher of the World, and Peace and Blessing be upon the Prophet of Allah, on his Family and all his Companions.

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ and "Salam Sejahtera"

To the shareholders, customers, and stakeholders of Export-Import Bank of Malaysia ("EXIM Bank" or the "Bank"):

In carrying out the roles and responsibilities as EXIM Bank's Shariah Committee ("SC") as prescribed in the Bank's Shariah Committee Charter and Bank Negara Malaysia ("BNM") Shariah Governance Policy Document ("Shariah Governance"), we hereby submit the following report in respect of Shariah compliant business activities of EXIM Bank for the financial year ended 31 December 2022.

## Management's Responsibility

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

## Shariah Committee's Responsibility

The Shariah Committee of the Bank shall be responsible to form an independent opinion, based on our review of the aims and operations, business, affairs and activities in relation to the Islamic financial business of the Bank and to produce this report. Our responsibility is to express an opinion on the state of Shariah compliance of the Bank based on our deliberation of the information obtained from the Bank during the reporting period.

The Shariah Committee of the Bank is assisted by the Secretariat to the Shariah Committee and internal control functions to carry out the specified roles under the BNM's Shariah Governance. Shariah Management Department ("SMD") takes the role as the Secretariat to the Shariah Committee to carry out the functions related to Shariah advisory, research and secretarial as required under BNM's Shariah Governance. Meanwhile, the role of internal control functions is taken out by Shariah and Operational Risk Department, Shariah Review and Shariah Audit that resides in the Risk Management Division, Compliance Department, and Audit & Assurance Department, respectively, where they have the functions to continuously assess and manage Shariah non-compliance ("SNC") risks, conduct Shariah review and Shariah audit in relation to the Bank's Islamic finance businesses.

During the financial year, there were fourteen (14) meetings held by the Shariah Committee of the Bank in which we reviewed and deliberated on, among others; the Bank's Islamic banking and takaful products, operational processes, guidelines and manuals relating to Shariah compliant transactions which were presented to us by the Bank. In performing our roles and responsibilities, we had obtained the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the Bank has complied with Shariah.

The Shariah Committee has provided appropriate advice on various aspects of the Bank's Islamic business operations to ensure compliance with applicable Shariah rules and principles as well as the relevant resolutions and rulings made by the Shariah Advisory Council ("SAC") of BNM.

## SHARIAH COMMITTEE'S REPORT

### Shariah Management Department

Being the Secretariat to the Shariah Committee of the Bank, SMD has the responsibility to provide the operational support for effective functioning of the Shariah Committee, including; coordinating communications and disseminating information among the Shariah Committee, the Board of Directors ("Board") and its committees as well as senior management; performing in-depth research and studies on Shariah issues; providing day-to-day advice to relevant parties within the Bank on Shariah matters based on the rulings of the SAC and decisions or advice of the Shariah Committee; ensuring proper dissemination of decisions or advice of the Shariah Committee within the Bank and undertaking administrative and secretarial functions to support the Shariah Committee.

### Control Functions

#### a. Shariah Risk Management

Shariah Risk Management ("SRM") refers to a function that systematically identifies, measures, monitors and reports SNC risks in the operations, business, affairs and activities of the Bank.

The management of SNC risk is executed through the three (3) lines of defence. The three (3) lines of defence are: First - the business units and functional lines; Second - Shariah Risk and Shariah Review; Third - Shariah Audit.

During financial year 2022, the Bank has been continuously implementing robust control measures in managing its SNC risk in line with the risk appetite strategy and metrics as approved by the Board. For effective SRM function, the Governance, Risk, and Compliance ("GRC") System is used to facilitate the Shariah risk profiling exercise, which includes the Risk and Control Self-Assessment ("RCSA"), Key Risk Indicator ("KRI"), Key Control Testing ("KCT"), and Loss Event Database ("LED").

#### b. Shariah Review & Shariah Audit

In ensuring that the Bank's Islamic business activities are conducted in conformity with the Shariah rules and in accordance with the regulatory requirements, the Bank's Shariah Review has regularly assessed and evaluated the Bank's business activities, product features and service offered by the Bank whilst Shariah Audit provides its independent assessment and assurance on overall effectiveness of Shariah internal control system to ensure compliance of the Bank's operations, business, affairs, and activities with Shariah.

During the year, Shariah Committee has assessed the work carried out by Shariah reviewer and provide insights from Shariah perspective to the Shariah auditor. Their reports were deliberated in the Shariah Committee meeting, where the findings become the basis for the Shariah Committee to form an opinion on its compliance with Shariah rules and principles, Shariah guidelines and rulings issued by the SAC of Bank Negara Malaysia as well as Shariah decisions and resolutions made by the Shariah Committee.

### Shariah Training and Awareness

In year 2022, a total of 94 staff had attended various external/internal Islamic finance and Shariah related training programmes and seminars in ensuring that the staff are continuously equipped with Shariah knowledge and awareness in line with BNM's Shariah Governance spirit.



### Disclosure on Shariah Non-Compliant Event

During the financial year, we have identified one (1) Actual SNC event with no financial impact to the Bank.

Events	Measures taken
<p>Non-adherence to the Requirement of <i>Ijarah</i> Rental Based on Benchmark (Variable Rate)</p> <p><i>There is no minimum and/or maximum limit of Ijarah rental stipulated in any Islamic Transaction documents based on variable rate.</i></p>	<p>i. The Bank had communicated with the affected customers on the requirement of specifying maximum limit of <i>Ijarah</i> for variable rate based on certain benchmarks or formula.</p> <p>ii. Included minimum and maximum limit of <i>Ijarah</i> rental payment in the internal document i.e., Procedures on Islamic Financing.</p> <p>iii. To standardise the legal documentation for <i>Ijarah</i>-based product.</p>

We were informed that the Bank has taken adequate measures to avoid recurrence of the incident.

The rectification plan was presented to the Board and reported to BNM in accordance with the BNM's reporting requirement of Operational Risk Integrated Online Network ("ORION").

### Zakat on Islamic Business

For financial year ended 31 December 2022, zakat was calculated based on growth method with appropriate adjustment. Shariah Committee has reviewed and affirmed that the Bank was not eligible to pay zakat as the Bank was in net liabilities position.

Shariah Committee has reviewed the financial statements of the Bank, including the calculation of Zakat and confirmed that the financial statements prepared were in compliance with the Shariah rules and principles as well as the minimum disclosure requirements as stipulated by Bank Negara Malaysia.

### SHARIAH OPINION

We, as EXIM Bank's Shariah Committee, to the best of our knowledge, have obtained sufficient and appropriate evidence to form Shariah compliant opinion with regards to EXIM Bank's Islamic business operations. Hence to the best of our knowledge based on the information provided to us and decisions made during the Shariah Committee meeting, we are of the opinion that:-

- The Islamic financial business operations of EXIM Bank for the financial year ended 31 December 2022 have been conducted in conformity with the Shariah rules and principles.
- The contracts, transactions and dealings entered by the Bank in relation to its Islamic financial business during the financial year ended 31 December 2022 that were reviewed by SC, were in compliance with Shariah.
- The computation of zakat was in compliance with Shariah.

We beg Allah the Almighty to grant us all the success and straight-forwardness and Allah knows best.

Signed on behalf of the Committee in accordance with a resolution of the Shariah Committee dated 22 March 2023.



**Prof. Dr. Rusni Hassan**  
Chairman

Kuala Lumpur, Malaysia



**Dr. Safinar Salleh**  
Member

## STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act, 2016

We, Dato' Azman Mahmud and Dato' Wong Lee Yun, being two of the Directors of Export-Import Bank of Malaysia Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 103 to 241 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2022 and of the results and cash flows of the Group and of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the Directors.



**Dato' Azman Mahmud**  
30 March 2023



**Dato' Wong Lee Yun**

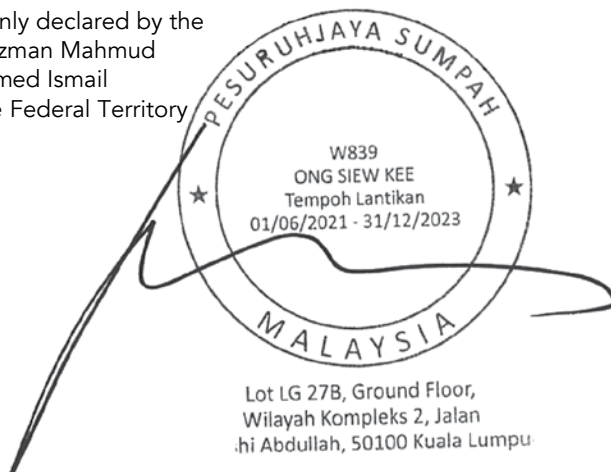
## STATUTORY DECLARATION

Pursuant to Section 251(1)(b) of the Companies Act, 2016 and  
Section 73(1)(e) of the Development Financial Institutions Act, 2002

We, Dato' Azman Mahmud and Arshad bin Mohamed Ismail, being the Director and officer primarily responsible for the financial management of Export-Import Bank of Malaysia Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 103 to 241 are in our opinion correct, and we make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
above named Dato' Azman Mahmud  
and Arshad bin Mohamed Ismail  
at Kuala Lumpur in the Federal Territory

Before me,




**Dato' Azman Mahmud**



**Arshad bin Mohamed Ismail**

# INDEPENDENT AUDITORS' REPORT

to the members of Export-Import Bank of Malaysia Berhad  
(Incorporated in Malaysia)

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### *Opinion*

We have audited the financial statements of Export-Import Bank of Malaysia Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and the Bank, and statements of profit and loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Bank for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 103 to 241.

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

### *Basis for opinion*

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our 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 the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### *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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditors' responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Bank. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

## INDEPENDENT AUDITORS' REPORT

to the members of Export-Import Bank of Malaysia Berhad  
(Incorporated in Malaysia)

### Key audit matters (cont'd.)

Risk area and rationale	Our response
<p><u>Expected credit losses ("ECL") of loans, advances and financing, and financial investments not carried at fair value through profit or loss</u></p>	<p>Our audit procedures included the assessment of controls over the approval, recording and monitoring of loans, advances and financing, and financial investments not carried at fair value, and evaluating the methodologies, inputs and assumptions used by the Group and the Bank in calculating the respective ECL allowances for the respective underlying assets.</p>
<p>As at 31 December 2022, loans, advances and financing represent 44.84% of the total assets of the Group and of the Bank, respectively, and financial investments not carried at fair value through profit or loss represent approximately 5.62% of the total assets of the Group and of the Bank, respectively.</p>	<p>For measurement of individual ECL allowance for stage 3 impaired loans, advances and financing and financial investments not carried at fair value, we tested a sample of loans, advances and financing and financial investments not carried at fair value to evaluate the timely identification by the Group and the Bank of exposures with significant deterioration in credit quality or which have been impaired.</p>
<p>As at 31 December 2022, ECL allowance amounting to approximately RM1.74 billion has been provided for the loans, advances and financing of the Group and of the Bank, respectively.</p>	<p>For stage 3 assets which have defaulted, we assessed the Group's and the Bank's specific assumptions on the expected future cash flows for each asset, including the value of realisable collaterals based on available market information and the multiple scenarios considered. We also challenged the assumptions and compared estimates to external evidence where available.</p>
<p>The measurement of ECL requires the use of a forward-looking ECL approach, and the application of significant judgement and increased complexity which include the identification of on and off-balance sheet credit exposures, the determination of the different stages of credit risk of the underlying assets, the assessment of expected future cash flows of the respective assets, available proxies or benchmarks for collective assessment, forward looking macroeconomic factors, probability-weighted multiple scenarios and the application of Management Overlays ("MO").</p>	<p>With respect to the measurement of collective ECL allowances for stage 1 and stage 2 accounts/assets, we verified the reasonableness of the ECL models, including model input, model design and model performance. We challenged whether historic or historical experience is representative of current circumstances and of the recent losses incurred in the portfolios and assessed the reasonableness of forward looking adjustments, macroeconomic factor analysis and probability-weighted multiple scenarios.</p>
<p>Management also uses externally available industry and financial data, as appropriate, to supplement internally available credit experiences.</p>	<p>We involved our credit modelling specialists in the performance of these procedures where their specific expertise was required.</p>
<p>Refer to summary of significant accounting policies in Note 2.4(g), significant accounting estimates and judgement in Note 3 and the disclosures of loans, advances and financing and investments in Notes 9 and 6 to 8, respectively, to the financial statements.</p>	<p>We also assessed whether the financial statements' disclosures appropriately reflect the Group's and the Bank's exposures to credit risk.</p>



## INDEPENDENT AUDITORS' REPORT

to the members of Export-Import Bank of Malaysia Berhad  
(Incorporated in Malaysia)

*Key audit matters (cont'd.)*

<b>Risk area and rationale</b>	<b>Our response</b>
<u><i>Valuation of derivatives and hedge accounting</i></u>	
<p>The carrying amount and nature of the Group's and the Bank's derivative financial instruments are as disclosed in Note 11 to the financial statements.</p> <p>Fair valuation of the derivatives involves assessment and assumptions that are affected by expected future market and economic conditions, and the use of observable and unobservable inputs and parameters in the financial markets, and these assessments require the application of significant judgement and estimates.</p> <p>The Group and the Bank also use derivatives to manage exposures to interest rates, profit rates and foreign currencies. Accordingly, the Group and the Bank apply hedge accounting for hedges which meet specified criteria required under MFRS 9 <i>Financial Instruments</i>.</p> <p>Refer to summary of significant accounting policies in Note 2.4(f)(vi) and the disclosures of derivatives valuation and hedge accounting application in Note 11 to the financial statements.</p>	<p>We engaged our valuation and financial risk management professionals in accordance with the requirements of International Standard on Auditing 620: <i>Reliance on the Work of an Auditors' Expert</i> to assist us in performing our audit procedures on the review of valuation of derivatives and application of hedge accounting. Our audit focused on the following key areas:</p> <ul style="list-style-type: none"> <li>(a) reviewed the critical terms of the derivative contracts;</li> <li>(b) tested the reasonableness of the assumptions adopted in the valuation of derivatives, including assessing if the inputs and parameters used were observable in the financial markets;</li> <li>(c) performed independent valuation of selected derivatives and compared our valuation to those performed by management;</li> <li>(d) reviewed the risk management strategies and basis of the economic hedges applied by the management; and</li> <li>(e) reviewed the hedge effectiveness determined and documented by the management for the purpose of applying hedge accounting. We also considered whether the disclosures in</li> </ul> <p>We also considered whether the disclosures in relation to derivatives and hedge accounting comply with the relevant disclosure requirements.</p>
<u><i>Insurance contract/Takaful certificate and expense liabilities</i></u>	
<p>Insurance contract and Takaful certificate liabilities (which comprise premium/contribution liabilities and claims liabilities) and expense liabilities are determined based on previous claims experience, existing knowledge of events, the terms and conditions of the relevant Insurance policies or Takaful certificates.</p> <p>Estimates of insurance contract/Takaful certificate and expense liabilities have to be made for both the expected ultimate cost of claims reported at the reporting date, and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the reporting date. The estimation of the provision for these liabilities are sensitive to various factors and uncertainties.</p>	<p>We engaged our Actuarial Services professionals in accordance with the requirements of International Standard on Auditing 620: <i>Reliance on the Work of an Auditors' Expert</i> to assist us in performing our audit procedures on the provision for the insurance contract/takaful certificate and expenses liabilities. Our audit focused on the following key areas:</p> <ul style="list-style-type: none"> <li>(a) understood and documented the qualifications, objectivity and independence of the Appointed Actuary tasked with estimating these liabilities;</li> <li>(b) tested the completeness and sufficiency or accuracy of data used in the actuarial valuation;</li> <li>(c) compared the actuarial valuation methodologies and assumptions against recognised actuarial practices, and with industry data;</li> </ul>

## INDEPENDENT AUDITORS' REPORT

to the members of Export-Import Bank of Malaysia Berhad  
(Incorporated in Malaysia)

Key audit matters (cont'd.)

Risk area and rationale	Our response
<p><u>Insurance contract/Takaful certificate and expense liabilities</u> (cont'd.)</p> <p>Significant management judgement is applied in setting these assumptions. In deriving the provision for these liabilities, the Board of Directors and management have commissioned a third-party independent professional actuary to perform a valuation of such liabilities as at 31 December 2022 based on requirements of MFRS 4 <i>Insurance Contracts</i>.</p> <p>Reinsurance assets are quantified from claims case estimates, paid claims data and estimates of ultimate claims settlement amount. The Group and the Bank have reinsurance arrangements designed to protect its aggregate exposure to adverse development covers in the form of excess of loss contracts and catastrophic claim events.</p> <p>Refer to summary of significant accounting policies in Note 2.4(m), significant accounting estimates and judgement in Note 3 and the disclosures of these provisions in Note 24 to the financial statements.</p>	<p>(d) reviewed the assumptions used by the Appointed Actuary and rationale for conclusions made thereon;</p> <p>(e) assessed consistency of valuation methodologies applied;</p> <p>(f) assessed whether changes made to the actuarial models are in line with our understanding of business developments, and our expectations derived from market experience;</p> <p>(g) performed independent analysis and re-computation of the provision for these liabilities on selected classes of business. We focused on the largest and most uncertain reserves. We compared our independent analysis to those performed by management; and</p> <p>(h) reviewed management's estimation of the calculated reinsurance assets and thereon, their assessment of the credit quality of the underlying reinsurance counterparties.</p> <p>We also considered whether the disclosures in relation to the provision for these liabilities comply with the relevant disclosure requirements.</p>

### 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 the information included in the annual report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon, which is expected to be made available to us after the date of this auditors' report.

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

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

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

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

## INDEPENDENT AUDITORS' REPORT

to the members of Export-Import Bank of Malaysia Berhad  
(Incorporated in Malaysia)

### *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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of 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 and 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 or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

## INDEPENDENT AUDITORS' REPORT

to the members of Export-Import Bank of Malaysia Berhad  
(Incorporated in Malaysia)

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

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

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 Bank 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.



**Ernst & Young PLT**  
202006000003 (LLP0022760-LCA) & AF 0039  
Chartered Accountants



**Yeo Beng Yean**  
No. 03013/10/2024 J  
Chartered Accountant

Kuala Lumpur, Malaysia  
30 March 2023



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		Group	
	Note	2022 RM'000	2021 RM'000
<b>Assets</b>			
Cash and bank balances	4	28,986	49,513
Deposits and placements with banks and other financial institutions	5	2,794,741	3,126,776
Financial investments at fair value through profit or loss ("FVTPL")	6	9,979	-
Financial investments at fair value through other comprehensive income ("FVOCI")	7	277,270	613,625
Financial investments at amortised cost	8	377,925	494,014
Loans, advances and financing	9	3,017,644	3,301,561
Insurance receivables	10	-	45
Derivative financial instruments	11	15,887	80,463
Other assets	12	73,076	74,374
Deferred tax assets	13	-	-
Investment properties	15	796	814
Intangible assets	16	4,255	1,211
Property and equipment	17	60,907	66,396
Right-of-use assets	18	3,686	5,007
<b>Total assets</b>		<b>6,665,152</b>	<b>7,813,799</b>
<b>Liabilities</b>			
Borrowings	19	4,522,842	5,781,695
Lease liabilities	20	3,797	5,090
Insurance payables	10	115	295
Other payables and accruals	21	311,028	262,883
Provision for commitments and contingencies	22	45,974	64,876
Derivative financial instruments	11	183,904	999
Deferred tax liabilities	13	-	-
Deferred income	23	22,716	29,396
Provision for guarantee and claims	24	38,326	43,051
<b>Total liabilities</b>		<b>5,128,702</b>	<b>6,188,285</b>
<b>Financed by:</b>			
Share capital	25 (a)	2,708,665	2,708,665
Redeemable convertible cumulative preference shares ("RCCPS")	25 (b)	250,000	250,000
Fair value adjustment reserve		(21,224)	(11,280)
Accumulated losses		(1,396,123)	(1,313,281)
<b>Shareholders' funds</b>		<b>1,541,318</b>	<b>1,634,104</b>
<b>Takaful participants fund</b>	46	<b>(4,868)</b>	<b>(8,590)</b>
<b>Total liabilities, shareholders' fund and Takaful participants fund</b>		<b>6,665,152</b>	<b>7,813,799</b>
<b>Commitments and contingencies</b>	41	<b>1,228,999</b>	<b>1,858,862</b>

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

# STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		Bank	
	Note	2022 RM'000	2021 RM'000
<b>Assets</b>			
Cash and bank balances	4	28,986	49,513
Deposits and placements with banks and other financial institutions	5	2,794,741	3,126,776
Financial investments at fair value through profit or loss ("FVTPL")	6	9,979	-
Financial investments at fair value through other comprehensive income ("FVOCI")	7	277,270	613,625
Financial investments at amortised cost	8	377,925	494,014
Loans, advances and financing	9	3,017,644	3,301,561
Insurance receivables	10	-	45
Derivative financial instruments	11	15,887	80,463
Other assets	12	73,076	74,374
Deferred tax assets	13	-	-
Investment in subsidiaries	14	64,129	64,129
Investment properties	15	796	814
Intangible assets	16	4,255	1,211
Property and equipment	17	60,907	66,396
Right-of-use assets	18	3,686	5,007
<b>Total assets</b>		<b>6,729,281</b>	<b>7,877,928</b>
<b>Liabilities</b>			
Borrowings	19	4,522,842	5,781,695
Lease liabilities	20	3,797	5,090
Insurance payables	10	115	295
Other payables and accruals	21	311,051	262,900
Provision for commitments and contingencies	22	45,974	64,876
Derivative financial instruments	11	183,904	999
Deferred tax liabilities	13	-	-
Deferred income	23	22,716	29,396
Provision for guarantee and claims	24	38,326	43,051
Amount due to subsidiaries	42	64,111	64,117
<b>Total liabilities</b>		<b>5,192,836</b>	<b>6,252,419</b>
<b>Financed by:</b>			
Share capital	25 (a)	2,708,665	2,708,665
RCCPS	25 (b)	250,000	250,000
Fair value adjustment reserve		(21,224)	(11,280)
Accumulated losses		(1,396,128)	(1,313,286)
<b>Shareholders' funds</b>		<b>1,541,313</b>	<b>1,634,099</b>
<b>Takaful participants fund</b>	44	<b>(4,868)</b>	<b>(8,590)</b>
<b>Total liabilities, shareholders' fund and Takaful participants fund</b>		<b>6,729,281</b>	<b>7,877,928</b>
<b>Commitments and contingencies</b>	41	<b>1,228,999</b>	<b>1,858,862</b>

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

# STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2022

	Note	Group		Bank	
		2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Operating revenue	26	228,126	174,705	228,126	174,705
Interest income	27	184,353	137,949	184,353	137,949
Interest expense	28	(97,017)	(101,310)	(97,017)	(101,310)
Net interest income		87,336	36,639	87,336	36,639
Underwriting results	29	5,729	4,769	5,729	4,769
Income from Islamic business	46	74,496	119,508	74,496	119,508
Other (losses)/income	30	(53,907)	4,533	(53,907)	4,533
Net income		113,654	165,449	113,654	165,449
Overhead expenses	31	(79,664)	(83,844)	(79,664)	(83,844)
Operating profit		33,990	81,605	33,990	81,605
Writeback/(Allowances) for expected credit losses ("ECL")					
on loans, advances and financing	34	5,155	(47,107)	5,155	(47,107)
Writeback for ECL on commitment and contingencies	35	20,426	19,754	20,426	19,754
Allowances for ECL on financial investments	36	(126,025)	(3,145)	(126,025)	(3,145)
Allowances for ECL on other assets	37	(23)	-	(23)	-
(Loss)/Profit before taxation		(66,477)	51,107	(66,477)	51,107
Taxation	38	-	-	-	-
Net (loss)/profit for the year		(66,477)	51,107	(66,477)	51,107
Basic (loss)/earnings per share (sen)	39	(2.45)	1.89	(2.45)	1.89

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

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Net (loss)/profit for the year	(66,477)	51,107	(66,477)	51,107
<u>Other comprehensive loss</u>				
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:				
Fair value changes of financial investments at FVOCI	(9,944)	(14,256)	(9,944)	(14,256)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	(9,944)	(14,256)	(9,944)	(14,256)
Total comprehensive (loss)/income for the year, net of tax	(76,421)	36,851	(76,421)	36,851

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



# STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital RM'000	Accumulated losses RM'000	Non- distributable fair value adjustment reserve RM'000	Total RM'000
<b>Group</b>				
<b>At 1 January 2021</b>	2,958,665	(1,348,024)	2,976	1,613,617
Dividends on RCCPS (Note 40)	-	(16,364)	-	(16,364)
Total comprehensive income for the year	-	51,107	(14,256)	36,851
<b>At 31 December 2021</b>	2,958,665	(1,313,281)	(11,280)	1,634,104
<b>At 1 January 2022</b>	2,958,665	(1,313,281)	(11,280)	1,634,104
Dividends on RCCPS (Note 40)	-	(16,365)	-	(16,365)
Total comprehensive loss for the year	-	(66,477)	(9,944)	(76,421)
<b>At 31 December 2022</b>	2,958,665	(1,396,123)	(21,224)	1,541,318
<b>Bank</b>				
<b>At 1 January 2021</b>	2,958,665	(1,348,029)	2,976	1,613,612
Dividends on RCCPS (Note 40)	-	(16,364)	-	(16,364)
Total comprehensive income for the year	-	51,107	(14,256)	36,851
<b>At 31 December 2021</b>	2,958,665	(1,313,286)	(11,280)	1,634,099
<b>At 1 January 2022</b>	2,958,665	(1,313,286)	(11,280)	1,634,099
Dividends on RCCPS (Note 40)	-	(16,365)	-	(16,365)
Total comprehensive loss for the year	-	(66,477)	(9,944)	(76,421)
<b>At 31 December 2022</b>	2,958,665	(1,396,128)	(21,224)	1,541,313

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

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows from operating activities</b>				
(Loss)/Profit before taxation	(66,477)	51,107	(66,477)	51,107
Adjustments for:				
ECL Stage 3 loans, advances and financing (Note 34)				
- Charged for the year	383,721	153,796	383,721	153,796
- Writeback during the year	(428,550)	(356,178)	(428,550)	(356,178)
ECL Stage 1 and 2 loans, advances and financing (Note 34)				
- (Writeback)/Allowances during the year	(271,083)	99,141	(271,083)	99,141
Allowance for ECL on financial investments (Note 36)	126,025	3,145	126,025	3,145
Writeback for ECL on commitment and contingencies (Note 35)	(20,426)	(19,754)	(20,426)	(19,754)
Allowances for ECL on other assets (Note 37)	23	-	23	-
Claim and guarantee				
- Writeback during the year	(4,275)	(7,945)	(4,275)	(7,945)
Depreciation				
- Property and equipment	3,515	3,043	3,515	3,043
- Investment properties	18	18	18	18
- Right of use assets	1,396	1,184	1,396	1,184
Amortisation of intangible assets	964	1,086	964	1,086
Loss on disposal of equipment	19	2	19	2
Asset written-off	1,758	4,462	1,758	4,462
Overprovision of assets written off	(2,451)	-	(2,451)	-
Unrealised foreign exchange loss	68,098	102,854	68,098	102,854
Unrealised loss on derivatives	250,438	66,511	250,438	66,511
Unrealised gain on MTN/Sukuk	(203,872)	(106,648)	(203,872)	(106,648)
(Writeback)/Additional doubtful debt for insurance	(393)	166	(393)	166
Amortisation of premium less accretion of discount	(1,569)	(1,587)	(1,569)	(1,587)
Premium liabilities	(693)	(956)	(693)	(956)
Operating (loss)/gain before changes in working capital	(163,814)	(6,553)	(163,814)	(6,553)

## STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows from operating activities (cont'd.)</b>				
Changes in working capital:				
Deposits and placements with banks and other financial institutions	(61,036)	(58,700)	(61,036)	(58,700)
Loans, advances and financing	775,931	837,699	775,931	837,699
Insurance receivables	302	672	302	672
Other assets	3,942	18,411	3,942	18,411
Derivative financial instruments	(504)	95	(504)	95
Other payables and accruals	23,705	(48,263)	23,711	(48,260)
Deferred income	(5,987)	8,626	(5,987)	8,626
Net claims paid for bank guarantee and insurance claims	(450)	(705)	(450)	(705)
Takaful participants fund	3,722	2,893	3,722	2,893
Amount due to subsidiary	-	-	(6)	(3)
Cash generated from operations	575,811	754,175	575,811	754,175
Income tax refund	1,927	2,889	1,927	2,889
<b>Net cash generated from operating activities</b>	<b>577,738</b>	<b>757,064</b>	<b>577,738</b>	<b>757,064</b>
<b>Cash flows from investing activities</b>				
Proceeds from disposals of property and equipment	922	6,773	922	6,773
Proceeds from disposals of intangible assets	62	-	62	-
Purchase of property and equipment	(4,191)	(8,931)	(4,191)	(8,931)
Purchase of intangible assets	(4,070)	(284)	(4,070)	(284)
Proceed from disposal of investment	370,000	53,173	370,000	53,173
Purchase of investments	(35,119)	-	(35,119)	-
<b>Net cash generated from investing activities</b>	<b>327,604</b>	<b>50,731</b>	<b>327,604</b>	<b>50,731</b>

# STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
<b>Cash flows from financing activities</b>				
Net repayment of borrowings	(1,331,609)	(942,923)	(1,331,609)	(942,923)
Net repayment of lease liabilities	(1,369)	(1,130)	(1,369)	(1,130)
<b>Net cash used in financing activities</b>	<b>(1,332,978)</b>	<b>(944,053)</b>	<b>(1,332,978)</b>	<b>(944,053)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(427,636)</b>	<b>(136,258)</b>	<b>(427,636)</b>	<b>(136,258)</b>
<b>Net foreign exchange difference</b>	<b>14,039</b>	<b>4,672</b>	<b>14,039</b>	<b>4,672</b>
<b>Cash and cash equivalents at beginning of the year</b>	<b>3,076,342</b>	<b>3,207,928</b>	<b>3,076,342</b>	<b>3,207,928</b>
<b>Cash and cash equivalents at end of the year</b>	<b>2,662,745</b>	<b>3,076,342</b>	<b>2,662,745</b>	<b>3,076,342</b>
Cash and cash equivalents comprise the following balances:				
Cash and bank balances	28,986	49,513	28,986	49,513
Deposits and placements with banks and other financial institutions	2,794,741	3,126,776	2,794,741	3,126,776
Less : Deposits and placements on behalf of customers and government (Note 5)	(127,482)	(99,947)	(127,482)	(99,947)
Less : Deposits and placements more than three months	(33,500)	-	(33,500)	-
Cash and cash equivalents	2,662,745	3,076,342	2,662,745	3,076,342

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



# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

Export-Import Bank of Malaysia Berhad is a public limited company, incorporated and domiciled in Malaysia. The registered office and principal place of business of the Bank is located at Level 16, EXIM Bank, Jalan Sultan Ismail, 50250 Kuala Lumpur.

The Bank is principally engaged in the business of conventional and Islamic banking in the promotion and support of export, import and investment for the country's development by granting credit, issuing guarantees and providing other related services. The Bank is also engaged in the provision of export and domestic credit insurance and takaful facilities and trade related guarantees to Malaysian companies.

The principal activities of the subsidiaries are as stated in Note 14.

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

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 30 March 2023.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

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

The financial statements of the Group and the Bank have been prepared under the historical cost convention, unless otherwise stated in the accounting policies. The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's and the Bank's functional currency, and all values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

### 2.2 Changes in accounting policies

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

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

- Annual Improvements to MFRS Standards 2018-2020 (Amendments to MFRS 101 *First-time Adoption of Malaysian Financial Reporting Standards*, MFRS 9 *Financial Instruments* and MFRS 141 *Agriculture*)
- MFRS 3 *Reference to the Conceptual Framework* (Amendments to MFRS 3 *Business Combinations*)
- MFRS 116 *Property, Plant and Equipment - Proceeds before Intended Use* (Amendments to MFRS 116 *Property, Plant and Equipment*)
- MFRS 137 *Onerous Contracts - Cost of Fulfilling a Contracts* (Amendments to MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*)

The adoption of the above pronouncements did not have any material impact on the financial statements of the Group and the Bank.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.3 Standards issued but not yet effective

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

##### **Effective for financial periods beginning on or after 1 January 2023**

- MFRS 17 *Insurance Contracts and Initial Application of MFRS 17 and MFRS 9—Comparative Information* (Amendment to MFRS 17)
- MFRS 101 *Classification of Liabilities as Current or Non-current and Disclosure of Accounting Policies* (Amendments to MFRS 101)
- MFRS 108 *Definition of Accounting Estimates* (Amendments to MFRS 108)
- MFRS 112 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to MFRS 112)

##### **Effective for financial periods beginning on or after 1 January 2024**

- MFRS 16 *Lease Liability in a Sale and Leaseback* (Amendments to MFRS 16)
- MFRS 101 *Non-current Liabilities with Covenants* (Amendments to MFRS 101)

The Group and the Bank expect that the adoption of the above standards and interpretations will have no material impact on the financial statements in the period of initial application except for MFRS 17 *Insurance Contracts*.

#### **MFRS 17 Insurance Contracts**

In May 2017, the MASB issued MFRS 17 (Insurance Contracts) (MFRS 17), a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, MFRS 17 will replace MFRS 4 (Insurance Contracts) (MFRS 4) that was issued in 2005. MFRS 17 applies to all types of insurance contracts (i.e., credit insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply. MFRS 17 introduces new accounting requirements for banking products with insurance features that may affect the determination of which instruments or which components thereof will be in the scope of MFRS 9 or MFRS 17.

MFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted, provided the entity also applies MFRS 9 and MFRS 15 on or before the date it first applies MFRS 17.

##### (i) Changes to classification and measurement

The adoption of MFRS 17 is not expected to change the classification of the Group's and the Bank's insurance contracts/takaful certificates. Under MFRS 17 the Group and the Bank is required to:

- Identify insurance contracts/takaful certificates as those under which the Group and the Bank accepts significant insurance/takaful risk from another party (the policyholder/participants) by agreeing to compensate the policyholder/participants if a specified uncertain future event (the insured event) adversely affects the policyholder/participants;
- Divide the insurance/takaful and reinsurance contracts/retakaful certificates into groups it will recognise and measure;

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.3 Standards issued but not yet effective (cont'd.)

##### MFRS 17 Insurance Contracts (cont'd.)

##### (i) Changes to classification and measurement (cont'd.)

The adoption of MFRS 17 is not expected to change the classification of the Group's and the Bank's insurance contracts/takaful certificates. Under MFRS 17 the Group and the Bank is required to (cont'd.):

- Recognise and measure groups of insurance contracts/takaful certificates at a risk-adjusted present value of the future cash flows (the fulfilment cash flows), that incorporates all available information about the fulfilment cash flows in a way that is consistent with observable market information plus an amount representing the unearned profit in the group of contracts/certificates (the contractual service margin or "CSM");
- Recognise profit from a group of insurance contracts/takaful certificates over the period the Group and the Bank provides insurance coverage. If a group of contracts is expected to be onerous (i.e. loss making) over the remaining coverage period, the Group and the Bank recognises the loss immediately; and
- Recognise an asset for insurance/takaful acquisition cash flows in respect of acquisition cash flows paid, or incurred, before the related group of insurance contracts/takaful certificates is recognised. Such an asset is derecognised when the insurance acquisition cash flows are included in the measurement of the related group of insurance contracts/takaful certificates.

MFRS 17 provides comprehensive guidance on accounting for insurance contracts/takaful certificates issued, reinsurance contracts/retakaful certificates held, and investment contracts with discretionary participation features through three new measurement models. The Group and the Bank intends to apply the following measurement models in measuring the various insurance contracts/takaful certificates it issues:-

##### (a) Premium Allocation Approach ("PAA")

For those policies/certificates with contract boundary of less than one (1) year coverage period and that pass the PAA eligibility test.

##### (b) General Measurement Model ("GMM")

GMM is the default measurement model for policies/certificates valued using fulfilment cash flows (the present value of expected cash flows, plus a risk adjustment), offset by the contractual service margin which represents unearned profit the insurer recognises as it provides services under the contract.

The Bank has preliminary assessed the impact arising from adoption of MFRS 17 and, also taking into consideration the scope in MFRS 17.7(h), it has concluded that the impact to retained earnings will be from the range of RM1.10 million to RM2.30 million.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies

##### (a) Subsidiaries and basis of consolidation

###### (i) Subsidiaries

A subsidiary is an entity over which the Group has power to govern the financial and operating policies so as to obtain benefits from its activities.

###### (ii) Basis of consolidation

In the Bank's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses. On the disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in the statement of profit or loss.

The consolidated financial statements comprise the financial statements of the Bank and its subsidiaries as at the reporting date. The financial statements used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Bank. Consistent accounting policies are applied to like transactions and events in similar circumstances.

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

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

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

The Group and the Bank re-assess whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

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

###### (ii) Basis of consolidation (cont'd.)

Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in other comprehensive income. The cost of a business combination is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the business combination.

Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the statements of financial position. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in statement of profit or loss on the date of acquisition.

When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

###### (iii) Consolidation of EXIM Sukuk Malaysia Berhad

EXIM Sukuk Malaysia Berhad ("EXIM Sukuk") is a Special Purpose Vehicle ("SPV") entity established by the Bank as part of its Multi-currency Sukuk Issuance Programme. The share capital of the SPV is currently held in trust by TMF Trustee Malaysia Berhad for EXIM Bank pursuant to the Declaration of Trust in relation to the Multi-currency Sukuk Issuance Programme. The SPV shall act as issuer, trustee and purchaser/seller of tangible/non-tangible assets. Management had concluded that control over EXIM Sukuk exist and, hence, EXIM Sukuk is deemed to be a subsidiary.

##### (b) Property and equipment and right-of-use assets

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

Subsequent to recognition, property and equipment and right-of-use assets are measured at cost less accumulated depreciation and accumulated impairment losses. When significant parts of property and equipment and right-of-use assets are required to be placed in intervals, the Group and the Bank recognise such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the property and equipment and right-of-use assets as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in statement of profit or loss as incurred.

The depreciation of right-of-use assets is provided on a straight-line basis over the shorter of its estimated useful life and the lease term.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

##### (b) Property and equipment and right-of-use assets (cont'd.)

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation of other property and equipment is provided for on a straight-line basis over the estimated useful lives of the assets as follows:

Building	50 - 99 years
Renovation and improvement	10 years
Furniture, electrical fittings and equipment	10 years
Motor vehicles	5 years
Office equipment	5 years
Computers	3 - 5 years
Right-of-use assets	Tenure of the agreement

Assets under construction/work-in-progress included in property and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property and equipment and right-of-use assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. The policy for the recognition and measurement of impairment is in accordance with Note 2.4(e).

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

An item of property and equipment and right-of-use assets is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the statement of profit or loss in the year the asset is derecognised.

##### (c) Intangible assets: Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring the specific software to use. The costs are amortised over their useful lives of three (3) years and are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Computer software is assessed for impairment whenever there is an indication that it may be impaired. The amortisation period and amortisation method are reviewed at least at each reporting date.

The policy for the recognition and measurement of impairment is in accordance with Note 2.4(e).

Costs associated with maintaining computer software programmes are recognised as expenses when incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group and the Bank, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. These costs include software development, employee costs and appropriate portion of relevant overheads.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

##### (d) Investment properties

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both.

Investment properties are stated at cost less accumulated depreciation and impairment losses, consistent with the accounting policy for property and equipment as stated in accounting policy Note 2.4(b).

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of fifty to ninety nine (50 - 99) years for building. Freehold land is not depreciated.

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

##### (e) Impairment of non-financial assets

The carrying amount of the assets, other than deferred tax assets, non-current assets held for sales and financial assets (other than investments in subsidiaries), are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated to determine the amount of impairment loss.

An impairment loss is recognised in the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the statement of profit or loss unless the asset is measured at revalued amount, in which case reversal is treated as revaluation increase.

##### (f) Financial assets

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

##### Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, Fair Value through Other Comprehensive Income ("FVOCI") and Fair Value through Profit or Loss ("FVTPL").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and the Bank's business model for managing them. With the exception of loans, advances and financing that do not contain a significant financing component or for which the Group and the Bank have applied the practical expedient, the Group and the Bank initially measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

##### (f) Financial assets (cont'd.)

###### Initial recognition and measurement (cont'd.)

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interests ("SPPI") on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

###### Business Model assessments

The Group and the Bank determine its business model at the level that best reflect how it manages groups of financial assets to achieve its business objective.

The Group and the Bank holds financial asset to generate returns and provide a capital base to provide for settlement of claims as they arise. The Group and the Bank considers the timing, amount and volatility of cash flow requirements to support insurance liability portfolios in determining the business model for the assets as well as the potential to maximise return for shareholders and future business development.

The Group and the Bank business model is not assessed on an instrument-by- instrument basis, but a higher level of aggregated portfolios that is based on observable factors and is determined by the key management personnel on the basis of both:

- The way that assets are managed and their performance is reported to them;
- The contractual cash flow characteristics of the financial asset.

The expected frequency, value and timing of asset sales are also important aspects of the Group's and the Bank's assessment. The Group and the Bank assess its business models at each reporting period in order to determine whether the models have changed since the preceding period.

The business model assessments are based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is difference from the Group's and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Change in business model is not expected to be frequent, but should such event take place, it must be:

- Determined by the Group's and the Bank's senior management as a result of external on internal changes;
- Significant to the Group's and the Bank's operations; and
- Demonstrable to external parties.

A change in the business model will occur only when the Group and the Bank begin or cease to perform an activity that is significant to its operations. Change in the objective of the business model must be effected before the reclassification date.

###### The SPPI test

As a second step of its classification process, the Group and the Bank assesses the contractual terms to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

##### (f) Financial assets (cont'd.)

The most significant elements of interest within a debt arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Group and the Bank apply judgement and considers relevant factors such as the currency in which the financial assets is denominated, and the period for which the interest rate is set.

##### (i) Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the Effective Interest Rate ("EIR") or the Effective Profit Rate ("EPR") method and are subject to impairment. Gains and losses are recognised in statement of profit or loss when the asset is derecognised, modified or impaired.

##### (ii) Financial assets at FVOCI

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income ("OCI"). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

##### (iii) Financial assets designated at FVOCI

Upon initial recognition, the Group and the Bank can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under MFRS 9.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group and the Bank benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

##### (iv) Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVTPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVTPL are carried in the statements of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

##### (f) Financial assets (cont'd.)

##### (v) Financing and receivables

Financing and receivables consist of Murabahah, Tawarruq, Ijarah, Istisna', Bai' Al Dayn and Kafalah. These contracts are recognised at amortised cost (except for Kafalah contracts), including direct and incremental transaction costs using the effective profit method. These contracts are stated net of unearned income and any amounts written off and/or impaired.

Definition of Shariah concept:

- (a) Murabahah: Sale of an asset by the Bank to the customer at cost plus a mark-up in which the profit rate has to be disclosed to the customer. The Sale Price is payable by the customer on deferred terms.
- (b) Tawarruq: An arrangement that involves sale of commodity by the Bank to the customer in which the Sale Price is payable on a deferred basis and subsequent sale of the commodity to a third party on a cash basis to obtain cash.
- (c) Ijarah: A lease contract to transfer the usufruct (benefits) of a particular property of the Bank to the customer in exchange for a rental payment for a specified period.
- (d) Istisna': An agreement to sell to the customer a non-existent asset that is to be manufactured or built according to the agreed specifications and delivered on a specified future date at a predetermined selling price.
- (e) Bai' Al Dayn: Sale of debt in which the customer sells his payable right to the Bank at discount price or at cost price on the spot payment basis.
- (f) Kafalah: Conjoining the guarantor's liability to the guaranteed party's liability such that the obligation of the guaranteed party is established as a joint liability of the guarantor and the guaranteed party.

##### (vi) Derivative instruments and hedge accounting

##### (a) Derivative instruments

The Group and the Bank enters into derivative contracts such as interest/profit rate swaps, cross currency interest/profit rate swaps and forward contracts. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently re-measured at fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statement of profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

##### (f) Financial assets (cont'd.)

##### (vi) Derivative instruments and hedge accounting (cont'd.)

##### (b) Hedge accounting

The Group and the Bank use derivative instruments to manage their exposures to interest/profit rate and foreign currency risks. In order to manage particular risk, the Group and the Bank apply hedge accounting for transactions which meet specified criteria.

At the inception of each hedge relationship, the Group and the Bank formally designate and document the relationship between the hedged item and the hedging instruments, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and ongoing basis.

At each hedge effectiveness assessment date, a hedge relationship must demonstrate that it is highly effective on prospective and retrospective basis for the designated period in order to qualify for hedge accounting. Hedge ineffectiveness is recognised in the statement of profit or loss.

The Group and the Bank only account for hedge that meets the strict criteria for hedge accounting, as described below:

##### **Fair value hedge**

For designating and qualifying fair value hedges, the cumulative changes in the fair value of a hedge derivative is recognised in the statement of profit or loss. Meanwhile the cumulative changes in the fair value of the hedge item attributable to the risk hedged are recorded as part of the carrying value of the hedge item in the statements of financial position and the statement of profit or loss.

If the hedging instruments expire or are sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For fair value hedges relating to items carried at amortised cost, any adjustment to carrying value is amortised through profit or loss over the remaining term of the hedge using the EIR/EPR method. EIR and EPR amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged.

If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit or loss.

The Bank enters into interest/profit rate swaps and cross currency interest/profit rate swaps that are used as hedge for the exposure of changes in the fair value of some of its Medium Term Notes/Sukuk. See Note 11 for more details.

The Bank has incorporated credit risk of counterparties and the Bank's own credit risk in the fair valuation of derivatives. These risks on derivative transactions are taken into account when reporting the fair values through credit value adjustment ("CVA") and debit value adjustment ("DVA").

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

##### (g) Impairment of financial assets

The Group and the Bank assess at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. The Group and the Bank recognise an allowance for expected credit losses ("ECLs") for all financial assets carried at amortised cost and debt instruments not classified at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Bank expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12- months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For debt instruments at FVOCI, the Group and the Bank apply the low credit risk simplification. At every reporting date, the Group and the Bank evaluate whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Group and the Bank reassess the internal credit rating of the debt instrument. In addition, the Group and the Bank consider that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group and the Bank consider a financial asset in default when contractual payments are more than 90 days past due. However, in certain cases, the Group and the Bank may also consider a financial asset to be in default when internal or external information indicates that the Group and the Bank is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and Bank. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

##### (h) Financial liabilities

###### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as either at amortised cost or as financial liabilities at FVTPL.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Bank's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts, and derivative financial instruments.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

##### (h) Financial liabilities (cont'd.)

###### Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

##### (i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group and the Bank that are not designated as hedging instruments in hedge relationships as defined by MFRS 9.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, if, and only if the criteria in MFRS 9 are satisfied. The Group and the Bank have not designated any financial liability as at FVTPL.

##### (ii) Loans and borrowings and trade and other payables

After initial recognition, interest-bearing loans and borrowings and payables are subsequently measured at amortised cost using the Effective Interest Rate ("EIR") or Effective Profit Rate ("EPR") method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR or EPR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR or EPR. The EIR or EPR amortisation is included as finance costs in the statement of profit or loss.

###### Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

##### (i) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances, deposits and placements with banks and other financial institutions, with original maturity of 3 months or less.

For the purpose of the cash flow statements, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

##### (j) Provisions

Provisions are recognised when the Group and the Bank have a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

When the Group and the Bank expect some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.

Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. Any increase in the provision which due to the passage of time is recognised in the statement of profit or loss.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

##### (k) Financial guarantee contracts

Financial guarantees are contracts that require the Group and the Bank to make specified payment to reimburse the holder for a loss it incurs because a specified party fails to meet its obligation when it is due in accordance with the contractual terms. In the ordinary course of business, the Group and the Bank give financial guarantees, consisting of letters of credit, guarantees and acceptances. Where the Group and the Bank enter into such contracts, the guarantee contract is treated as a contingent liability until such time as it becomes probable that the Group and the Bank will be required to make a payment under the guarantee.

Financial guarantees premium are initially recognised at fair value on the date the guarantee was issued, and presented as 'deferred income' in the statements of financial position. Subsequent to initial recognition, the received premium is amortised over the life of the financial guarantee on a straight line basis.

##### (l) Employee benefits

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

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

The Group's and the Bank's contribution to statutory pension funds is charged to the statement of profit or loss in the year to which they relate. Once the contributions have been paid, the Group and the Bank have no further payment obligations.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

##### (m) Insurance Contract / Takaful Certificate Liabilities

These liabilities comprise premium/contribution liabilities and claims liabilities.

##### (i) Premium/Contribution liabilities

For the purpose of disclosure in the financial statements, premium/contribution liabilities are classified as deferred income.

Provision for premium/contribution liabilities is the higher of the aggregate of the Unearned Premium/Contribution Reserves ("UPR"/"UCR") for all lines of business and the best estimate value of the Unexpired Risk Reserves ("URR"), and a liability adequacy test with a provision of risk margin for adverse deviation.

##### Unearned premium/contribution reserves

UPR/UCR represents the portion of the premiums of insurance policies written that relate to the unexpired periods of policies at the end of the financial year. In determining the UPR/UCR as at the reporting date, the method that most accurately reflects the actual unearned premium is used as follows:

- all classes of business, except treaty, using time apportionment basis over the period of the risks, after deducting commissions, not exceeding limits specified by Bank Negara Malaysia ("BNM"), that relate to the unexpired periods of policies at the end of the financial year; and
- all classes of treaty business with a deduction of commission, at the following bases:
  - (i) 1/8th method for quarterly statement
  - (ii) 1/24th method for monthly statement

UPR/UCR at the reporting date for both short-term policies and medium and long term policies are recognised over the period of risk on a straight-line basis.

The movement in premium/contribution liabilities is released over the term of the policies and is recognised in underwriting results as premium/contribution income.

##### Unexpired risk reserves

URR is the prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expenses, including overheads and cost of reinsurance/retakaful, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and expected future premium/contribution refunds. At each reporting date, the Group and the Bank review the unexpired risk and a liability adequacy test is performed by an independent actuarial firm.

##### (ii) Claims liabilities

Claims liabilities are recognised when a claimable event occurs and/or the Group and the Bank are notified. The amount of outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the end of the reporting period, whether reported or not, together with related claims handling costs less other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the end of reporting period.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

##### (m) Insurance Contract / Takaful Certificate Liabilities (cont'd.)

These liabilities comprise premium/contribution liabilities and claims liabilities. (cont'd.)

##### (ii) Claims liabilities (cont'd.)

The liability is calculated at the reporting date by an independent actuarial firm using projection techniques that included risk margin for adverse deviation. The liabilities are derecognised when the contract expires, is discharged or cancelled. Claim liabilities are not discounted.

##### (n) Revenue recognition

Revenue is recognised at an amount that reflects the consideration to which the Group and the Bank expect to be entitled when a performance obligation is satisfied. Revenue is recognised either over time or at a point in time. Revenue is measured at the fair value of consideration received or receivable.

##### (i) Interest/profit and similar income and expense

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

##### (ii) Dividend income

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

##### (iii) Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include upfront, guarantee fees and facility fees.

##### (iv) Premium income

Premium income is recognised as income in the financial year in respect of risks assumed during that particular financial year. The method of deferral of premium income is as stated in Note 2.4(m).

Premium income from reinsurance or retakaful is recognised based on periodic advices received from ceding insurers.

Outward reinsurance premiums or retakaful contribution are recognised in the same financial year as the original policies to which the reinsurance or retakaful relates.



## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

##### (n) Revenue recognition (cont'd.)

##### (v) Islamic income recognition

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

##### ***Murabahah, Tawarruq and Istisna'***

Murabahah/Tawarruq and Istisna' income are accrued on monthly basis on the cost outstanding at the prevailing effective profit rate over the duration of the financing.

##### ***Ijarah***

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

##### ***Bai' Al Dayn***

Bai' Al Dayn income is recognised monthly on the effective discount rate on the purchase price of the invoice over the duration of the financing.

##### ***Fee income earned from services that are provided over a certain period of time***

Fees earned for the provision of services over a period of time are accrued over that period. These fees include upfront, facility and Kafalah contract fees.

##### ***Takaful income***

The source of Takaful income is derived from Takaful contributions. Income is recognised based on specific percentage of the contribution amount from participants. The remaining amount is placed in Risk Fund which is pooled for underwriting purposes.

Takaful income from retakaful is recognised based on periodic advices received from ceding takaful operators.

##### (o) Income tax

Income tax on the profit or loss for the year comprises current and deferred taxes. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rate that has been enacted at the reporting date.

Deferred tax is provided for, using the liability method. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

##### (o) Income tax (cont'd.)

Deferred tax is measured at the tax rate that is expected to apply in the year when the asset is realised or the liability is settled, based on tax rate that has been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised as income or an expense and included in the statement of profit or loss for the year, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

In determining the Group's and the Bank's tax charge for the year it involves estimation and judgement, which includes an interpretation of local tax law and an assessment of whether the tax authority will accept the position taken. The Group and the Bank provides for current tax liabilities at the best estimate based on all available evidence and the amount that is expected to be paid to the tax authority where and outflow is probable.

The recoverability of the Group's and the Bank's deferred tax assets is based on management's judgement of the availability of future taxable profits against which the deferred tax will be utilised.

##### (p) Zakat

Zakat is payable by the Group and the Bank in compliance with the principle of Shariah and in line with National Fatwa Committee regulations.

##### (i) Method applied

Zakat is calculated using the growth method which is based on the adjusted net asset of the Group and the Bank, i.e. net asset excludes any items that do not meet the condition for zakat assets and liabilities.

##### (ii) Beneficiaries of zakat fund

The method of zakat distribution, as being practised by the Group and the Bank, is as follows:

- Zakat is paid to Pusat Pungutan Zakat ("PPZ") based on certain percentage of the adjusted net asset of the Bank and the Group;
- PPZ will determine a certain percentage of the zakat for the Bank's own distribution; and
- The distribution of zakat will be allocated by the Bank to three (3) groups of people who are eligible to receive zakat (*asnaf*):
  - a. The destitute (*fakir*);
  - b. The poor (*miskin*); and
  - c. Those in the cause of Allah (*fi sabilillah*).

##### (q) Foreign currencies

The Group's consolidated financial statements are presented in Malaysian Ringgit, currency which is also the Bank's (i.e. parent company's) functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group uses the direct method of consolidation, the gain or loss that is reclassified to profit or loss reflects the amount that arises from using this method.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

##### (q) Foreign currencies (cont'd.)

Transactions in foreign currencies are translated to the functional currencies of the Group's entities at their respective functional currency spot rates at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Differences arising on settlement or translation of monetary items are recognised in statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or statement of profit or loss are also recognised in other comprehensive income or statement of profit or loss, respectively).

##### (r) Foreclosed properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at the lower of cost and fair value.

##### (s) Sales and Service Tax

The Bank is subject to Sales and Service Tax ("SST") Act 2019 and charges service tax on its taxable supply of services made to customers such as domestic credit insurance premium/takaful contribution. Service tax is based on payment basis, hence, the Bank is required to account and make payment on service tax every bi-monthly.

##### (t) Equity instruments

Ordinary shares are classified as equity. Dividend on ordinary shares is recognised and accounted for in equity in the year in which they are declared.

RCCPS are classified as equity. Dividend on RCCPS is recognised at a fixed coupon rate of 4.7% per annum and accounted for in equity in the year in which the Bank accrued.

##### (u) Leases

Right-of-use assets are classified as assets and measured at cost, less any accumulated depreciation and impairment losses disclosed in Note 18.

Lease liabilities are classified as liabilities and measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) disclosed in Note 20.

##### (v) Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at fair value. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective yield method.

If there is objective evidence that an insurance receivable is impaired. The Group and the Bank reduce the carrying amount of the insurance receivable accordingly and recognised that impairment loss in statement of profit and loss. Objective evidence of impairment for insurance receivables and the determination of consequential impairment losses.

Insurance receivables are derecognised when the derecognition criteria for financial assets, as described in Note 2.4(f), have been met.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

#### 2.4 Summary of significant accounting policies (cont'd.)

##### (w) Insurance payables

Insurance payables are recognised when due and measured on initial recognition at fair value of the consideration payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective yield method.

##### (x) Claims expenses and commission expenses

###### General Insurance/Takaful Business

Claim expenses represent compensation paid or payable on behalf of the insured in relation to a specific loss event that has occurred. They include claims, handling costs and settlement costs and arise from events that have occurred up to the end of the reporting date even if they had not been reported to the Group and the Bank.

###### Commission Expenses and Acquisition Costs

##### (i) General Insurance/Takaful Business

The gross cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premiums is recognised as incurred and properly allocated to the periods on which it is probable they give rise to income.

##### (y) Expense liabilities

The expense liabilities of the shareholder's fund consist of expense liabilities of the general takaful fund which are based on estimations performed by a qualified actuary. The expense liabilities are released over the term of the takaful certificates and recognised in statement of profit or loss.

###### (i) Expense liabilities of general takaful fund

Expenses liabilities in relation to the Group's and the Bank's general takaful business are reported as the higher of the aggregate of the provision for unearned wakalah fees ("UWF") and the unexpired expense reserves ("UER") and a Provision of Risk Margin for Adverse Deviation ("PRAD"), as prescribed by BNM.

###### (ii) Provision for unearned wakalah fees

The UWF represents the portion of wakalah fee income allocated for expenses to be incurred in managing general takaful certificated that relate to the unexpired periods of certificates at the end of reporting period. The method used in computing UWF is consistent with method used to reflect the actual unearned contribution reserves ("UCR").

###### (iii) Unexpired expense reserves

UER consists of the best estimate value of the unexpired expense reserves at the valuation date and a PRAD as prescribed by BNM. The best estimate UER is determined based on the expected claims handling expenses to be incurred as well as the expected expenses in maintaining certificated with unexpired risks. The method used in computing UER is consistent with the calculation of unexpired risk reserves ("URR").

##### (z) Wakalah Fees

Wakalah fees represent fees charged by the shareholder's fund to manage takaful certificates issued by the general takaful fund under the principle of Wakalah and are recognised at a point of time as soon as the contributions to which they relate can be reliably measured in accordance with the principles of Shariah.



## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT

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

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

#### 3.1 Judgements

##### (a) Expected credit losses on loans, advances and financing and commitments and contingencies

The Group and the Bank review its individually significant loans, advances and financing and commitments and contingencies at each reporting date to assess whether the expected credit losses should be recorded in statement of profit or loss. In particular, judgement by management is required in the estimation of the amount and timing of future cash flows when determining the expected credit losses. In estimation the cash flows, the Group and the Bank makes judgement about the borrower's or the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowances.

The Group's and the Bank's ECL calculation under MFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include (cont'd.):

- (i) Internal credit grading model, which assigns PDs to the individual grades;
- (ii) Criteria for assessing if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime-ECL basis and the qualitative assessment;
- (iii) The segmentation of financial assets when their ECL is assessed on a collective basis;
- (iv) Development of ECL models, including the various formulas and the choice of inputs;
- (v) Determination of associations between macroeconomic scenarios and, economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- (vi) Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

The allowance for expected credit losses on loans, advances and financing is disclosed in Note 9(ix) and commitments and contingencies is disclosed in Note 22.

##### (b) Valuation of derivatives and hedge accounting

The Group and the Bank value the derivative instruments and apply the hedge accounting to manage the exposures to interest/profit rate and foreign currency risks. In order to manage particular risk, the Group and the Bank apply hedge accounting for transactions which meet specified criteria. At the inception of each hedge relationship, the Group and the Bank formally designate and document the relationship between the hedged item and the hedging instruments, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and ongoing basis.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENT (cont'd.)

#### 3.2 Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group and the Bank based its assumption and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group and the Bank. Such changes will be reflected in the assumptions when they occur.

##### (a) Uncertainty in accounting estimates for credit insurance/takaful business (Note 45)

The principal uncertainty in the credit insurance/Takaful business arises from the technical provisions which include the premium/contribution liabilities, claims liabilities and expense liabilities. The premium/contribution liabilities comprise unearned premium reserves and unexpired risk reserves while claim liabilities comprise provision for outstanding claims. The estimation bases for unearned premium/contribution reserves and unexpired risk reserves are explained in the related accounting policy statement.

Generally, claim liabilities are determined based upon previous claims experience, existing knowledge of events, the terms and conditions of the relevant policies and interpretation of circumstances. Particularly relevant is past experience with similar cases, historical claims development trends, legislative changes, judicial decisions and economic conditions. It is certain that actual future premiums/contribution and claims liabilities will not exactly develop as projected and may vary from the projections.

The estimates of premiums/contribution and claims liabilities are therefore sensitive to various factors and uncertainties. The establishment of technical provisions in an inherently uncertain process and, as a consequence of this uncertainty, the eventual settlement of premiums/contribution and claims liabilities may vary from the initial estimates.

There may be significant reporting lags between the occurrence of an insured event and the time it is actually reported. Following the identification and notification of an insured loss, there may still be uncertainty as to the magnitude of the claim. There are many factors that will determine the level of uncertainty such as inflation, inconsistent judicial interpretations, legislative changes and claims handling procedures.

##### (b) Management overlays for ECL (Note 9(x))

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and ongoing COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL as at 31 December 2022.

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

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

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

The impact of these post-model adjustments were estimated at both portfolio and vulnerable obligors level amounting to RM66.37 million (2021: RM180.21 million) for the Group and the Bank as at 31 December 2022.

## NOTES TO THE FINANCIAL STATEMENTS

### 4. CASH AND BANK BALANCES

	Group and Bank 2022 RM'000	2021 RM'000
Cash and bank balances	28,986	49,513

### 5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank 2022 RM'000	2021 RM'000
Deposits and placements with:		
Licensed banks	1,703,467	2,201,936
Other financial institutions	1,091,274	924,840
	2,794,741	3,126,776
Further breakdown to deposits and placements are as follows:		
For EXIM Bank	2,667,259	3,026,829
On behalf of customers and government	127,482	99,947
	2,794,741	3,126,776

### 6. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Group and Bank 2022 RM'000	2021 RM'000
At fair value		
Quoted securities:		
Shares	9,979	-
Total financial investments at FVTPL	9,979	-

## NOTES TO THE FINANCIAL STATEMENTS

### 7. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Group and Bank 2022 RM'000	2021 RM'000
At fair value		
Corporate Bonds and Sukuk	377,357	713,680
Less: Allowance for ECL on financial investments	(100,087)	(100,055)
Total financial investments at FVOCI	277,270	613,625

Included in financial investments at FVOCI are investments to meet the requirement of Sukuk Programme of the Group amounting to RM29,852,000 (2021: RM92,046,500).

The maturity profile of money market instruments are as follows:

	Group and Bank 2022 RM'000	2021 RM'000
Within one year	160,767	302,787
One year to three years	91,371	310,838
Three years to five years	25,132	-
After five years	-	-
	277,270	613,625

Movements in the ECL on financial investments at FVOCI are as follows:

	Stage 1 12- months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2021	1,110	-	100,000	101,110
Writeback during the year	(1,055)	-	-	(1,055)
At 31 December 2021/1 January 2022	55	-	100,000	100,055
Allowance during the year	32	-	-	32
At 31 December 2022	87	-	100,000	100,087



## NOTES TO THE FINANCIAL STATEMENTS

### 8. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group and Bank 2022 RM'000	2021 RM'000
Money market instruments: Malaysian Government Securities	300,224	300,459
Unquoted securities: Corporate Bonds and Sukuk	328,499	311,663
	628,723	612,122
Less: Allowance for ECL on financial investments	(250,798)	(118,108)
Total financial investments at amortised cost	377,925	494,014

Movements in the ECL on financial investments at amortised cost are as follows:

	Stage 1 12- months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2021	4	113,904	-	113,908
Allowance during the year	3	4,197	-	4,200
At 31 December 2021/1 January 2022	7	118,101	-	118,108
Transferred to Stage 3	-	(118,101)	118,101	-
Allowance during the year	8	-	125,985	125,993
Total amount charged to profit or loss during the period	15	-	244,086	244,101
Other movement with no profit or loss impact Exchange differences	-	-	6,697	6,697
At 31 December 2022	15	-	250,783	250,798

## NOTES TO THE FINANCIAL STATEMENTS

### 9. LOANS, ADVANCES AND FINANCING

	Group and Bank 2022 RM'000	2021 RM'000
<b>At amortised cost</b>		
Loans, advances and financing	4,676,106	5,261,790
Loans under MKFF scheme	5,396	7,077
Amount due from Export Credit Refinancing ("ECR")* debtors	79,496	31,167
Staff loans	501	597
Gross loans, advances and financing	4,761,499	5,300,631
Less: Allowance for ECL on impaired loans, advances and financing:		
- 12-month ECL - Stage 1	(77,086)	(66,630)
- Lifetime not credit impaired ECL - Stage 2	(200,736)	(482,275)
- Lifetime ECL credit impaired - Stage 3	(1,466,033)	(1,450,165)
Net loans, advances and financing	3,017,644	3,301,561

\* The amount represents block discounting of bills facility provided to participating banks in Malaysia granted under ECR Scheme. The primary objective of the Scheme is for the promotion of Malaysian export by offering competitive rates to banks participating in the ECR Scheme for on-lending to exporters.

(i) Gross loans, advances and financing analysed by facility are as follows:

	Group and Bank 2022 RM'000	2021 RM'000
Buyer Credit	888,088	903,159
Overseas Contract Financing	-	35,770
Overseas Investment Financing	402,809	470,649
Term Financing	42,387	84,335
Overseas Project Financing	1,572,598	1,388,384
Supplier Credit	91,846	117,455
Export Finance-i	6,008	8,106
Supplier Financing-i	348,085	927,688
Term Financing-i	753,675	718,588
Overseas Investment Financing-i	31,428	56,883
Overseas Contract Financing-i	51,750	30,989
Overseas Project Financing-i	469,916	464,000
Malaysian Kitchen Financing Facility ("MKFF")	4,022	5,699
Malaysian Kitchen Financing Facility-i ("MKFF-i")	1,374	1,378
ECR	79,496	31,167
Vendor Financing	442	3,513
Vendor Financing-i	17,074	52,271
Staff loans and advances	501	597
	4,761,499	5,300,631

## NOTES TO THE FINANCIAL STATEMENTS

### 9. LOANS, ADVANCES AND FINANCING (cont'd.)

(ii) Gross loans, advances and financing analysed by contractual maturity are as follows:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Within one year	1,754,492	2,452,165
One year to three years	1,118,690	553,800
Three years to five years	1,146,796	1,338,776
Over five years	741,521	955,890
	<b>4,761,499</b>	<b>5,300,631</b>

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

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Conventional</b>		
Fixed rate	129,649	174,636
Variable rate	2,952,539	2,866,092
<b>Islamic</b>		
Fixed rate	1,643	2,683
Variable rate	1,677,668	2,257,220
	<b>4,761,499</b>	<b>5,300,631</b>

(iv) Gross loans, advances and financing analysed by geographical area are as follows:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	1,431,185	2,063,915
East Asia	1,598,107	1,466,253
South Asia	63,836	63,912
Central Asia	354,347	335,393
Middle East	142,392	135,863
Africa	167,382	146,082
Europe	404,650	576,644
America	534,139	418,944
Oceania	65,461	93,625
	<b>4,761,499</b>	<b>5,300,631</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 9. LOANS, ADVANCES AND FINANCING (cont'd.)

(v) Gross loans, advances and financing analysed by industry are as follows:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	12,238	64,883
Manufacturing	1,013,168	846,191
Transport, storage and communication	721,697	1,643,676
Construction	748,997	952,851
Wholesale and retail trade, and restaurants and hotels	110,124	204,443
Others	2,155,275	1,588,587
	<b>4,761,499</b>	<b>5,300,631</b>

(vi) Movements of gross impaired loans, advances and financing ("impaired loans") are as follows:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	2,096,575	2,382,477
Impaired during the year	227,286	207,592
Reclassified as non-impaired	-	(126,861)
Recoveries	(111,860)	(202,634)
Amount written off	(310,757)	(150,348)
Exchange differences	123,249	(13,651)
	<b>2,024,493</b>	<b>2,096,575</b>
Gross impaired loans as a percentage of gross loans, advances and financing		
- with ECR debtors	42.52%	39.55%
- without ECR debtors	43.24%	39.79%
Net impaired loans as a percentage of gross loans, advances and financing		
- with ECR debtors	11.73%	12.19%
- without ECR debtors	11.93%	12.27%

(vii) Gross impaired loans, advances and financing analysed by geographical area are as follows:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Malaysia	315,647	469,317
East Asia	1,045,488	1,031,535
South Asia	63,836	63,912
Central Asia	354,347	335,393
Middle East	140,511	8,300
Africa	98,278	98,899
Europe	3,120	4,787
America	385	80,925
Oceania	2,881	3,507
	<b>2,024,493</b>	<b>2,096,575</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 9. LOANS, ADVANCES AND FINANCING (cont'd.)

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

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	12,238	15,561
Manufacturing	114,373	176,461
Transport, storage and communication	471,812	650,517
Construction	462,543	496,199
Wholesale and retail trade, and restaurants and hotels	23,262	163,344
Others	940,265	594,493
	<b>2,024,493</b>	<b>2,096,575</b>

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

	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	
	<b>12-months</b>	<b>Lifetime ECL</b>	<b>Lifetime</b>	
	<b>ECL</b>	<b>not credit</b>	<b>ECL credit</b>	
	<b>RM'000</b>	<b>impaired</b>	<b>impaired</b>	<b>Total ECL</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group and Bank</b>				
<b>2022</b>				
At 1 January	66,630	482,275	1,450,165	1,999,070
Transferred to Stage 1	45,097	(45,097)	-	-
Transferred to Stage 3	-	(47,752)	47,752	-
Allowance/(Writeback) recognised in profit or loss	(14,945)	(59,034)	218,176	144,197
Financial assets derecognised	(14,627)	(9,397)	-	(24,024)
Changes due to change in credit risk	(12,184)	(39,125)	-	(51,309)
Modification to contractual cash flows of financial assets	7,115	(81,134)	-	(74,019)
Total amount charged to profit or loss during the period	10,456	(281,539)	265,928	(5,155)
Other movement with no profit or loss impact				
Write offs	-	-	(310,757)	(310,757)
Exchange differences	-	-	60,697	60,697
At 31 December	77,086	200,736	1,466,033	1,743,855

## NOTES TO THE FINANCIAL STATEMENTS

### 9. LOANS, ADVANCES AND FINANCING (cont'd.)

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

	Stage 1 12-months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
<b>Group and Bank</b>				
<b>2021</b>				
At 1 January	31,569	418,195	1,610,717	2,060,481
Transferred from Stage 1	(3,857)	3,857	-	-
Transferred to Stage 2	-	(22,018)	22,018	-
Transferred to Stage 3	-	69,589	(69,589)	-
Allowance/(Writeback) recognised in profit or loss	1,073	(13,568)	(4,463)	(16,958)
Financial assets derecognised	(4,744)	(32,426)	-	(37,170)
Changes due to change in credit risk	43,058	16,818	-	59,876
Modification to contractual cash flows of financial assets	(469)	41,828	-	41,359
Total amount charged to profit or loss during the period	35,061	64,080	(52,034)	47,107
Other movement with no profit or loss impact				
Write offs	-	-	(150,348)	(150,348)
Exchange differences	-	-	41,830	41,830
At 31 December	66,630	482,275	1,450,165	1,999,070
<b>Group and Bank</b>				
			<b>2022</b>	<b>2021</b>
			<b>RM'000</b>	<b>RM'000</b>
Breakdown of ECL Stage 1 and 2:				
From non-impaired loans, advances and financing			277,822	548,905
			277,822	548,905
As % of net loans, advances and financing (exclude gross impaired loan and staff loan)			10.15%	17.13%

## NOTES TO THE FINANCIAL STATEMENTS

### 9. LOANS, ADVANCES AND FINANCING (cont'd.)

#### (x) Overlays and adjustments for ECL amid COVID-19 environment

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

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

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19 and the impact of these adjustments on the affected loans, advances and financing of the Group and the Bank as at 31 December 2022 amounted to RM783,183,000 (2021: RM1,039,005,000). Total additional overlays for ECL maintained by the Group and the Bank as at 31 December 2022 stood at RM66,373,000 (2021: RM180,214,000).

ECL (inclusive of overlays) analysed by geographical area are as follows:

	Outstanding Balance RM'000	Modelled ECL RM'000	Group and Bank Management Overlay Provided RM'000	Total ECL RM'000
<b>2022</b>				
Malaysia	412,892	43,485	60,745	104,230
Europe	370,291	25,723	5,628	31,351
	783,183	69,208	66,373	135,581
<b>2021</b>				
Malaysia	843,518	112,594	154,880	267,474
East Asia	17,439	300	542	842
Europe	177,088	36,367	24,792	61,159
Oceania	960	182	-	182
	1,039,005	149,443	180,214	329,657

## NOTES TO THE FINANCIAL STATEMENTS

### 9. LOANS, ADVANCES AND FINANCING (cont'd.)

(x) Overlays and adjustments for ECL amid COVID-19 environment (cont'd.)

ECL (inclusive of overlays) analysed by industry are as follows:

	<b>Outstanding Balance 2022 RM'000</b>	<b>Group and Bank Modelled ECL 2022 RM'000</b>	<b>Management Overlay 2022 RM'000</b>	<b>Total 2022 RM'000</b>
Manufacturing	281,273	16,048	35,470	51,518
Transport, storage and communication	195,134	29,458	-	29,458
Construction	215,470	1,875	5,628	7,503
Wholesale and retail trade, and restaurants and hotels	6,865	302	4,579	4,881
Others	84,441	21,525	20,696	42,221
	783,183	69,208	66,373	135,581

	<b>Outstanding Balance 2021 RM'000</b>	<b>Group and Bank Modelled ECL 2021 RM'000</b>	<b>Management Overlay 2021 RM'000</b>	<b>Total 2021 RM'000</b>
Manufacturing	407,025	26,879	78,203	105,082
Transport, storage and communication	436,206	92,553	73,352	165,905
Wholesale and retail trade, and restaurants and hotels	9,335	444	736	1,180
Others	186,439	29,567	27,923	57,490
	1,039,005	149,443	180,214	329,657

## NOTES TO THE FINANCIAL STATEMENTS

### 10. INSURANCE (PAYABLES)/RECEIVABLES

	Group and Bank 2022 RM'000	2021 RM'000
Amount due from agents, brokers and co-insurers	413	851
Less: Allowance for ECL on insurance receivables	(413)	(806)
	-	45
Amount due to agents, brokers and co-insurers	(115)	(295)

Movements in the allowance for ECL for insurance receivables are as follows:

	Group and Bank 2022 RM'000	2021 RM'000
<u>ECL</u>		
At 1 January	806	640
Allowance made during the year	198	816
Amount writeback	(591)	(650)
At 31 December	413	806

### 11. DERIVATIVE FINANCIAL INSTRUMENTS

The notional amounts, recorded at gross, is the amount of derivatives' underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end and are not indicative of the market risk nor the credit risk.

The following table shows the fair value of derivative financial instruments recorded as assets or liabilities together with their notional amounts. Derivative assets and derivative liabilities are disclosed on a gross basis as it is the Bank's practice to settle those derivative on a gross basis.

As at 31 December 2022, the Bank has entered into the following derivative financial instruments:

	Group and Bank 2022			2021		
	Fair Value Assets RM'000	Liabilities RM'000	Notional Amount RM'000	Fair Value Assets RM'000	Liabilities RM'000	Notional Amount RM'000
<u>Derivatives used in fair value hedges</u>						
Interest/profit rate swaps	-	181,026	1,975,500	52,378	999	2,136,645
Cross currency interest/profit rate swap	15,887	-	504,426	28,085	-	478,653
<u>Derivative held for trading</u>						
Forward foreign exchange contract	-	2,878	180,173	-	-	-
<b>Total</b>	<b>15,887</b>	<b>183,904</b>	<b>2,660,099</b>	<b>80,463</b>	<b>999</b>	<b>2,615,298</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 11. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd.)

At their inception, derivatives often involve only mutual exchange of promises with little or no transfer of consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the value of the asset, rate or index underlying a derivative contract may have a significant impact on the profit or loss of the Group and the Bank.

Over-the-counter derivative may expose the Group and the Bank to the risks associated with absence of an exchange market on which to close out an open position.

#### Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over-time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest/profit rate, foreign currency rate or equity index.

Interest/profit rate swaps relate to contracts taken out by the Group and the Bank with other financial institution in which the Group and the Bank either receive or pay a floating rate of interest/profit, respectively, in return for paying or receiving a fixed rate of interest/profit. The payment flows are usually netted against each other with the difference being paid by one party to the other.

In a cross currency interest/profit rate swap, the Group and the Bank swap their fixed coupon interest rate into a floating rate coupon in different currencies.

#### Forwards

The Group and the Bank enter into Forward Exchange Contract to sell or buy a specific amount of currency at a specified exchange rate for settlement in the future. The contract is entered for the Group's and the Bank's own requirement or on behalf of customer based on approved foreign exchange line.

#### Fair values

Disclosure concerning the fair value of derivatives are provided in Note 44.

#### Fair value hedge

The financial instruments hedged for interest/profit rate risk and foreign currency risk consist of the Medium Term Notes ("MTN") and Multi-currency Sukuk Programme ("Sukuk") issued by the Bank and the Group respectively.

## NOTES TO THE FINANCIAL STATEMENTS

### 11. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd.)

#### Fair value hedge (cont'd.)

Full details of hedging as follows:

#### Group and Bank

#### 2022

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD63 million*	Floating rate of 3 months Libor + 1.85% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 3.51% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 3 months Libor + 1.40% p.a. (receive fixed USD annually/pay float USD quarterly)	Fixed 4.25% per annum (payable annually)	Fair value hedge	Interest rate
HKD596 million	USD76.83 million at floating rate of 3 months USD Libor + 1.24% p.a. (receive fixed HKD annually/pay USD quarterly)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
HKD300 million	SGD47.89 million at floating rate of 6 months SGD SOR + 1.00% p.a. (receive fixed HKD annually/pay float SGD semi annually)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
USD50 million	Floating rate of 6 months Libor + 0.388% p.a. (receive fixed USD semi-annually/pay float USD semiannually)	Fixed 1.831% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 6 months Libor + 0.375% p.a. (receive fixed USD semi-annually/pay float USD semiannually)	Fixed 1.831% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 6 months Libor + 0.385% p.a. (receive fixed USD semi-annually/pay float USD semiannually)	Fixed 1.831% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 6 months Libor + 0.373% p.a. (receive fixed USD semi-annually/pay float USD semiannually)	Fixed 1.831% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD25 million	Floating rate of 6 months Libor + 0.397% p.a. (receive fixed USD semi-annually/pay float USD semiannually)	Fixed 1.831% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD25 million	Floating rate of 6 months Libor + 0.397% p.a. (receive fixed USD semi-annually/pay float USD semiannually)	Fixed 1.831% per annum (payable semi-annually)	Fair value hedge	Interest rate

\* Matured on 11 July 2022

## NOTES TO THE FINANCIAL STATEMENTS

### 11. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd.)

#### Fair value hedge (cont'd.)

Full details of hedging as follows (cont'd.):

#### Group and Bank

#### 2021

Notional amount	Hedging instrument: Interest/Profit Rate Swap	Hedged item: MTN/SUKUK	Hedging relationship	Nature of risk
USD63 million	Floating rate of 3 months Libor + 1.85% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 3.51% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD100 million	Floating rate of 3 months Libor + 1.40% p.a. (receive fixed USD annually/pay float USD quarterly)	Fixed 4.25% per annum (payable annually)	Fair value hedge	Interest rate
USD37.3 million	Floating rate of 3 months Libor + 1.70% p.a. (receive fixed USD half yearly/pay float USD quarterly)	Fixed 3.01% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million	Floating rate of 3 months Libor + 1.16% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million	Floating rate of 3 months Libor + 1.21% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD150 million	Floating rate of 3 months Libor + 1.214% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
USD50 million	Floating rate of 3 months Libor + 1.165% p.a. (receive fixed USD semi-annually/pay float USD quarterly)	Fixed 2.48% per annum (payable semi-annually)	Fair value hedge	Interest rate
HKD596 million	USD76.83 million at floating rate of 3 months USD Libor + 1.24% p.a. (receive fixed HKD annually/pay USD quarterly)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency
HKD300 million	SGD47.89 million at floating rate of 6 months SGD SOR + 1.00% p.a. (receive fixed HKD annually/pay float SGD semi annually)	Fixed 2.95% per annum (payable annually)	Fair value hedge	Interest rate & foreign currency

## NOTES TO THE FINANCIAL STATEMENTS

### 11. DERIVATIVE FINANCIAL INSTRUMENTS (cont'd.)

#### Fair value hedge (cont'd.)

The unrealised (loss)/gain arising from the fair value hedges are as follows:

	Group and Bank	
	2022	2021
	RM'000	RM'000
Arising from:		
Hedging instruments	(250,438)	(66,511)
Hedged items	199,900	82,530
	(50,538)	16,019

### 12. OTHER ASSETS

	Group and Bank	
	2022	2021
	RM'000	RM'000
Interest/profit receivables (excluding interest/profit on loans, advances and financing)	35,981	35,470
Other receivables, deposits and prepayments*	30,512	30,394
Tax prepayment	6,583	8,510
	73,076	74,374

\* Included in other receivables, deposits and prepayments as at 31 December 2022 and 31 December 2021 is an amount related to a Bank Guarantee defaulted in 2019 of RM26,742,376 (2021: RM22,715,166).

### 13. DEFERRED TAX (LIABILITIES)/ASSETS

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
At 1 January	-	-	-	-
Recognised in profit or loss (Note 38)	-	-	-	-
At 31 December	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 13. DEFERRED TAX (LIABILITIES)/ASSETS (cont'd.)

#### Deferred tax assets

	Allowance for diminution in value of investment in a subsidiary RM'000	Provision for expenses RM'000	Unutilised business losses RM'000	Unabsorbed capital allowances RM'000	Total deductible temporary differences RM'000
<b>Group</b>					
At 1 January 2021	-	-	4,462	-	4,462
Recognised in statement profit and loss	-	-	2,207	-	2,207
At 31 December 2021/1 January 2022	-	-	6,669	-	6,669
Recognised in statement profit and loss	-	-	(924)	-	(924)
At 31 December 2022	-	-	5,745	-	5,745

#### Bank

At 1 January 2021	-	-	4,462	-	4,462
Recognised in statement profit and loss	-	-	2,207	-	2,207
At 31 December 2021/1 January 2022	-	-	6,669	-	6,669
Recognised in statement profit and loss	-	-	(924)	-	(924)
At 31 December 2022	-	-	5,745	-	5,745

#### Deferred tax liabilities

	Other temporary differences RM'000	ROU assets and accelerated capital allowance on property and equipment RM'000	Total taxable temporary differences RM'000
<b>Group</b>			
At 1 January 2021	-	(4,462)	(4,462)
Recognised in profit or loss	-	(2,207)	(2,207)
At 31 December 2021	-	(6,669)	(6,669)
Recognised in profit or loss	-	924	924
At 31 December 2022	-	(5,745)	(5,745)



## NOTES TO THE FINANCIAL STATEMENTS

### 13. DEFERRED TAX (LIABILITIES)/ASSETS (cont'd.)

#### Deferred tax liabilities (cont'd.)

	Other temporary differences RM'000	ROU assets and accelerated capital allowance on property and equipment RM'000	Total taxable temporary differences RM'000
<b>Bank</b>			
At 1 January 2021	-	(4,462)	(4,462)
Recognised in profit or loss	-	(2,207)	(2,207)
At 31 December 2021	-	(6,669)	(6,669)
Recognised in profit or loss	-	924	924
At 31 December 2022	-	(5,745)	(5,745)

Presented after appropriate offsetting as follows:

	<b>Group</b>		<b>Bank</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Deferred tax assets	5,745	6,669	5,745	6,669
Deferred tax liabilities	(5,745)	(6,669)	(5,745)	(6,669)
	-	-	-	-

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 taxation authority.

At the reporting date, the Group and the Bank have recognised deferred tax assets for the following items:

	<b>Group</b>		<b>Bank</b>	
	<b>2022 RM'000</b>	<b>2021 RM'000</b>	<b>2022 RM'000</b>	<b>2021 RM'000</b>
Unutilised tax losses	23,936	27,788	23,936	27,788
Tax rate	24%	24%	24%	24%
	5,745	6,669	5,745	6,669

The deferred tax assets have been recognised as at 31 December 2022 to the extent that the Group and the Bank have sufficient taxable temporary differences to utilise.

## NOTES TO THE FINANCIAL STATEMENTS

### 13. DEFERRED TAX (LIABILITIES)/ASSETS (cont'd.)

At the reporting date, the Group and the Bank have not recognised deferred tax assets for the following items:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Unutilised business losses	1,327,451	1,104,693	1,327,451	1,104,693
Unabsorbed capital allowance	4,465	-	4,465	-
Other deductible temporary differences	232,203	401,012	232,203	401,012
	1,564,119	1,505,705	1,564,119	1,505,705
Tax rate	24%	24%	24%	24%
	375,389	361,369	375,389	361,369

The unutilised tax losses above are available for offset against future taxable profits at the Group and the Bank. The unabsorbed business tax losses will only be allowed to be carried forward consecutively seven years effective from the Year of Assessment 2019.

The deductible temporary differences do not expire under current tax legislation unless there is a substantial change in shareholders (more than 50%).

### 14. INVESTMENT IN SUBSIDIARIES AND JOINTLY CONTROLLED ENTITY

#### (a) Investment in subsidiaries

	Bank	
	2022 RM'000	2021 RM'000
Unquoted shares - at cost	73,419	73,419
Less: Allowance for impairment	(9,290)	(9,290)
	64,129	64,129

The subsidiaries are as follows:

Name of company	Principal activities	Country of incorporation	Effective ownership interest (%)	
			2022	2021
Malaysia Export Credit Insurance Berhad	Dormant	Malaysia	100	100
EXIM Sukuk Malaysia Berhad	Special Purpose Vehicle for Sukuk issuance	Malaysia	100	100

Malaysia Export Credit Insurance Berhad, a wholly owned subsidiary of the Bank was formerly engaged in the provision of export and domestic credit insurance facilities and guarantees. The Company is currently dormant.

## NOTES TO THE FINANCIAL STATEMENTS

### 15. INVESTMENT PROPERTIES

	Group and Bank 2022 RM'000	2021 RM'000
<b>Cost</b>		
At 1 January	1,300	1,300
<b>Accumulated depreciation</b>		
At 1 January	486	468
Charged for the year (Note 31)	18	18
At 31 December	504	486
<b>Carrying amount</b>	796	814
Included in the carrying amount of investment properties are:		
Freehold land	400	400
Buildings	396	414
	796	814
<b>Fair value of investment properties</b>	1,140	1,140

The investment properties were mainly valued by Raine & Horne International Zaki & Partners Sdn. Bhd., an independent professional valuer, on 31 January 2022. The fair value is determined based on the comparison method of valuation.

This method of valuation seeks to determine the value of the properties being valued by comparing and adopting as a yardstick recent transactions and sale evidences involving similar properties in the vicinity.

### 16. INTANGIBLE ASSETS

	Group and Bank 2022 RM'000	2021 RM'000
<b>Computer software</b>		
<b>Cost</b>		
At 1 January	27,311	27,027
Additions	274	-
Transfer from property and equipment	3,796	284
Disposals	(12,139)	-
At 31 December	19,242	27,311
<b>Accumulated depreciation</b>		
At 1 January	26,100	25,014
Charged for the year (Note 31)	964	1,086
Disposals	(12,077)	-
At 31 December	14,987	26,100
<b>Carrying amount</b>	4,255	1,211

## NOTES TO THE FINANCIAL STATEMENTS

## 17. PROPERTY AND EQUIPMENT

Group and Bank	Freehold land RM'000	Building RM'000	Office equipment RM'000	Renovation and improvements RM'000	Motor vehicles RM'000	Furniture, electrical, fittings and equipment RM'000	Computers RM'000	Work-in- progress RM'000	Total RM'000
<b>Cost</b>									
At 1 January 2022	30,000	33,000	1,657	29,788	595	6,117	19,536	3,222	123,915
Additions	-	-	74	210	8	17	1,522	2,360	4,191
Transfer to									
intangible assets	-	-	-	-	-	-	-	(3,796)	(3,796)
Disposals	-	-	(569)	-	(75)	(1,324)	(7,594)	(939)	(10,501)
Asset written-off	-	-	-	-	-	-	(1,704)	-	(1,704)
At 31 December 2022	30,000	33,000	1,162	29,998	528	4,810	11,760	847	112,105
<b>Accumulated depreciation</b>									
At 1 January 2022	-	8,250	1,489	25,597	589	5,818	15,776	-	57,519
Charged for the year	-	660	66	1,094	7	73	1,615	-	3,515
Disposals	-	-	(568)	-	(75)	(1,281)	(7,674)	-	(9,598)
Asset written-off	-	-	-	-	-	-	(471)	-	(471)
At 31 December 2022	-	8,910	987	26,691	521	4,610	9,246	-	50,965
Impaired for the year	-	-	-	-	-	-	-	233	233
<b>Carrying amount</b>									
At 31 December 2022	30,000	24,090	175	3,307	7	200	2,514	614	60,907

## NOTES TO THE FINANCIAL STATEMENTS

## 17. PROPERTY AND EQUIPMENT (cont'd.)

Group and Bank	Freehold land RM'000	Building RM'000	Office equipment RM'000	Renovation and improvements RM'000	Motor vehicles RM'000	Furniture, electrical, fittings and equipment RM'000	Computers RM'000	Work-in- progress RM'000	Total RM'000
<b>Cost</b>									
At 1 January 2021	30,000	33,000	1,586	29,005	595	5,813	15,281	6,774	122,054
Additions	-	-	71	880	-	305	1,455	6,220	8,931
Transfer from work-in progress	-	-	-	108	-	-	3,102	(3,210)	-
Transfer to intangible assets	-	-	-	-	-	-	(284)	-	(284)
Disposals	-	-	-	(205)	-	(1)	(18)	(6,562)	(6,786)
At 31 December 2021	30,000	33,000	1,657	29,788	595	6,117	19,536	3,222	123,915
<b>Accumulated depreciation</b>									
At 1 January 2021	-	7,590	1,424	24,532	546	5,470	14,929	-	54,491
Charged for the year	-	660	65	1,065	43	349	861	-	3,043
Disposals	-	-	-	-	-	(1)	(14)	-	(15)
At 31 December 2021	-	8,250	1,489	25,597	589	5,818	15,776	-	57,519
<b>Carrying amount</b>									
At 31 December 2021	30,000	24,750	168	4,191	6	299	3,760	3,222	66,396



## NOTES TO THE FINANCIAL STATEMENTS

### 18. RIGHT-OF-USE ASSETS

	Group and Bank 2022 RM'000	2021 RM'000
<b>Cost</b>		
At 1 January	6,957	988
Additions	75	5,969
	7,032	6,957
<b>Accumulated depreciation</b>		
At 1 January	1,950	766
Charged for the year (Note 31)	1,396	1,184
At 31 December	3,346	1,950
<b>Carrying amount</b>	3,686	5,007

### 19. BORROWINGS

	Group and Bank 2022 RM'000	2021 RM'000
Term loans/Revolving credits - unsecured	529,043	499,522
Medium Term Notes("MTN")/Sukuk	2,681,705	4,039,952
Syndication financing	1,312,094	1,242,221
	4,522,842	5,781,695

	Group and Bank 2022 RM'000	2021 RM'000
(i) <u>Term loans/Revolving credits - unsecured</u>		
Repayable within one year	528,775	499,165
Three years to five years (Note(n))	268	357
	529,043	499,522

## NOTES TO THE FINANCIAL STATEMENTS

### 19. BORROWINGS (CONT'D.)

	Group and Bank	
	2022	2021
	RM'000	RM'000
(ii) <u>Medium Term Notes("MTN")/Sukuk</u>		
Repayable within one year	803,743	1,304,202
One year to three years	87,736	764,875
Three years to five years	1,398,997	1,534,690
Over five years	391,229	436,185
	2,681,705	4,039,952
(iii) <u>Syndication financing</u>		
One year to three years	1,312,094	1,242,221
	4,522,842	5,781,695

Repayment based on the currencies of the borrowings are as follows:

	Carrying amount RM'000	Within 1 year RM'000	1 - 3 years RM'000	3 - 5 years RM'000	Over 5 years RM'000
<b>2022</b>					
- USD	3,561,423	371,367	1,399,830	1,398,997	391,229
- RM	268	-	-	268	-
- EUR	140,538	140,538	-	-	-
- GBP	264,630	264,630	-	-	-
- AUD	50,733	50,733	-	-	-
- HKD	505,250	505,250	-	-	-
	4,522,842	1,332,518	1,399,830	1,399,265	391,229
<b>2021</b>					
- USD	4,629,572	1,133,371	1,525,326	1,534,690	436,185
- RM	357	-	-	357	-
- EUR	315,815	315,815	-	-	-
- GBP	281,545	281,545	-	-	-
- AUD	72,636	72,636	-	-	-
- HKD	481,770	-	481,770	-	-
	5,781,695	1,803,367	2,007,096	1,535,047	436,185

## NOTES TO THE FINANCIAL STATEMENTS

### 19. BORROWINGS (cont'd.)

Borrowings of the Group and the Bank comprise the followings:

#### **Term loans/Revolving credits**

- (a) Term loan of USD35,000,000 (approximately RM153,650,000) (2021: USD35,000,000 (approximately RM145,775,000)). The loan is repayable semi-annually within twenty eight (28) semi-annual instalments from 12 August 2008 to 12 February 2022.

The loan was obtained on 25 April 2006. Interest on the loan is charged at 0.395% (2021: 0.395%) per annum above LIBOR. The term loan was fully repaid on 14 February 2022.

- (b) Revolving multi-currency loan up to an aggregate of USD50,000,000 (approximately RM219,500,000) (2021: USD150,000,000 (approximately RM624,750,000)). This facility is available for utilisation in USD, GBP, SGD and EUR.

The loan was obtained on 25 June 2009. The principal and interest of the loan was revised to USD100,000,000 and 0.80% respectively on March 2014, revised to USD150,000,000 on July 2014 and revised to USD50,000,000 on November 2022. Interest on the loan is charged at the rate of 0.80% (2021: 0.80%) per annum above LIBOR or USD and 0.80% above COF for GBP, SGD and EUR.

- (c) The financing was obtained on 10 November 2010 for USD30,000,000, renewed on 14 December 2011, 21 March 2014 and 2 March 2015 with additional amounts of USD10,000,000, USD30,000,000 and USD30,000,000 respectively. On 21 November 2019, the amount was reduced to USD50,000,000. Profit rate on the financing was charged at the rate of 0.80% and has been subsequently revised to 0.50% (2021: 0.50%) per annum above the Islamic Cost of Fund since March 2014. In 2022, the Bank has outstanding amount of AUD17,000,000 (approximately RM50,733,100) under the facility.

- (d) Revolving Euro loan of one (1) year up to an aggregate of EUR30,000,000 (approximately RM140,538,000) (2021: EUR30,000,000 (approximately RM141,426,000)).

The loan was obtained on 12 March 2012. Interest rate on the loan is charged at the rate of 0.80% (2021: 0.80%) per annum above Euro Interbank Offer Rate ("EURIBOR").

- (e) Commodity Murabahah Revolving Credit-i up to an aggregate of USD25,000,000 (approximately RM109,750,000) (2021: USD25,000,000 (approximately RM104,125,000)) renewable after one (1) year.

The financing was obtained on 13 May 2013. Profit rate on the financing is charged at the rate of 0.50% (2021: 0.50%) per annum above the Islamic Cost of Fund.

- (f) Commodity Murabahah Revolving Credit-i up to an aggregate of USD20,000,000 (approximately RM87,800,000) (2021: USD20,000,000 (approximately RM83,300,000)) renewable after one (1) year.

The financing was obtained on 15 August 2013. Profit rate on the financing is charged at the rate of 0.75% (2021: 0.75%) per annum above the Islamic Cost of Fund. On 27 July 2020, the financing amount was reduced to USD20,000,000 (approximately RM80,340,000).

- (g) Multi-Currency Murabahah Revolving Credit-i up to an aggregate of EUR120,000,000 (approximately RM562,152,000) (2021: EUR120,000,000 (approximately RM565,704,000)). This facility is available for utilisation in EUR, USD and GBP.

The financing was obtained on 18 September 2013. Profit rate on the financing is charged at the rate of 0.80% (2021: 0.80%) per annum above EURIBOR for EUR and 0.80% above COF for USD and GBP.

## NOTES TO THE FINANCIAL STATEMENTS

### 19. BORROWINGS (cont'd.)

Borrowings of the Group and the Bank comprise the followings (cont'd.):

#### **Term loans/Revolving credits (cont'd.)**

- (h) Commodity Murabahah Revolving Credit-i up to an aggregate of USD20,000,000 (approximately RM87,800,000) (2021: USD20,000,000 (approximately RM83,300,000)).

The financing was obtained on 29 October 2015 and renewable yearly. Profit rate on the financing is charged at the rate of 0.93% (2021: 0.93%) per annum above LIBOR. On 8 May 2020, the amount was reduced to USD20,000,000 (approximately RM80,340,000). This facility was cancelled on 14 June 2022.

- (i) Multi-currency Commodity Murabahah Revolving Credit-i up to an aggregate of USD75,000,000 (approximately RM329,250,000) (2021: USD75,000,000 (approximately RM312,375,000)). This facility is available for utilisation in USD, EUR and JPY.

The financing was obtained on 25 February 2016 and renewable yearly. Profit rate on the financing was revised to 0.75% (2021: 0.75%) per annum above the LIBOR for USD and 0.75% per annum above COF for EUR and JPY on 31 December 2022.

- (j) Commodity Murabahah Revolving Credit-i up to an aggregate of USD25,000,000 (approximately RM109,750,000) (2021: USD25,000,000 (approximately RM104,125,000)).

The financing was obtained on 16 December 2016. Profit rate on the financing is charged at the rate of 0.45% (2021: 0.45%) per annum above the Islamic Cost of Fund.

- (k) Commodity Murabahah Revolving Credit-i up to an aggregate of USD50,000,000 (approximately RM219,500,000) (2021: USD50,000,000 (approximately RM208,250,000)) renewable after one (1) year.

The financing was obtained on 14 November 2019. Profit rate on the financing is charged at the rate of 0.75% per annum above LIBOR.

- (l) Syndicated Term Financing Facility of USD300,000,000 (approximately RM1,317,000,000). (2021: USD300,000,000 (approximately RM1,249,500,000)).

The loan was obtained on 5 November 2019 and repayable after a period of 4.5 years. Profit on the financing is charged at 0.90% per annum above LIBOR.

- (m) Revolving US Dollar loan up to a maximum facility of USD20,000,000 (approximately RM87,800,000). (2021: USD20,000,000 (approximately RM83,300,000)).

The loan was obtained on 20 October 2020. Interest on loan is charged at the rate of 0.75% (2021: 0.75%) per annum above Cost of Fund.

- (n) Funds from Bank Negara Malaysia ("BNM") amounting to RM400,000 for the purpose to provide financing to SME customers. In December 2022, the fund balance was RM267,713 (2021: RM356,826).

The funding is interest-free and commence from 6 March 2020 and expire on the repayment date.

## NOTES TO THE FINANCIAL STATEMENTS

### 19. BORROWINGS (cont'd.)

Borrowings of the Group and the Bank comprise the followings (cont'd.):

#### Medium Term Notes

In November 2021, the Bank updated its USD3,000,000,000,000 the multicurrency MTN programme which is listed and quoted in SGX. Under the programme, the Bank may from time to time issue notes in series or tranches, which may be denominated in USD or any other currency deemed appropriate at the time. Each series or tranche of notes may be issued in various amounts and tenures, and may bear fixed or floating rate of interest. This MTN is quoted on SGX.

Issuances made as at year end are as follows:

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/Floating
11 July 2012*	USD63 mil (equivalent to RM277 mil)	10 years	3.509%	Fixed
12 March 2013	HKD896 mil (equivalent to RM504 mil)	10 years	2.950%	Fixed
6 June 2014	USD100 mil (equivalent to RM439 mil)	15 years	4.250%	Fixed
21 August 2017*	EUR40 mil (equivalent to RM187 mil)	5 years	3m Euribor + 0.75%	Floating
7 November 2017*	USD20 mil (equivalent to RM88 mil)	5 years	3m Libor + 0.85%	Floating
8 November 2017*	USD100 mil (equivalent to RM439 mil)	5 years	3m Libor + 0.85%	Floating
10 November 2017*	USD15 mil (equivalent to RM66 mil)	5 years	3m Libor + 0.85%	Floating
10 November 2017*	USD25 mil (equivalent to RM110 mil)	5 years	3m Libor + 0.85%	Floating
28 February 2018	USD23 mil (equivalent to RM101 mil)	5 years	3m Libor+0.85%	Floating
4 May 2018	USD45 mil (equivalent to RM198 mil)	5 years	3m Libor+0.85%	Floating
26 Nov 2021	USD350 mil (equivalent to RM1,537 mil)	5 years	1.831%	Fixed

\* The Bond of USD63.0 million has matured on 11 July 2022.

\* The Bond of EUR40.0 million has matured on 22 August 2022.

\* The Bond of USD20.0 million has matured on 7 November 2022.

\* The Bond of USD100.0 million has matured on 8 November 2022.

\* The Bond of USD15.0 million has matured on 10 November 2022.

\* The Bond of USD25.0 million has matured on 10 November 2022.

#### Multi-currency Sukuk Programme

In September 2013, the Bank launched its USD1.0 billion unsecured multicurrency Sukuk programme through Special Purpose Vehicle ("SPV") company. Under the programme, the Bank may from time to time issue notes in series or tranches, which may be denominated in USD or any other currency deemed appropriate at the time. Each series or tranche of notes may be issued in various amounts and tenures, and may bear fixed or floating of interest.

The Bank established a SPV entity, EXIM Sukuk Malaysia Berhad, to issue the abovementioned Multi-currency Sukuk Programme. Correspondingly, the borrowings from Sukuk are transacted with the SPV at the Bank level. At the Group level, the borrowings from Sukuk are transacted with third parties who subscribed to and invested in the Sukuk.



## NOTES TO THE FINANCIAL STATEMENTS

### 19. BORROWINGS (cont'd.)

Borrowings of the Group and the Bank comprise the followings (cont'd.):

#### Multi-currency Sukuk Programme (cont'd.)

Issuances made as at year end are as follows:

Date of issuance	Nominal value	Tenure	Coupon rate	Fixed/Floating
6 May 2015	USD20 mil (equivalent to RM88 mil)	10 years	3.350%	Fixed
4 May 2017*	USD45 mil (equivalent to RM198 mil)	5 years	3.00%	Fixed

\* The Sukuk of USD45 million has matured on 4 May 2022.

### 20. LEASE LIABILITIES

	Group and Bank	
	2022	2021
	RM'000	RM'000
At 1 January	5,090	250
Additional	75	5,969
Lease obligation reduction	(1,368)	(1,129)
At 31 December	3,797	5,090

	Group and Bank	
	2022	2021
	RM'000	RM'000
Repayable within one year	1,338	1,294
One year to three years	2,416	3,381
Three years to five years	43	415
	3,797	5,090

## NOTES TO THE FINANCIAL STATEMENTS

### 21. OTHER PAYABLES AND ACCRUALS

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Sinking fund and debt services reserve accounts	63,884	64,253	63,884	64,253
Interest payable	62,049	39,586	62,049	39,586
Amount due to Teraju*	54,197	53,214	54,197	53,214
RCCPS dividend payables	75,606	59,241	75,606	59,241
Others	55,292	46,589	55,315	46,6064
	311,028	262,883	311,051	262,900

\* This fund represents advances received from Teraju as collateral for loan to Bumiputera Exporters. Withdrawal of the fund is upon the borrower turning impaired up to a maximum of RM5,000,000 per borrower.

### 22. PROVISION FOR COMMITMENTS AND CONTINGENCIES

	Group and Bank	
	2022 RM'000	2021 RM'000
Provision for commitments and contingencies	45,974	64,876

Movements in the provisions for commitments and contingencies are as follows:

	Stage 1 12-months ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2021	23,932	23,815	35,858	83,605
Transferred to Stage 2 (Note 35)	(141)	141	-	-
Transferred to Stage 3 (Note 35)	-	(436)	436	-
Financial assets derecognised	(12,677)	(1,080)	-	(13,757)
Changes due to changes in credit risk (Note 35)	9,801	(4,545)	-	5,256
Modification to contractual cash flows of financial assets (Note 35)	(4)	(205)	-	(209)
(Writeback)/Allowance during the year (Note 35)	(3,484)	1,548	(9,108)	(11,044)
Exchange differences	-	-	1,025	1,025
At 31 December 2021/1 January 2022	17,427	19,238	28,211	64,876
Transferred to Stage 1 (Note 35)	11,533	(11,533)	-	-
Transferred to Stage 2 (Note 35)	(14)	14	-	-
Transferred to Stage 3 (Note 35)	-	(51)	51	-
Financial assets derecognised	(15,103)	(3,200)	-	(18,303)
Changes due to changes in credit risk (Note 35)	3,793	(3,132)	-	661
Modification to contractual cash flows of financial assets (Note 35)	-	150	-	150
(Writeback)/Allowance during the year (Note 35)	(3,364)	272	158	(2,934)
Exchange differences	-	-	1,524	1,524
At 31 December 2022	14,272	1,758	29,944	45,974

## NOTES TO THE FINANCIAL STATEMENTS

### 23. DEFERRED INCOME

	Gross RM'000	Group and Bank Reinsurance RM'000	Net RM'000
<b>2022</b>			
Arising from:			
(i) Guarantee and other fees from conventional banking activities			
At 1 January	14,188	-	14,188
Addition during the year	2,162	-	2,162
Recognised in profit or loss	(5,294)	-	(5,294)
At 31 December	11,056	-	11,056
(ii) Guarantee and other fees from Islamic banking activities			
At 1 January	3,086	-	3,086
Addition during the year	835	-	835
Recognised in profit or loss	(862)	-	(862)
At 31 December	3,059	-	3,059
(iii) Premium liabilities			
At 1 January	(2,275)	5,821	3,546
Decrease in reserve	(1,114)	440	(674)
At 31 December	(3,389)	6,261	2,872
(iv) Takaful contribution liabilities			
At 1 January	4,748	3,828	8,576
Decrease in reserve	(3,803)	956	(2,847)
At 31 December	945	4,784	5,729
	11,671	11,045	22,716

## NOTES TO THE FINANCIAL STATEMENTS

### 23. DEFERRED INCOME (cont'd.)

	Gross RM'000	Group and Bank Reinsurance RM'000	Net RM'000
<b>2021</b>			
Arising from:			
(i) Guarantee and other fees from conventional banking activities			
At 1 January	9,945	-	9,945
Addition during the year	18,525	-	18,525
Recognised in profit and loss	(14,282)	-	(14,282)
At 31 December	14,188	-	14,188
(ii) Guarantee and other fees from Islamic banking activities			
At 1 January	1,912	-	1,912
Addition during the year	1,275	-	1,275
Recognised in profit and loss	(101)	-	(101)
At 31 December	3,086	-	3,086
(iii) Premium liabilities			
At 1 January	(315)	4,840	4,525
Decrease in reserve	(1,960)	981	(979)
At 31 December	(2,275)	5,821	3,546
(iv) Takaful contribution liabilities			
At 1 January	2,472	2,871	5,343
Increase in reserve	2,276	957	3,233
At 31 December	4,748	3,828	8,576
	19,747	9,649	29,396

## NOTES TO THE FINANCIAL STATEMENTS

### 24. PROVISION FOR GUARANTEE AND CLAIMS

	Group and Bank	
	Gross RM'000	Net RM'000
<b>2022</b>		
Arising from:		
(i) Insurance claims		
At 1 January	27,004	27,004
Reversal during the year (Note 29(ii))	(4,249)	(4,249)
Paid during the year (Note 27(iii))	-	-
At 31 December	22,755	22,755
(ii) Takaful claims		
At 1 January	15,448	15,448
Reversal during the year (Note 46)	(23)	(23)
Paid during the year	(450)	(450)
At 31 December	14,975	14,975
(iii) Expenses liabilities		
At 1 January	599	599
Reversal during the year	(3)	(3)
At 31 December	596	596
	38,326	38,326
<b>2021</b>		
(i) Insurance claims		
At 1 January	30,723	30,723
Reversal during the year	(3,719)	(3,719)
Paid during the year (Note 27(iii))	-	-
At 31 December	27,004	27,004
(ii) Takaful claims		
At 1 January	20,193	20,193
Reversal during the year (Note 44)	(4,226)	(4,226)
Paid during the year	(519)	(519)
At 31 December	15,448	15,448
(iii) Expenses liabilities		
At 1 January	785	785
Paid during the year	-	-
Reversal during the year	(186)	(186)
At 31 December	599	599
	43,051	43,051



## NOTES TO THE FINANCIAL STATEMENTS

### 25. SHARE CAPITAL AND REDEEMABLE CONVERTIBLE CUMULATIVE PREFERENCE SHARES

#### (a) Share capital

	Group and Bank			
	2022		2021	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
<b>Issued and fully paid-up</b>				
Ordinary shares	2,708,665	2,708,665	2,708,665	2,708,665
Special rights	**	**	**	**
At 31 December	2,708,665	2,708,665	2,708,665	2,708,665

\*\* Special right of 1 unit at RM1.

The Special Rights Redeemable Share ("Special Rights") may be held or transferred only to the Ministry of Finance (Incorporated) or its successors or any Ministry, representative or any person acting on behalf of the Government of Malaysia.

The Special Rights shareholder shall have the right from time to time to appoint any person to be an appointed Director ("Government Appointed Director"), so that there shall not be more than four Government appointed Directors at any time.

The Special Rights shareholder or any person acting on its behalf shall be entitled to receive notice of and to attend and speak at all general meetings of any meeting of any class of shareholders of the Bank, but the Special Share shall carry neither right to vote nor any other rights at any such meeting.

In a distribution of capital in a winding up of the Bank, the Special Rights shareholder shall be entitled to repayment of the capital paid up on the Special Share in priority to any repayment of capital to any other member. The Special Share shall confer no other right to participate in the capital or profits of the Bank.

The Special Rights shareholder may, subject to the provision of the Companies Act 2016, require the Bank to redeem the Special Share at par at any time by serving written notice upon the Bank and delivering the relevant share certificate.

The Special Rights shareholder shall determine on general guidelines pertaining to lending, investments and divestment by the Bank from time to time as deemed appropriate.

#### (b) Redeemable convertible cumulative preference shares

On 21 December 2017, the Bank received an advance from MoF, Inc of RM250 million. This advance carries a financing cost of 4.7%. This advance is to be capitalised as Redeemable Convertible Cumulative Preference Shares ("RCCPS") via a Subscription Agreement based on the terms that was approved by BNM on 21 November 2017 and 30 January 2018. The Bank has obtained the shareholder's approval on the proposed RCCPS issuance via Extraordinary General Meeting held on 8 March 2018.

The key terms are as follows:

Tenure : Based on perpetual from 8 March 2018.

Dividend rate : 4.7% per annum, payable semi-annually in arrears.

Conversion right: Shall not constitute a cancellation, redemption or termination of a RCCPS but will be by way of variation to the status of, and rights attaching to, the RCCPS so that it becomes an ordinary shares. The conversion is at the option of the Ministry of Finance (on behalf of the Government of Malaysia).

## NOTES TO THE FINANCIAL STATEMENTS

### 26. OPERATING REVENUE

Operating revenue of the Group and the Bank comprises gross interest income, fee and commission income, income from insurance operation and income from Islamic banking and Takaful businesses.

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Banking	194,545	145,154
Insurance and takaful	2,157	1,560
Recoveries from impaired loans	29,188	27,490
Treasury	2,236	501
	<b>228,126</b>	<b>174,705</b>

The timing of revenue recognition by the Group and the Bank are as follows:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
At a point in time	36,171	38,887
Over a period of time	191,955	135,818
	<b>228,126</b>	<b>174,705</b>

### 27. INTEREST INCOME

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Financial assets at amortised cost		
Loans, advances and financing		
- Interest income from non-impaired loans	111,406	58,576
- Recoveries from impaired loans	15,626	12,430
Money at call and deposit placements with banks and other financial institutions	36,510	12,147
Financial investments at FVOCI and at amortised cost	12,305	12,270
Amortisation of premium, net	(236)	(227)
Financial assets at FVTPL on net interest on derivatives	8,742	42,753
	<b>184,353</b>	<b>137,949</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 28. INTEREST EXPENSE

	Group and Bank 2022 RM'000	2021 RM'000
Financial liabilities at amortised cost		
Borrowings:		
Term loans/Revolving credits	6,692	516
Medium Term Notes	90,325	100,794
	97,017	101,310

### 29. UNDERWRITING RESULTS

	Group and Bank 2022 RM'000	2021 RM'000
Gross premium	(504)	489
Reinsurance	436	(255)
Net premium	(68)	234
Increase in premium liabilities reserves	693	956
Net earned premium (Note 29(i))	625	1,190
Other fee income	530	117
Writeback/(Allowance) for doubtful debts	307	(257)
	1,462	1,050
Net claims recovered (Note 29(ii))	4,267	3,719
Underwriting results	5,729	4,769

#### (i) Net earned premium

	Group and Bank 2022 RM'000	2021 RM'000
Gross premium	(504)	489
Change in premium liabilities reserves	693	956
	189	1,445
Net premium ceded	436	(255)
Net earned premium	625	1,190

## NOTES TO THE FINANCIAL STATEMENTS

### 29. UNDERWRITING RESULTS (cont'd.)

#### (ii) Net claims recovered

	Group and Bank	
	2022	2021
	RM'000	RM'000
Recoveries	18	-
Claims recovered	18	-
Change in insurance claims (Note 24)	4,249	3,719
Net claims recovered	4,267	3,719

### 30. OTHER (LOSSES)/INCOME

	Group and Bank	
	2022	2021
	RM'000	RM'000
Fee income from loans, advances and financing	10,078	17,321
Unrealised foreign exchange loss	(68,098)	(106,501)
Realised foreign exchange gain		
- Financial assets at amortised cost	51,238	49,732
- Financial liabilities at FVTPL	3,474	13,669
Loss on disposal of equipment	(19)	(2)
Rental of income	1	24
Unrealised loss on derivatives	(250,438)	(66,511)
Gain/(loss) on MTN/Sukuk		
- Unrealised	203,872	106,648
- Realised	(3,972)	(24,118)
Others	(43)	14,271
	(53,907)	4,533

## NOTES TO THE FINANCIAL STATEMENTS

### 31. OVERHEAD EXPENSES

		Group and Bank	
		2022	2021
	Note	RM'000	RM'000
Personnel costs	(i)	47,652	52,117
Establishment related expenses	(ii)	12,600	10,458
Promotion and marketing expenses	(iii)	1,682	839
General administrative expenses	(iv)	17,730	20,430
		79,664	83,844

#### (i) Personnel costs

	Group and Bank	
	2022	2021
	RM'000	RM'000
Salaries, allowances and bonuses	35,836	38,489
Defined contribution plan	5,069	7,241
Other staff related expenses	6,747	6,387
	47,652	52,117

#### (ii) Establishment related expenses

	Group and Bank	
	2022	2021
	RM'000	RM'000
Depreciation:		
- Property and equipment (Note 17)	3,515	3,043
- Investment properties (Note 15)	18	18
- Right-of-use assets (Note 18)	1,396	1,184
Amortisation of intangible assets (Note 16)	964	1,086
Rental of equipment	62	131
Interest expense - lease liabilities	153	160
Repairs and maintenance of property and equipment	6,492	4,836
	12,600	10,458

#### (iii) Promotion and marketing expenses

	Group and Bank	
	2022	2021
	RM'000	RM'000
Advertisement and publicity	1,682	839



## NOTES TO THE FINANCIAL STATEMENTS

### 31. OVERHEAD EXPENSES (cont'd.)

#### (iv) General administrative expenses

	Group and Bank	
	2022	2021
	RM'000	RM'000
Administrative expenses	1,473	1,382
Auditors' remuneration		
- statutory audit	468	433
- regulatory related services	3	3
- other services	89	109
Asset written off	1,758	4,462
Overprovision of assets written off	(2,451)	-
General expenses	11,037	7,429
Non-Executive directors remuneration (Note 32)	1,174	1,024
Professional fees	3,239	4,804
Others	940	784
	17,730	20,430

### 32. DIRECTORS' FEES AND REMUNERATION

	Salary	Fees	Other	Total
	RM'000	RM'000	Emoluments RM'000	RM'000
<b>Group and Bank</b>				
<b>2022</b>				
<b>Non-Executive Directors (Note 31):</b>				
Dato' Azman Mahmud	-	192	36	228
Dato' Dr. Amiruddin bin Muhamed	-	142	-	142
Datuk Bahria binti Mohd Tamil	-	172	-	172
Datuk Dr. Syed Muhamad Syed Abdul Kadir	-	208	-	208
Dato' Wong Lee Yun	-	153	-	153
Wong Yoke Nyen	-	97	-	97
Pauline Teh Abdullah	-	175	-	175
	-	1,139	36	1,175
<b>Shariah Committee Members (Note 31):</b>				
Prof. Datin Dr. Rusni Hassan	-	84	-	84
Dr. Safinar Salleh	-	54	-	54
Dr. Ghazali Jaapar	-	56	-	56
Dr. Muhammad Syahmi Mohd Karim	-	56	-	56
Prof. Dr. Muhammad Ridhwan Ab. Aziz	-	31	-	31
	-	281	-	281
Total Directors' remuneration (excluding benefits in-kind)	-	1,420	36	1,456

## NOTES TO THE FINANCIAL STATEMENTS

### 32. DIRECTORS' FEES AND REMUNERATION (cont'd.)

	Salary RM'000	Fees RM'000	Other Emoluments RM'000	Total RM'000
<b>Group and Bank</b>				
<b>2021</b>				
<b>Non-Executive Directors (Note 31):</b>				
Dato' Azman Mahmud	-	48	9	57
Dato' Feizal Mustapha @ Feizal bin Mustapha	-	35	7	42
Dato' Dr. Amiruddin bin Muhamed	-	146	-	146
Datuk Bahria binti Mohd Tamil	-	127	-	127
Datuk Dr. Syed Muhamad Syed Abdul Kadir	-	162	-	162
Dato' Wong Lee Yun	-	169	-	169
Wong Yoke Nyen	-	187	-	187
Prem Kumar A/L Shambunath Kirparam	-	121	-	121
Pauline Teh Abdullah	-	13	-	13
	-	1,008	16	1,024
<b>Shariah Committee Members (Note 31):</b>				
Prof. Datin Dr. Rusni Hassan	-	84	-	84
Dr. Zaharuddin Abdul Rahman	-	24	-	24
En. Abd Rasid Abd Kadir	-	16	-	16
En. Zainal Abidin Mohd Tahir	-	53	-	53
Dr. Safinar Salleh	-	63	-	63
Dr. Ghazali Jaapar	-	44	-	44
Dr. Muhammad Syahmi Mohd Karim	-	44	-	44
	-	328	-	328
Total Directors' remuneration (excluding benefits in-kind)	-	1,336	16	1,352

## NOTES TO THE FINANCIAL STATEMENTS

### 33. KEY MANAGEMENT PERSONNEL COMPENSATION

Key management personnel comprise person having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly. It comprises the President/Chief Executive Officer and senior management of the Group and of the Bank.

The key management personnel compensation is as follows:

	Group and Bank	
	2022	2021
	RM'000	RM'000
Salaries and other short-term benefits	3,559	4,189
Defined contribution plan ("EPF")	549	635
Benefits-in-kind	50	55
Termination/end of contract compensation	53	353
	4,211	5,232

### 34. (WRITEBACK)/ALLOWANCES FOR ECL ON LOANS, ADVANCES AND FINANCING

	Group and Bank	
	2022	2021
	RM'000	RM'000
Allowances for ECL on loans, advances and financing		
- 12-month ECL - Stage 1, net	10,456	35,061
- Lifetime not credit impaired ECL - Stage 2, net	(281,539)	64,080
- Lifetime ECL credit impaired - Stage 3, charged for the year	383,721	153,796
- Lifetime ECL credit impaired - Stage 3, written back during the year	(428,550)	(356,178)
- Bad debts written off	310,757	150,348
	(5,155)	47,107

### 35. WRITEBACK FOR ECL ON COMMITMENTS AND CONTINGENCIES

	Group and Bank	
	2022	2021
	RM'000	RM'000
Writeback for ECL on commitments and contingencies		
- 12-month ECL - Stage 1, net	(3,155)	(6,505)
- Lifetime not credit impaired ECL - Stage 2, net	(17,480)	(4,577)
- Lifetime ECL credit impaired - Stage 3, net	209	(8,672)
	(20,426)	(19,754)

## NOTES TO THE FINANCIAL STATEMENTS

### 36. ALLOWANCES/(WRITEBACK) FOR ECL ON FINANCIAL INVESTMENTS

	Group and Bank	
	2022	2021
	RM'000	RM'000
Financial investments at FVOCI (Note 7)	32	(1,055)
Financial investments at amortised costs (Note 8)	125,993	4,200
Total allowances for ECL on financial investments	126,025	3,145

### 37. ALLOWANCES FOR ECL ON OTHER ASSETS

	Group and Bank	
	2022	2021
	RM'000	RM'000
Allowances for ECL on other assets	23	-

### 38. TAXATION

The major components of taxation for the years ended 31 December 2022 and 2021 are:

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Deferred tax expense (Note 13):				
- Origination and reversal of temporary differences	1,364	1,631	1,364	1,631
- Benefits from previously unutilised business losses	(1,364)	(1,631)	(1,364)	(1,631)
	-	-	-	-

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

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

	Group		Bank	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before taxation	(66,477)	51,107	(66,477)	51,107
Income tax using Malaysian statutory tax rate of 24% (2021: 24%)	(15,954)	12,266	(15,954)	12,266
Non-deductible expenses	1,935	1,409	1,935	1,409
Deferred tax assets not recognised on unutilised business losses	14,019	(13,675)	14,019	(13,675)
	-	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS

### 39. BASIC (LOSS)/EARNINGS PER SHARE

	Group		Bank	
	2022	2021	2022	2021
Issued ordinary shares as at 31 December ('000)	2,708,665	2,708,665	2,708,665	2,708,665
(Loss)/Profit after taxation (RM'000)	(66,477)	51,107	(66,477)	51,107
Basic (loss)/earnings per share (sen)	(2.45)	1.89	(2.45)	1.89

The basic (loss)/earnings per ordinary share has been calculated based on the loss after taxation and the weighted average number of ordinary shares during the year.

### 40. DIVIDENDS

The holders of redeemable convertible cumulative preference shares are entitled to receive dividends at a fixed rate of 4.7% per annum as and when declared by the Bank.

### 41. COMMITMENTS AND CONTINGENCIES

	Group and Bank	
	2022 RM'000	2021 RM'000
<u>Banking operation commitments</u>		
Contracted but not provided for:		
Guarantee facility	111,225	130,289
Letter of credit	1,500	10,679
Undrawn loans and financing	517,467	1,117,887
	630,192	1,258,855
<u>Insurance operation commitments</u>		
Contracted but not provided for:		
Within one year	326,097	319,069
One year or later and no later than five years	266,407	277,767
	592,504	596,836
<u>Operational commitments</u>		
Approved but not contracted for:		
Within one year	6,303	3,171
Total commitments and contingencies	1,228,999	1,858,862



## NOTES TO THE FINANCIAL STATEMENTS

### 42. SIGNIFICANT RELATED PARTIES TRANSACTION AND BALANCES

For the purposes of these financial statements, parties are considered to be related to the Group and the Bank, if the Group or the Bank has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The Group has related party transactions and balances with the following parties:

(a) Compensation of key management personnel

Key management personnel is 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 consists of the President/Chief Executive Executive Officer and senior management of the Group and the Bank. The key management personnel compensation is disclosed in Note 33.

(b) The significant outstanding balances of the Bank with the related companies are as follows:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due to subsidiaries	64,111	64,117

### 43. CREDIT EXPOSURE ARISING FROM FINANCING FACILITIES WITH CONNECTED PARTIES

The Group's and the Bank's credit exposure arising from financing facilities with connected parties are as disclosed below:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Aggregate value of outstanding exposure with connected parties	688,192	776,783
Equities and Private Debt Securities ("PDS") held	230,000	600,000
	918,192	1,376,783
Total exposure to connected parties as % of total capital	39.30%	62.10%
Total exposure to connected parties as % of total outstanding exposures	11.65%	14.23%

The credit exposures disclosed below are based on the requirement of Paragraph 14.1 of Bank Negara Malaysia's Policy Document on Financing Facilities with Connected Parties ("Policy Document").

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES

The Group's and the Bank's financial risk management policies seek to enhance shareholder's value. The Group and the Bank focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of the Bank.

The Risk Management Division ("RMD") of the Group and the Bank is responsible for formulating policies and the oversight of credit, market liquidity and operational risks.

Financial risk management is carried out through risk assessment and reviews, internal control systems and adherence to Group's and Bank's financial risk management policies, which are reported to and approved by the Board. The Board also approves the treasury practices which cover the management of these risks.

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

#### a. Capital management

Capital management refers to continuous, proactive and systematic process to ensure the Group and the Bank have sufficient capital in accordance to its risk profile and regulator's requirements.

#### b. Market risk

The Group's and the Bank's market risk arise due to changes foreign currency value which would lead to a decline in the valuation of the Group's and the Bank's foreign currency base financial investments, derivatives and borrowings.

#### c. Asset liability management risk

Asset Liability Management ("ALM") risk comprises:

##### (i) Interest rate risks

This refers to the exposure of the Group's and the Bank's financial conditions due to adverse movements in interest rates to the banking book.

##### (ii) Liquidity risks

Defined as the risk of not being able to obtain sufficient funds in a timely manner at a reasonable cost to meet financial commitments when due.

#### d. Credit risk

Credit risk is defined as risk due to uncertainty in the customers or the counterparties ability to meet its obligations or failure to perform according to the terms and conditions of the credit-related contract.

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Oversight and organisation

A stable enterprise-level organisational structure for risk management is necessary to ensure a uniform view of risk across the Group and the Bank. It is also important to have clear roles and responsibilities defined for each functions.

The Board has the overall responsibility for understanding the risks undertaken by the Group and the Bank and ensuring that the risks are properly managed.

While the Board is ultimately responsible for risk management of the Group and the Bank, it has entrusted the Board Risk Committee ("BRC") to carry out its functions. Although the responsibilities have been delegated, the Board still remains accountable. BRC, which is chaired by an independent Director of the Board, oversees the overall management of all risks covering credit risk management, country risk management, market risk management, asset liability management and operational risk management.

Executions of the Board's risk strategies and policies are the responsibilities of the Group's and the Bank's management and the conduct of these functions are being exercised under a committee structure, namely Management Risk Committee ("MRC"). The President/Chief Executive Officer chairs MRC. The Committee focuses on the overall business strategies and daily business operations of the Group and the Bank in respect of risk management.

To carry out the day-to-day risk management function, a dedicated RMD that is independent of profit and volume targets supports the Committee. RMD reports functionally to the BRC and administratively to the President/Chief Executive Officer.

#### Capital management

##### Capital policy

The overall objective of capital management is to maintain a strong capital position in order to provide opportunities for business growth and able to provide cushion for any potential losses. In line with this objective, the Group and the Bank view capital position as an important key barometer of financial health.

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

In order to further strengthen the capital position of the Group and the Bank through a progressive and systematic building up of the reserve fund, the Group and the Bank are required to maintain a reserve fund and transfer a certain percentage of its net profits to the reserve fund once the RWCR falls below the threshold of 16%.

As at the reporting date, the reserve fund is not yet required as at the reporting date as the Group's and the Bank's capital is currently above the threshold of 16%.

The Bank has adopted BNM's transitional arrangements to add back a portion of the Stage 1 and Stage 2 allowance for ECL to Tier 1 Capital over a four-year period from financial year beginning 2020. The transitional arrangements are consistent with the guidance issued by the Basel Committee of Banking Supervision on "Regulatory treatment of accounting provisions – interim approach and transitional arrangement" (March 2017) and "Measures to reflect the impact of Covid-19" dated April 2020.

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Capital management (cont'd.)

##### Regulatory capital

The following table set forth capital resources and capital adequacy for the Bank as at 31 December:

	Without Transitional Arrangement 2022 RM'000	With Transitional Arrangement 2022 RM'000	Without Transitional Arrangement 2021 RM'000	With Transitional Arrangement 2021 RM'000
Ordinary share capital	2,708,665	2,708,665	2,708,665	2,708,665
Accumulated losses	(1,313,286)	(1,313,286)	(1,348,029)	(1,348,029)
Current year profit	(66,477)	(66,477)	51,107	51,107
Add: Transitional arrangement	-	-	-	91,204
Eligible Tier 1 capital	1,328,902	1,328,902	1,411,743	1,502,947
Loss provision and regulatory reserve*	277,924	277,924	667,068	575,864
Redeemable convertible cumulative preference shares	250,000	250,000	250,000	250,000
Provision for guarantee and claims	33,921	33,921	35,106	35,106
Provision for commitment and contingencies	16,030	16,030	36,665	36,665
Eligible Tier 2 capital	577,875	577,875	988,839	897,635
Investment in subsidiaries	(64,129)	(64,129)	(64,129)	(64,129)
Total capital base	1,842,648	1,842,648	2,336,453	2,336,453
Risk weighted assets	4,284,639	4,284,639	5,271,754	5,271,754
Capital Ratio				
- With proposed RCCPS dividend (Note 40)				
Core capital ratio	30.63%	30.63%	26.47%	28.20%
RWCR	42.62%	42.62%	44.01%	44.01%
- Without proposed RCCPS dividend				
Core capital ratio	31.02%	31.02%	26.78%	28.51%
RWCR	43.01%	43.01%	44.32%	44.32%

\* The loss provision for 2022 is computed based on Para 14.1 (d)(ii) or Capital Adequacy Framework (capital components) issued by BNM on 9 December 2020. The Tier 2 Capital comprise collective allowance on unimpaired loans, advances and financing and regulatory reserve

The Group and the Bank have elected to apply the transitional arrangements in accordance with BNM's Guidelines on Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions for Development Financial Institutions.

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Capital monitoring

The Group's and the Bank's capital are closely monitored and actively managed. Besides the regulatory capital requirement of 8%, the Group and the Bank have set an internal capital requirement limit that would act as a buffer to the regulatory capital and as an indicator that affords the Group and the Bank a "well capitalised" status. The MRC shall be responsible in managing and monitoring both the internal capital limit and regulatory capital requirement.

#### Market risk management

##### Approach and risk strategy

The principal objectives of market risk management are to assume an appropriate balance between the level of risk and the level of return desired in order to maximise the return to shareholders' funds and to ensure prudent management of the Group's and the Bank's resources to support the growth of the Group's and the Bank's economic value.

The Group's and the Bank's market risk management strategies are to identify, measure, monitor and manage the Group's and the Bank's earnings and capital against market risk inherent in all activities of the Group and the Bank and ensure all relevant personnel clearly understand the Group's and the Bank's approach in managing market risk.

##### Risk identification

The Group's and the Bank's market risk arise due to changes foreign currency which would lead to a decline in the value of the Group's and the Bank's financial investments, derivatives, borrowings, foreign exchange and equity position.

##### Measurement

The Group's and the Bank's policies are to minimise the exposures to foreign currency risk arising from lending activities by monitoring and obtaining the Board's approval for funding requisitions that involve foreign currencies.

The Group and the Bank are exposed to foreign currency risk arising from the balances in cash and bank balances, deposits and placements, loans, advances and financing, derivatives financial instruments and borrowings.



## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Market risk management (cont'd.)

##### Measurement (cont'd.)

The table below shows the Group's and the Bank's foreign currencies sensitivity based on reasonable possible movements on the increase/(decrease) in foreign exchange ("FX") rates that resulted to the increase/(decrease) in profit and loss:

	Changes in foreign exchange rates (+/-) %	Effect on profit/loss		Effect on equity	
		Increase in FX rate RM'000	Decrease in FX rate RM'000	Increase in FX rate RM'000	Decrease in FX rate RM'000
<b>2022</b>					
<b>EUR</b>	5	3,115	(3,115)	3,115	(3,115)
<b>GBP</b>	5	1,995	(1,995)	1,995	(1,995)
<b>SGD</b>	5	4,721	(4,721)	4,721	(4,721)
<b>USD</b>	10	44,717	(44,717)	44,717	(44,717)
<b>AUD</b>	10	1,266	(1,266)	1,266	(1,266)
<b>HKD</b>	5	-	-	-	-
		55,814	(55,814)	55,814	(55,814)
<b>2021</b>					
<b>EUR</b>	5	3,482	(3,482)	3,482	(3,482)
<b>GBP</b>	5	1,964	(1,964)	1,964	(1,964)
<b>SGD</b>	5	2,390	(2,390)	2,390	(2,390)
<b>USD</b>	10	38,908	(38,908)	38,908	(38,908)
<b>AUD</b>	10	748	(748)	748	(748)
<b>HKD</b>	5	-	-	-	-
		47,492	(47,492)	47,492	(47,492)

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### **Asset liability management**

##### Approach and risk strategy

The main objective is to proactively manage the Group's and the Bank's financial position which includes assets, liabilities and capital, in order to maximise earnings and to attain its strategic goal, within the overall risk/return preferences.

The Group's and the Bank's Asset and Liability Management ("ALM") strategies are as follows:

- Ensure that the Group and the Bank achieve its financial objective through strategic business plan which shall be developed within the risk tolerance level;
- Ensure that the Group's and Bank's pricing and funding are adequately maintain to support a sound capital base through strategic management of the balance sheet; and
- Ensure that the Group and the Bank are able to sustain its capital against ALM risk inherent in all activities of the Group and the Bank.

##### Risk identification

When analysing whether or not an activity introduces a new element of ALM risk exposure, the Group and the Bank should be aware that changes to an instrument's maturity, repricing or repayment terms could materially affect the product's ALM risks characteristics.

##### Measurement

The Group and the Bank face interest rate risks arising from re-pricing mismatches of assets and liabilities from its banking businesses. These risks are monitored through economic value of equity limit and net interest income changes.

The Group and the Bank perform regular net interest income simulation to better understand the sensitivity to changes in interest rates on the net interest income. In addition, MRC will actively manage the re-pricing mismatches with the aid of monthly re-pricing gap and Earning-at-Risk ("EAR") reports.

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Asset liability management (cont'd.)

##### Measurement (cont'd.)

The table below shows the Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap:

Group	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
<b>2022</b>						
<b>Assets</b>						
Cash and bank balances	-	-	-	-	28,986	28,986
Deposits and placement with banks and other financial institutions	2,761,241	33,500	-	-	-	2,794,741
Financial investments at fair value through profit or loss	-	-	-	9,979	-	9,979
Financial investments at fair value through other comprehensive income	-	160,767	116,503	-	-	277,270
Financial investments at amortised cost	-	300,209	-	77,716	-	377,925
Loans, advances and financing	71,056	427,267	1,493,053	467,306	558,962	3,017,644
Derivative financial instruments	-	15,887	-	-	-	15,887
Other assets	-	-	-	-	142,720	142,720
<b>Total assets</b>	<b>2,832,297</b>	<b>937,630</b>	<b>1,609,556</b>	<b>555,001</b>	<b>730,668</b>	<b>6,665,152</b>
<b>Liabilities and equity</b>						
Borrowings	528,775	2,290,477	1,312,361	391,229	-	4,522,842
Derivative financial instruments	1,944	934	161,522	19,504	-	183,904
Other liabilities	-	-	-	-	421,956	421,956
Shareholders' and Takaful participants fund	-	-	-	-	1,536,450	1,536,450
<b>Total liabilities and equity</b>	<b>530,719</b>	<b>2,291,411</b>	<b>1,473,883</b>	<b>410,733</b>	<b>1,958,406</b>	<b>6,665,152</b>
<b>Period gap</b>	<b>2,301,578</b>	<b>(1,353,781)</b>	<b>135,673</b>	<b>144,268</b>	<b>(1,227,738)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>2,301,578</b>	<b>947,797</b>	<b>1,083,470</b>	<b>1,227,738</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Asset liability management (cont'd.)

##### Measurement (cont'd.)

The table below shows the Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap (cont'd.):

Group	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
<b>2021</b>						
<b>Assets</b>						
Cash and bank balances	-	-	-	-	49,513	49,513
Deposits and placement with banks and other financial institutions	3,126,776	-	-	-	-	3,126,776
Financial investments at fair value through other comprehensive income	-	302,787	310,838	-	-	613,625
Financial investments at amortised cost	-	-	300,453	193,561	-	494,014
Loans, advances and financing	83,585	889,243	1,050,041	631,686	647,006	3,301,561
Derivative financial instruments	5,004	-	28,084	47,375	-	80,463
Other assets	-	-	-	-	147,847	147,847
<b>Total assets</b>	<b>3,215,365</b>	<b>1,192,030</b>	<b>1,689,416</b>	<b>872,622</b>	<b>844,366</b>	<b>7,813,799</b>
<b>Liabilities and equity</b>						
Borrowings	499,165	1,304,202	3,542,143	436,185	-	5,781,695
Derivative financial instruments	-	-	999	-	-	999
Other liabilities	-	-	-	-	405,591	405,591
Shareholders' and Takaful participants fund	-	-	-	-	1,625,514	1,625,514
<b>Total liabilities and equity</b>	<b>499,165</b>	<b>1,304,202</b>	<b>3,543,142</b>	<b>436,185</b>	<b>2,031,105</b>	<b>7,813,799</b>
<b>Period gap</b>	<b>2,716,200</b>	<b>(112,172)</b>	<b>(1,853,726)</b>	<b>436,437</b>	<b>(1,186,739)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>2,716,200</b>	<b>2,604,028</b>	<b>750,302</b>	<b>1,186,739</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Asset liability management (cont'd.)

##### Measurement (cont'd.)

The table below shows the Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap (cont'd.):

Bank	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
<b>2022</b>						
<b>Assets</b>						
Cash and bank balances	-	-	-	-	28,986	28,986
Deposits and placement with banks and other financial institutions	2,761,241	33,500	-	-	-	2,794,741
Financial investments at fair value through profit or loss	-	-	-	9,979	-	9,979
Financial investments at fair value through other comprehensive income	-	160,767	116,503	-	-	277,270
Financial investments at amortised cost	-	300,209	-	77,716	-	377,925
Loans, advances and financing	71,056	427,267	1,493,053	467,306	558,962	3,017,644
Derivative financial instruments	-	15,887	-	-	-	15,887
Other assets	-	-	-	-	206,849	206,849
<b>Total assets</b>	<b>2,832,297</b>	<b>937,630</b>	<b>1,609,556</b>	<b>555,001</b>	<b>794,797</b>	<b>6,729,281</b>
<b>Liabilities and equity</b>						
Borrowings	528,775	2,290,477	1,312,361	391,229	-	4,522,842
Derivative financial instruments	1,944	934	161,522	19,504	-	183,904
Other liabilities	-	-	-	-	486,090	486,090
Shareholders' and Takaful participants fund	-	-	-	-	1,536,445	1,536,445
<b>Total liabilities and equity</b>	<b>530,719</b>	<b>2,291,411</b>	<b>1,473,883</b>	<b>410,733</b>	<b>2,022,535</b>	<b>6,729,281</b>
<b>Period gap</b>	<b>2,301,578</b>	<b>(1,353,781)</b>	<b>135,673</b>	<b>144,268</b>	<b>(1,227,738)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>2,301,578</b>	<b>947,797</b>	<b>1,083,470</b>	<b>1,227,738</b>	<b>-</b>	<b>-</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Asset liability management (cont'd.)

##### Measurement (cont'd.)

The table below shows the Group's and the Bank's interest rate risk exposure based on contractual re-pricing gap (cont'd.):

Bank	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Non-interest bearing RM'000	Total RM'000
<b>2021</b>						
<b>Assets</b>						
Cash and bank balances	-	-	-	-	49,513	49,513
Deposits and placement with banks and other financial institutions	3,126,776	-	-	-	-	3,126,776
Financial investments at fair value through other comprehensive income	-	302,787	310,838	-	-	613,625
Financial investments at amortised cost	-	-	300,453	193,561	-	494,014
Loans, advances and financing	83,585	889,243	1,050,041	631,686	647,006	3,301,561
Derivative financial instruments	5,004	-	28,084	47,375	-	80,463
Other assets	-	-	-	-	211,976	211,976
<b>Total assets</b>	<b>3,215,365</b>	<b>1,192,030</b>	<b>1,689,416</b>	<b>872,622</b>	<b>908,495</b>	<b>7,877,928</b>
<b>Liabilities and equity</b>						
Borrowings	499,165	1,304,202	3,542,143	436,185	-	5,781,695
Derivative financial instruments	-	-	999	-	-	999
Other liabilities	-	-	-	-	469,725	469,725
Shareholders' and Takaful participants fund	-	-	-	-	1,625,509	1,625,509
<b>Total liabilities and equity</b>	<b>499,165</b>	<b>1,304,202</b>	<b>3,543,142</b>	<b>436,185</b>	<b>2,095,234</b>	<b>7,877,928</b>
<b>Period gap</b>	<b>2,716,200</b>	<b>(112,172)</b>	<b>(1,853,726)</b>	<b>436,437</b>	<b>(1,186,739)</b>	<b>-</b>
<b>Cumulative gap</b>	<b>2,716,200</b>	<b>2,604,028</b>	<b>750,302</b>	<b>1,186,739</b>	<b>-</b>	<b>-</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Asset liability management (cont'd.)

##### Analysis of net interest income ("NII") and net profit income ("NPI") sensitivity

The table below shows the Bank's NII and NPI sensitivity based on possible parallel shift in interest rate:

	NII		NPI	
	2022 Impact on profit and loss Increase/ (decrease) RM'000	2021 Impact on profit and loss Increase/ (decrease) RM'000	2022 Impact on profit and loss Increase/ (decrease) RM'000	2021 Impact on profit and loss Increase/ (decrease) RM'000
Interest/Profit rate - parallel shift				
+ 50 basis points	437	183	367	596
- 50 basis points	(437)	(183)	(367)	(596)

Impact to revaluation reserve is assessed by applying up and down 50 basis points rate shock to the yield curve to model on mark-to-market for financial investments at FVOCI portfolio:

	2022 Impact on OCI Increase/ (decrease) RM'000	2021 Impact on OCI Increase/ (decrease) RM'000
+ 50 basis points	50	(71)
- 50 basis points	(50)	71

#### Liquidity risk management

##### Approach and risk strategy

The inability to create liquidity would cause serious repercussion to the Group and the Bank in terms of its reputation and even its continued existence. In view of this, the Group and the Bank pay particular attention to liquidity risk management approach and strategy.

The objective of liquidity risk management is to ensure the availability of sufficient liquidity to honour all financial obligations and able to meet any stressful events. The Group's and the Bank's liquidity risk management strategies involve:

- Establish appropriate policies to oversee the management of liquidity risk of the Group and the Bank;
- Establish prudent liquidity risk limits to ensure the Group and the Bank maintain a safe level of asset liquidity; and
- Develop contingency funding plans to manage the Group's and the Bank's funding requirement during liquidity crisis.

##### Risk identification

There are two types of liquidity risk i.e. funding liquidity risk and market liquidity risk. Funding liquidity risk refers to the potential inability of the Group and the Bank to meet its funding requirements arising from cash flow mismatches at a reasonable cost. Market liquidity risk refers to the Group's and the Bank's potential inability to liquidate positions quickly and in sufficient volumes, at a reasonable price.

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Liquidity risk management (cont'd.)

##### Measurement

Liquidity is measured by the Group's and the Bank's ability to efficiently and economically accommodate decrease in deposits/funding (such as funds obtained from the Government) and other purchased liabilities and to fund increases in assets to ensure continued growth of the Group and the Bank.

The Group and the Bank maintain large capital base, sufficient liquid assets, diversified funding sources, and regularly assesses the long-standing relationship with traditional fund providers. These processes are subject to regular reviews to ensure adequacy and appropriateness.

In addition, the Group's and the Bank's liquidity positions are monitored and managed through structural liquidity indicators, such as loan to purchase funds and offshore revolving funds utilisation rate ratios to maintain an optimal funding mix and asset composition.

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity:

Group	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2022</b>						
<b>Assets</b>						
Cash and bank balances	28,986	-	-	-	-	28,986
Deposits and placements with banks and other financial institutions	-	2,761,241	33,500	-	-	2,794,741
Financial investments at fair value through profit or loss	-	-	-	-	9,979	9,979
Financial investments at fair value through other comprehensive income	-	-	160,767	116,503	-	277,270
Financial investments at amortised cost	-	-	300,209	-	77,716	377,925
Loans, advances and financing	290	70,766	427,267	1,493,053	1,026,268	3,017,644
Derivative financial instruments	-	-	15,887	-	-	15,887
Other assets	142,720	-	-	-	-	142,720
<b>Total assets</b>	<b>171,996</b>	<b>2,832,007</b>	<b>937,630</b>	<b>1,609,556</b>	<b>1,113,963</b>	<b>6,665,152</b>
<b>Liabilities</b>						
Borrowings	-	528,775	2,290,477	1,312,361	391,229	4,522,842
Derivative financial instruments	-	1,944	934	161,522	19,504	183,904
Other liabilities	421,956	-	-	-	-	421,956
<b>Total liabilities</b>	<b>421,956</b>	<b>530,719</b>	<b>2,291,411</b>	<b>1,473,883</b>	<b>410,733</b>	<b>5,128,702</b>
<b>Net maturity mismatch</b>	<b>(249,960)</b>	<b>2,301,288</b>	<b>(1,353,781)</b>	<b>135,673</b>	<b>703,230</b>	<b>1,536,450</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Liquidity risk management (cont'd.)

##### Measurement (cont'd.)

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity (cont'd.):

Group	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2021</b>						
<b>Assets</b>						
Cash and bank balances	49,513	-	-	-	-	49,513
Deposits and placements with banks and other financial institutions	-	3,126,776	-	-	-	3,126,776
Financial investments at fair value through other comprehensive income	-	-	302,787	310,838	-	613,625
Financial investments at amortised cost	-	-	-	300,453	193,561	494,014
Loans, advances and financing	94	83,491	889,243	1,050,041	1,278,692	3,301,561
Derivative financial instruments	-	5,004	-	28,084	47,375	80,463
Other assets	147,847	-	-	-	-	147,847
<b>Total assets</b>	<b>197,454</b>	<b>3,215,271</b>	<b>1,192,030</b>	<b>1,689,416</b>	<b>1,519,628</b>	<b>7,813,799</b>
<b>Liabilities</b>						
Borrowings	-	499,165	1,304,202	3,542,143	436,185	5,781,695
Derivative financial instruments	-	-	-	999	-	999
Other liabilities	405,591	-	-	-	-	405,591
<b>Total liabilities</b>	<b>405,591</b>	<b>499,165</b>	<b>1,304,202</b>	<b>3,543,142</b>	<b>436,185</b>	<b>6,188,285</b>
<b>Net maturity mismatch</b>	<b>(208,137)</b>	<b>2,716,106</b>	<b>(112,172)</b>	<b>(1,853,726)</b>	<b>1,083,443</b>	<b>1,625,514</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Liquidity risk management (cont'd.)

##### Measurement (cont'd.)

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity (cont'd.):

Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2022</b>						
<b>Assets</b>						
Cash and bank balances	28,986	-	-	-	-	28,986
Deposits and placements with banks and other financial institutions	-	2,761,241	33,500	-	-	2,794,741
Financial investments at fair value through profit or loss	-	-	-	-	9,979	9,979
Financial investments at fair value through other comprehensive income	-	-	160,767	116,503	-	277,270
Financial investments at amortised cost	-	-	300,209	-	77,716	377,925
Loans, advances and financing	290	70,766	427,267	1,493,053	1,026,268	3,017,644
Derivative financial instruments	-	-	15,887	-	-	15,887
Other assets	206,849	-	-	-	-	206,849
<b>Total assets</b>	<b>236,125</b>	<b>2,832,007</b>	<b>937,630</b>	<b>1,609,556</b>	<b>1,113,963</b>	<b>6,729,281</b>
<b>Liabilities</b>						
Borrowings	-	528,775	2,290,477	1,312,361	391,229	4,522,842
Derivative financial instruments	-	1,944	934	161,522	19,504	183,904
Other liabilities	486,090	-	-	-	-	486,090
<b>Total liabilities</b>	<b>486,090</b>	<b>530,719</b>	<b>2,291,411</b>	<b>1,473,883</b>	<b>410,733</b>	<b>5,192,836</b>
<b>Net maturity mismatch</b>	<b>(249,965)</b>	<b>2,301,288</b>	<b>(1,353,781)</b>	<b>135,673</b>	<b>703,230</b>	<b>1,536,445</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Liquidity risk management (cont'd.)

##### Measurement (cont'd.)

Table below analyses assets and liabilities of the Group's and the Bank's according to their contractual maturity (cont'd.):

Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2021</b>						
<b>Assets</b>						
Cash and bank balances	49,513	-	-	-	-	49,513
Deposits and placements with banks and other financial institutions	-	3,126,776	-	-	-	3,126,776
Financial investments at fair value through other comprehensive income	-	-	302,787	310,838	-	613,625
Financial investments at amortised cost	-	-	-	300,453	193,561	494,014
Loans, advances and financing	94	83,491	889,243	1,050,041	1,278,692	3,301,561
Derivative financial instruments	-	5,004	-	28,084	47,375	80,463
Other assets	211,976	-	-	-	-	211,976
<b>Total assets</b>	<b>261,583</b>	<b>3,215,271</b>	<b>1,192,030</b>	<b>1,689,416</b>	<b>1,519,628</b>	<b>7,877,928</b>
<b>Liabilities</b>						
Borrowings	-	499,165	1,304,202	3,542,143	436,185	5,781,695
Derivative financial instruments	-	-	-	999	-	999
Other liabilities	469,725	-	-	-	-	469,725
<b>Total liabilities</b>	<b>469,725</b>	<b>499,165</b>	<b>1,304,202</b>	<b>3,543,142</b>	<b>436,185</b>	<b>6,252,419</b>
<b>Net maturity mismatch</b>	<b>(208,142)</b>	<b>2,716,106</b>	<b>(112,172)</b>	<b>(1,853,726)</b>	<b>1,083,443</b>	<b>1,625,509</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Liquidity risk management (cont'd.)

The following tables show the contractual undiscounted cash flow payable for non-derivatives financial liabilities. The financial liabilities in the tables below do not agree to the balances in the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The maturity profile does not necessarily reflect behavioural cash flows.

Group and Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2022</b>						
Derivative financial liabilities instruments	-	1,944	934	161,522	19,504	183,904
<b>Non-derivative financial liabilities</b>						
Borrowings	-	528,775	2,290,477	1,312,361	391,229	4,522,842
Other liabilities	421,956	-	-	-	-	421,956
Total financial liabilities	421,956	528,775	2,290,477	1,312,361	391,229	4,944,798
<b>Commitments and contingencies</b>						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	111,225	-	-	-	-	111,225
Letter of credit	1,500	-	-	-	-	1,500
Undrawn loans and financing	84,965	-	371,571	49,083	11,848	517,467
	197,690	-	371,571	49,083	11,848	630,192
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	326,097	-	-	326,097
One year or later and no later than five years	-	-	-	266,407	-	266,407
	-	-	326,097	266,407	-	592,504
Total commitments and contingencies	197,690	-	697,668	315,490	11,848	1,222,696

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Liquidity risk management (cont'd.)

Group and Bank	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2021</b>						
Derivative financial instruments	-	-	-	999	-	999
<b>Non-derivative financial liabilities</b>						
Borrowings	-	499,165	1,304,202	3,542,143	436,185	5,781,695
Other liabilities	405,591	-	-	-	-	405,591
Total financial liabilities	405,591	499,165	1,304,202	3,542,143	436,185	6,187,286
<b>Commitments and contingencies</b>						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	130,289	-	-	-	-	130,289
Letter of credit	10,679	-	-	-	-	10,679
Undrawn loans and financing	489,018	35,000	274,980	248,587	70,302	1,117,887
	629,986	35,000	274,980	248,587	70,302	1,258,855
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	319,069	-	-	319,069
One year or later and no later than five years	-	-	-	277,767	-	277,767
	-	-	319,069	277,767	-	596,836
Total commitments and contingencies	629,986	35,000	594,049	526,354	70,302	1,855,691

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Credit risk management

##### Approach and risk strategy

The Group and the Bank recognise that credit risk is inherent in its banking and insurance activities. The main objective of the Group's and the Bank's credit risk management is to ensure that exposure to credit risk is always kept within its capability and financial capacity to withstand potential future losses.

The Group's and the Bank's strategies in credit risk management are:

- Consistent credit approving standards are applied in each of its credit decision process;
- All credit decisions are within credit risk tolerance that the Group and the Bank are willing to take in meeting its mandated role;
- All credit risk inherent in business activities of the Group and the Bank are comprehensively identified, measured and managed;
- Ensure the Group and the Bank hold adequate capital against credit risk and adequately compensated for risks assumed;
- Regular credit review is performed as an effective tool to constantly evaluate the quality of credits given and adherence to the credit process;
- The composition and quality of the Group's and the Bank's credit portfolio are constantly monitored to identify and manage concentrations risk; and
- Conduct stress testing on the Group's and the Bank's credit portfolio to identify possible events or future changes in economic conditions that could have favourable effects to its credit exposures and assess the Groups and the Bank's ability to withstand such changes.

##### Risk identification

The Group and the Bank take into account the sources of credit risks identified from all lines of business on a bank-wide basis such as direct financing risk, contingent financing risk, issuer risk, pre-settlement risk and settlement risk.

As a development financial institution, the Group and the Bank are expected primarily to fill the gaps in the supply of financial services that are not normally provided by other banking institutions.

Therefore, the Group and the Bank are exposed to credit risk mainly from credit facilities to finance and support exports and imports of goods, services and overseas projects with emphasis on non-traditional markets, provision of export credit insurance services, export financing insurance, overseas investment insurance and guarantee facilities.

The Group and the Bank are also exposed to credit risk from investment in securities and other financial market transactions.

##### Measurement

The Group and the Bank monitor actual exposures against established limits and have procedures in place for the purpose of monitoring and taking appropriate actions when such limits are breached. If exceeded limits, such occurrences must be reported to the MRC and subsequently, corrective measures are taken to avoid recurrence of such breaches.

Internal credit rating system is an integral part of the Group's and the Bank's credit risk management. It provides a good means of differentiating the degree of credit risk in the different credit exposures of the Group and the Bank. This will allow more accurate determination of the overall characteristics of the credit portfolio, concentrations, problem credits and the adequacy of allowances for losses on loans, advances and financing.

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Credit risk management (cont'd.)

##### Impairment of financial assets

The Group and the Bank individually assesses its financial assets for any objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition. In determining that there is objective evidence of an impaired loss, the Group and the Bank adopted a systematic mechanism for a prompt trigger of impairment test whereby the triggers are based on obligatory and judgmental event triggers.

When there is objective evidence of impairment of the financial assets, the classification of these assets as impaired shall be endorsed and approved by Management Committee ("MC"). Impairment losses are recorded as charges to the statement of profit or loss. The carrying amount of impaired loans, advances and financing on the statement of financial position is reduced through the use of impairment allowance account. Losses expected from future events are not recognised.

#### Credit risk exposure

Maximum exposure to credit risk without taking into account of any collateral and other credit enhancements:

Group and Bank	Maximum exposure to credit risk RM'000	Collateral value RM'000	Net exposures RM'000
<b>2022</b>			
<u>Credit exposure for on-balance sheet assets:</u>			
Cash and bank balances	28,986	-	28,986
Deposits and placements with banks and other financial institutions	2,794,741	-	2,794,741
Financial investments	665,174	-	665,174
Loans, advances and financing	3,017,644	2,831,292	186,352
Insurance receivables	-	-	-
Net derivative financial instruments	(168,017)	-	-
Other assets excluding tax prepayment	66,493	-	66,493
	6,405,021	2,831,292	3,741,746
<u>Credit exposure for off-balance sheet assets:</u>			
Banking operations commitments	630,192	-	630,192
Insurance operations commitments			
Short term	326,097	-	326,097
Medium/Long term	266,407	-	266,407
	1,222,696	-	1,222,696
	7,627,717	2,831,292	4,964,442

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Credit risk exposure (cont'd.)

Maximum exposure to credit risk without taking into account of any collateral and other credit enhancements (cont'd.):

Group and Bank	Maximum exposure to credit risk RM'000	Collateral value RM'000	Net exposures RM'000
<b>2021</b>			
<u>Credit exposure for on-balance sheet assets:</u>			
Cash and bank balances	49,513	-	49,513
Deposits and placements with banks and other financial institutions	3,126,776	-	3,126,776
Financial investments	1,107,639	-	1,107,639
Loans, advances and financing	3,301,561	2,314,113	987,448
Insurance receivables	45	-	45
Net derivative financial instruments	79,464	-	79,464
Other assets excluding tax prepayment	65,864	-	65,864
	7,730,862	2,314,113	5,416,749
<u>Credit exposure for off-balance sheet assets:</u>			
Banking operations commitments	1,258,855	-	1,258,855
Insurance operations commitments			
Short term	319,069	-	319,069
Medium/Long term	277,767	-	277,767
	1,855,691	-	1,855,691
	9,586,553	2,314,113	7,272,440

#### Collateral and credit enhancement

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



## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Credit risk exposure (cont'd.)

##### Collateral and credit enhancement (cont'd.)

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

	2022 RM'000	2021 RM'000
<u>Collateral type</u>		
Secured by cash	79,262	36,019
Secured by property	1,339,499	1,499,450
Secured by machinery	1,412,531	778,644
	2,831,292	2,314,113

The financial assets that are credit impaired and related collateral held in order to mitigate potential losses are shown below:

	Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000	Fair value of collateral held RM'000
<b>2022</b>				
<u>Credit impaired financial assets</u>				
Loans, advances and financing	2,024,493	1,466,033	558,460	1,312,533
Financial investment at FVOCI	100,000	100,000	-	-
<b>Total credit impaired financial assets</b>	2,124,493	1,566,033	558,460	1,312,533
<b>2021</b>				
<u>Credit impaired financial assets</u>				
Loans, advances and financing	2,096,575	1,450,165	646,410	1,597,077
Financial investment at FVOCI	100,000	100,000	-	-
<b>Total credit impaired financial assets</b>	2,196,575	1,550,165	646,410	1,597,077

##### Collateral and other credit enhancements

The main types of collateral or other credit enhancements held by the Group and the Bank to mitigate credit risk are fixed deposits, financial investments, commercial and residential properties and machineries.

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Credit risk exposure (cont'd.)

##### Geographical analysis

Exposures to credit risk by geographical region are as follows:

On-balance sheet exposure

Group and Bank	Cash and bank balances RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments RM'000	Gross loans, advances and financing RM'000	Insurance receivables RM'000	Net derivative financial instruments RM'000	Other assets RM'000	Total RM'000
<b>2022</b>								
Malaysia	28,986	2,794,741	665,174	1,431,185	-	(168,017)	66,493	4,818,562
East Asia	-	-	-	1,598,107	-	-	-	1,598,107
South Asia	-	-	-	63,836	-	-	-	63,836
Central Asia	-	-	-	354,347	-	-	-	354,347
Middle East	-	-	-	142,392	-	-	-	142,392
Africa	-	-	-	167,382	-	-	-	167,382
Europe	-	-	-	404,650	-	-	-	404,650
America	-	-	-	534,139	-	-	-	534,139
Oceania	-	-	-	65,461	-	-	-	65,461
	28,986	2,794,741	665,174	4,761,499	-	(168,017)	66,493	8,148,876

## NOTES TO THE FINANCIAL STATEMENTS

## 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

## Credit risk exposure (cont'd.)

## Geographical analysis (cont'd.)

Exposures to credit risk by geographical region are as follows (cont'd.):

On-balance sheet exposure (cont'd.)

Group and Bank	Cash and bank balances RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments RM'000	Gross loans, advances and financing RM'000	Insurance receivables RM'000	Net derivative financial instruments RM'000	Other assets RM'000	Total RM'000
<b>2021</b>								
Malaysia	49,513	3,126,776	1,107,639	2,063,915	45	79,464	65,864	6,493,216
East Asia	-	-	-	1,266,253	-	-	-	1,466,253
South Asia	-	-	-	63,912	-	-	-	63,912
Central Asia	-	-	-	335,393	-	-	-	335,393
Middle East	-	-	-	135,863	-	-	-	135,863
Africa	-	-	-	146,082	-	-	-	146,082
Europe	-	-	-	576,644	-	-	-	576,644
America	-	-	-	418,944	-	-	-	418,944
Oceania	-	-	-	93,625	-	-	-	93,625
	49,513	3,126,776	1,107,639	5,300,631	45	79,464	65,864	9,729,932

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Credit risk exposure (cont'd.)

##### Geographical analysis (cont'd.)

Off-balance sheet exposure

Group and Bank	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
<b>2022</b>				
Malaysia	588,085	137,800	-	725,885
East Asia	15,767	58,453	184,380	258,600
Central Asia	-	-	-	-
South Asia	-	48,571	26,274	74,845
Middle East	-	27,675	-	27,675
Africa	26,340	3,811	55,753	85,904
Europe	-	6,550	-	6,550
America	-	22,893	-	22,893
Oceania	-	20,344	-	20,344
	630,192	326,097	266,407	1,222,696
<b>2021</b>				
Malaysia	992,289	117,491	-	1,109,780
East Asia	-	79,406	174,930	254,336
Central Asia	-	-	-	-
South Asia	54,985	27,288	24,928	107,201
Middle East	-	20,353	-	20,353
Africa	49,422	10,706	77,909	138,037
Europe	-	23,125	-	23,125
America	162,159	20,552	-	182,711
Oceania	-	20,148	-	20,148
	1,258,855	319,069	277,767	1,855,691

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Credit risk exposure (cont'd.)

##### Industrial analysis

Exposures to credit risk by industry are as follows:

##### On-balance sheet exposure

Group and Bank	Cash and bank balances RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments RM'000	Gross loans, advances and financing RM'000	Insurance receivables RM'000	Net derivative financial instruments RM'000	Other assets RM'000	Total RM'000
<b>2022</b>								
Manufacturing	-	-	-	1,013,168	-	-	-	1,013,168
Construction	-	-	-	748,997	-	-	-	748,997
Transportation and Storage	-	-	231,984	721,697	-	-	-	953,681
Professional, Scientific and Technical Activities	-	-	-	11,502	-	-	-	11,502
Electricity, Gas, Steam and Air Conditioning Supply	-	-	87,695	278,313	-	-	-	366,008
Accommodation and Food Service Activities	-	-	-	160,258	-	-	-	160,258
Agriculture, Forestry and Fishing	-	-	15,156	12,238	-	-	-	27,394
Mining and Quarrying	-	-	-	1,074,513	-	-	-	1,074,513
Real Estate Activities	-	-	-	150,137	-	-	-	150,137
Government	-	-	300,209	-	-	-	-	300,209
	-	-	635,044	4,170,823	-	-	-	4,805,867

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Credit risk exposure (cont'd.)

##### Industrial analysis (cont'd.)

Exposures to credit risk by industry are as follows (cont'd.):

On-balance sheet exposure (cont'd.)

Group and Bank	Cash and bank balances RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments RM'000	Gross loans, advances and financing RM'000	Insurance receivables RM'000	Net derivative financial instruments RM'000	Other assets RM'000	Total RM'000
<b>2022</b>								
(cont'd.)								
Administrative and Support Service Activities	-	-	635,044	4,170,823	-	-	-	4,805,867
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	-	-	-	382,274	-	-	-	382,274
Water Supply; Sewerage, Waste Management and Remediation Activities	-	-	-	30,127	-	-	-	30,127
Financial and Insurance/Takaful Activities	28,986	2,794,741	30,130	79,997	-	(168,017)	-	2,765,837
Other Service Activities	-	-	-	-	-	-	66,493	66,493
	28,986	2,794,741	665,174	4,761,499	-	(168,017)	66,493	8,148,876



## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Credit risk exposure (cont'd.)

##### Industrial analysis (cont'd.)

Exposures to credit risk by industry are as follows (cont'd.):

On-balance sheet exposure (cont'd.)

Group and Bank	Cash and bank balances RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments RM'000	Gross loans, advances and financing RM'000	Insurance receivables RM'000	Net derivative financial instruments RM'000	Other assets RM'000	Total RM'000
<b>2021</b>								
Manufacturing	-	-	-	846,192	-	-	-	846,192
Construction	-	-	-	952,851	-	-	-	952,851
Transportation and Storage	-	-	3 10,838	1,643,675	-	-	-	1,954,513
Professional, Scientific and Technical Activities	-	-	-	5,446	-	-	-	5,446
Electricity, Gas, Steam and Air Conditioning Supply -	-	-	193,561	317,955	-	-	-	511,516
Accommodation and Food Service Activities	-	-	-	210,382	-	-	-	210,382
Agriculture, Forestry and Fishing	-	-	-	64,883	-	-	-	64,883
Public Administration and Defence; Compulsory Social Security	-	-	-	77,359	-	-	-	77,359
	-	-	504,399	4,118,743	-	-	-	4,623,142

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Credit risk exposure (cont'd.)

##### Industrial analysis (cont'd.)

Exposures to credit risk by industry are as follows (cont'd.):

On-balance sheet exposure (cont'd.)

Group and Bank	Cash and bank balances RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments RM'000	Gross loans, advances and financing RM'000	Insurance receivables RM'000	Net derivative financial instruments RM'000	Other assets RM'000	Total RM'000
<b>2021</b>								
(cont'd.)	-	-	504,399	4,118,743	-	-	-	4,623,142
Mining and Quarrying	-	-	-	526,572	-	-	-	526,572
Real Estate Activities	-	-	-	41,816	-	-	-	41,816
Government	-	-	300,453	-	-	-	-	300,453
Administrative and Support Service Activities	-	-	-	358,392	-	-	-	358,392
Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles	-	-	-	204,443	-	-	-	204,443
Financial and Insurance/Takaful Activities	49,513	3,126,776	302,787	50,665	-	79,464	-	3,609,205
Other Service Activities	-	-	-	-	45	-	65,864	65,909
	49,513	3,126,776	1,107,639	5,300,631	45	79,464	65,864	9,729,932

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Credit risk exposure (cont'd.)

##### Industrial analysis (cont'd.)

Off-balance sheet exposure

Group and Bank	Banking operation commitments RM'000	Insurance operation short term RM'000	Insurance operation medium/ long term RM'000	Total RM'000
<b>2022</b>				
Manufacturing	400,792	324,543	22,916	748,251
Transportation and Storage	29,286	-	-	29,286
Professional, Scientific and Technical Activities	2,101	-	-	2,101
Construction	-	-	240,133	240,133
Electricity, gas, steam and air conditioning supply	2,010	-	-	2,010
Administrative and Support Service Activities	190,000	-	-	190,000
Wholesale and retail trade; Repair of Motor Vehicles and Motorcycles	4,331	1,554	-	5,885
Real Estate Activities	1,672	-	-	1,672
Mining and quarrying	-	-	3,358	3,358
	630,192	326,097	266,407	1,222,696
<b>2021</b>				
Manufacturing	455,474	307,776	46,755	810,005
Transportation and storage	194,895	-	-	194,895
Construction	26,071	-	227,826	253,897
Electricity, gas, steam and air conditioning supply	4,000	-	-	4,000
Financial and insurance/Takaful activities	37,714	-	-	37,714
Wholesale and retail trade; repair of motor vehicles and motorcycles	62,650	11,293	-	73,943
Administrative and support service activities	100,000	-	-	100,000
Mining and quarrying	127,106	-	3,186	130,292
Agriculture, forestry and fishing	250,945	-	-	250,945
	1,258,855	319,069	277,767	1,855,691

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Credit risk exposure (cont'd.)

The Group and the Bank may renegotiate, modify the contractual cash flows of loans and financing to borrowers or provide payment moratorium to borrowers. Such renegotiation, modification or payment moratorium may result in the Group and the Bank incurring modification loss. The amount of such of modification loss recognised by the Group and the Bank in the current financial year is as follows:

Group and Bank	Outstanding Balance RM'000	ECL RM'000	Modification Impact RM'000
<b>2022</b>			
Manufacturing	281,273	51,518	35,470
Transport, storage and communication	195,134	29,458	-
Construction	215,470	7,503	5,628
Wholesale and retail trade, and restaurants and hotels	6,865	4,881	4,579
Others	84,441	42,221	20,696
	783,183	135,581	66,373
As a percentage of total:			
Manufacturing			5.91%
Transport, storage and communication			4.10%
Construction			4.53%
Wholesale and retail trade, and restaurants and hotels			0.14%
Others			1.77%

Group and Bank	Outstanding Balance RM'000	ECL RM'000	Modification Impact RM'000
<b>2021</b>			
Manufacturing	407,025	105,082	78,203
Transport, storage and communication	436,206	165,905	73,352
Wholesale and retail trade, and restaurants and hotels	9,335	1,180	736
Others	186,439	57,490	27,923
	1,039,005	329,657	180,214
As a percentage of total:			
Manufacturing			7.68%
Transport, storage and communication			8.23%
Wholesale and retail trade, and restaurants and hotels			0.18%
Others			3.52%

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Credit quality by class of financial assets

##### Credit quality of treasury credit risk exposures

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

Group and Bank	2022 RM'000	2021 RM'000
Financial investments at FVTPL (Gross):		
Public listed	9,979	-
Financial investments at FVOCI (Gross):		
AA	45,286	-
D	100,000	100,000
Government guarantees	232,071	613,680
	377,357	713,680
Financial investments at amortised cost (Gross):		
Long-term		
BB	-	311,663
D	328,499	-
Government guarantees	300,224	300,459
	628,723	612,122
Net derivative financial assets/(liabilities)		
Financial institutions		
AAA	15,887	28,084
A -	-	5,004
AA	(19,504)	47,375
BBB+	(161,522)	(999)
	(165,139)	79,464

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Credit quality by class of financial assets (cont'd.)

##### Credit quality of loans, advances and financing

For commercial exposures, the Group and the Bank use ten risk grades with rating '1' representing the lowest risk. Meanwhile for Sovereign exposures, the Group and the Bank use five risk grades with rating 'aaa' representing the lowest risk. The exposure under each of these risk grades is as follows:

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>2022</b>				
Commercial customer				
Risk Rating 3	215,470	-	-	215,470
Risk Rating 4	132,357	-	-	132,357
Risk Rating 5	623,833	398,426	-	1,022,259
Risk Rating 6	467,154	362,451	-	829,605
Risk Rating 7	-	158,879	-	158,879
Risk Rating 9	-	2,129	-	2,129
Impaired	-	-	2,024,493	2,024,493
	1,438,814	921,885	2,024,493	4,385,192
Sovereign				
Risk Rating b+	-	17,354	-	17,354
Risk Rating ccc+	-	1,880	-	1,880
Risk Rating ccc-	-	277,076	-	277,076
	-	296,310	-	296,310
	1,438,814	1,218,195	2,024,493	4,681,502



## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Credit quality by class of financial assets (cont'd.)

##### Credit quality of loans, advances and financing (cont'd.)

For commercial exposures, the Group and the Bank use ten risk grades with rating '1' representing the lowest risk. Meanwhile for Sovereign exposures, the Group and the Bank use five risk grades with rating 'aaa' representing the lowest risk. The exposure under each of these risk grades is as follows (cont'd.):

	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
<b>2021</b>				
Commercial customer				
Risk Rating 3	315,047	-	-	315,047
Risk Rating 4	134,375	15,249	-	149,624
Risk Rating 5	570,293	21,780	-	1,492,073
Risk Rating 6	6,451	434,823	-	441,274
Risk Rating 7	603	280,192	-	280,795
Risk Rating 8	-	152,637	-	152,637
Risk Rating 9	-	2,188	-	2,188
Impaired	-	-	2,096,575	2,096,575
	1,026,769	1,806,869	2,096,575	4,930,213
Sovereign				
Risk Rating b-	-	2,109	-	2,109
Risk Rating b+	-	18,590	-	18,590
Risk Rating ccc	-	317,955	-	317,955
	-	338,654	-	338,654
	1,026,769	2,145,523	2,096,575	5,268,867

##### Restructured items

Restructured loans refer to the financial assets that would otherwise be past due or impaired where there is fundamental revision in the principal terms and conditions of the facility. Restructuring shall be considered when the customer's business is still viable and is expected to remain viable after the restructuring. There were impaired loans restructured by the Group and the Bank during the year of RM28,387,995 (2021: RM4,416,777).

#### Fair values

##### (i) Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 - Valuation method for which all significant inputs are, or are based on, observable market data.

Level 3 - Valuation method for which significant inputs are not based on observable data.

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Fair values (cont'd.)

##### (i) Fair value hierarchy (cont'd.)

For financial instruments classified as Level 1, the valuations are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the prices represent actual and regularly occurring market transactions at arm's length basis. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an ongoing basis.

For financial instruments classified as Level 2, their values are based on quoted prices in inactive markets, or whose values are based on models whereby the inputs to those models are observable either directly or indirectly for substantially the full term of the asset or liability. These would include certain bonds, corporate debt securities and issued notes.

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value measurement hierarchy:

Group and Bank	Carrying value RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
<b>2022</b>			
<b>Financial assets</b>			
<b>Assets measured at fair value</b>			
Financial investments at FVOCI			
- Unquoted debt securities	277,270	277,270	-
Financial investments at FVTPL			
- Quoted shares	9,979	9,979	-
Derivative financial instruments	15,887	15,887	-
Total financial assets carried at fair value	303,136	303,136	-
<b>Financial liabilities</b>			
<b>Liabilities measured at fair value</b>			
Derivative financial instruments	183,904	183,904	-
<b>Financial assets</b>			
<b>Assets not measured at fair value</b>			
Investment properties	796	-	1,140
Financial investments at amortised cost			
- Unquoted debt securities	377,925	377,925	-
Loans, advances and financing	3,017,644	-	2,997,658
<b>Financial liabilities</b>			
<b>Liabilities not measured at fair</b>			
Borrowings	4,522,842	-	4,522,842

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Fair values (cont'd.)

#### (i) Fair value hierarchy (cont'd.)

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value measurement hierarchy (cont'd.):

Group and Bank	Carrying value RM'000	Fair value Level 2 RM'000	Fair value Level 3 RM'000
<b>2021</b>			
<b>Financial assets</b>			
<b>Assets measured at fair value</b>			
Financial investments at FVOCI			
- Unquoted debt securities	613,625	613,625	-
Derivative financial instruments	80,463	80,463	-
Total financial assets carried at fair value	694,088	694,088	-
<b>Financial liabilities</b>			
<b>Liabilities measured at fair value</b>			
Derivative financial instruments	999	999	-
<b>Financial assets</b>			
<b>Assets not measured at fair value</b>			
Investment properties	814	-	1,140
Financial investments at amortised cost			
- Unquoted debt securities	494,014	494,021	-
Loans, advances and financing	3,301,561	-	3,300,964
<b>Financial liabilities</b>			
<b>Liabilities not measured at fair</b>			
Borrowings	5,781,695	-	5,781,695

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy during the financial year.

#### (ii) Financial assets and liabilities carried at fair value

The carrying amounts of cash and cash equivalents, other receivables and other payables approximate fair values due to the relatively short term nature of these financial instruments.

#### Financial investments at FVTPL and FVOCI

The fair values of these quoted financial investments are derived from market bid prices as at the reporting date. For unquoted financial investments, the fair values are determined based on quotes from independent dealers or using valuation techniques such as the discounted cash flows method.

## NOTES TO THE FINANCIAL STATEMENTS

### 44. FINANCIAL RISK MANAGEMENT POLICIES (cont'd.)

#### Fair values (cont'd.)

##### (ii) Financial assets and liabilities carried at fair value (cont'd.)

###### Derivative financial assets/liabilities

The fair value is based on quoted market price or marked to model valuation.

###### Borrowings (Hedged items)

The fair value is based on marked to model valuation.

##### (iii) Financial assets and liabilities not carried at fair value

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

###### Financial investments at amortised cost

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

###### Loans, advances and financing

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

The fair values of variable rate loans/financing are estimated to approximate their carrying values. For fixed rate loans and Islamic financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new borrowers/customers with similar credit profiles. In respect to impaired loans/financing, the fair values are deemed to approximate the carrying values which are net of allowances for stage 3 ECL.

###### Investment properties

The fair values of investment properties are estimated based on comparison with indicative market value determined by an accredited independent valuer.

###### Borrowings (Non-hedged items)

The fair value of variable rate non-concessional borrowings is estimated to approximate the carrying amount.

## NOTES TO THE FINANCIAL STATEMENTS

### 45. INSURANCE RISKS

The principal underwriting risk to which the Group and the Bank is exposed is credit risk in connection with credit, guarantee and political risk insurance underwriting activities. Management has established underwriting processes and limits to manage this risk by performing credit review on its policy holders and buyers.

The underwriting function undertakes qualitative and quantitative risk assessments on all buyers and clients before deciding on an approved insured amount. Policies in riskier markets may be rejected or charged at a higher premium rate accompanied by stringent terms and conditions to commensurate the risks.

Concentration limits are set to avoid heavy concentration within a specific region or country. Maximum limits are set for buyer credit limits and client facility limits for prudent risk mitigation.

For the monitoring of buyer risks, the Group and the Bank takes into consideration both qualitative and quantitative factors and conducts regular reviews on the buyers' credit standing and payment performance to track any deterioration in their financial position that may result in a loss to the Group and the Bank.

On country risk, the Group and the Bank periodically reviews the economic and political conditions of the insured markets so as to revise its guidelines, wherever appropriate. In order to mitigate the insurance risk, the Group and the Bank may cede or transfer the risk to another insurer company. The ceding arrangement minimises the net loss to the Group and the Bank arising from potential claims.

#### Key assumptions

The sensitivity analysis is based upon the assumptions set out in the actuarial report and is subject to the reliance's and limitations contained within the report. One particular reliance is that the net sensitivity results assume that all reinsurance recoveries are receivable in full.

The sensitivity items shown are independent of each other. In practice, a combination of adverse and favourable changes could occur.

The sensitivity results are not intended to capture all possible outcomes. Significantly more adverse or favourable results are possible.

#### Sensitivity analysis

The independent actuarial firm engaged by the Group and the Bank re-runs its valuation models on various bases. An analysis of sensitivity around various scenarios provides an indication of the adequacy of the Group's and the Bank's estimation process in respect of its Insurance contracts and Takaful certificates. The table presented below demonstrates the sensitivity of the Insurance contract liabilities and Takaful certificates estimates to particular movements in assumptions used in the estimation process.

The analysis below is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

	2022 Net RM'000	2021 Net RM'000
Estimated claim liabilities (Note 24)	38,326	43,051

## NOTES TO THE FINANCIAL STATEMENTS

### 45. INSURANCE RISKS (cont'd.)

#### Claim liability sensitivity analysis

##### a. Change in claim costs

Assumed an average claim cost of RM600,000 (2021: RM550,000) net of non-reinsurance recoveries for the Comprehensive Policy Shipments and adopted the Group's and the Bank's specific provisions for the other types of contracts where applicable. Changing the average claims cost and specific provisions by 10% gives the following result:

	2022 Net		2021 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	38,713	37,940	43,543	42,558

##### b. Change in average number of claims

Assumed 8% (2021: 10%) of Comprehensive Policy Shipments policies as IBNR claims for Comprehensive Policy Shipments. Changing this by 10% gives the following result:

	2022 Net		2021 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	38,702	37,963	43,470	42,630

##### c. Change in Claims Handling Expenses ("CHE")

Assumed the following expenses 5% of gross IBNR and 4% of the specific provisions. Changing this by 10% points gives the following result:

	2022 Net		2021 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	38,510	38,143	43,250	42,850



## NOTES TO THE FINANCIAL STATEMENTS

### 45. INSURANCE RISKS (cont'd.)

#### Claim liability sensitivity analysis (cont'd.)

##### d. Change in PRAD %

Assumed a claim Provision of Risk Margin for Adverse Deviation ("PRAD") of 25%. Changing this by 10% (to 27.5% and 22.5% respectively) gives the following result:

	2022 Net		2021 Net	
	RM'000 High +10%	RM'000 Low -10%	RM'000 High +10%	RM'000 Low -10%
Estimated claim liabilities	39,093	37,560	43,911	42,189
			2022 Net RM'000	2021 Net RM'000
Estimated premium			8,601	12,061

#### Premium/contribution liability sensitivity analysis

##### a. Change in probability of default

Management has assumed 1-year probability of default of ranging from 0.5% to 5% for short-term contracts, depending on the type of contract. For the medium long term ("MLT") policies, all 1-year probabilities were assumed to have a B rating which equated to a 3.2% 1-year probability of default. Changing this rating assumption to B- rating (less trustworthy - for the "High" Scenario) and B+- rating (more trustworthy - for the "Low" Scenario) gives the following result:

	2022 Net		2021 Net	
	High B- rating points	Low B+ rating points	High B- rating points	Low BBB- rating points
Estimated premium/contribution	12,880	7,363	18,580	10,233

##### b. Change in recovery rates

On the premium liability front, some of the MLT policies have reinsurance cover. For the "High" Scenario, management has reduce all of these by 10%. For the "Low" scenario management has increase them by 10%.

	2022 Net		2021 Net	
	High B- rating points	Low B+ rating points	High B- rating points	Low BBB- rating points
Estimated premium liabilities/contribution	10,532	6,670	14,700	9,422

## NOTES TO THE FINANCIAL STATEMENTS

### 45. INSURANCE RISKS (cont'd.)

#### Premium/contribution liability sensitivity analysis (cont'd.)

##### c. Change in Maintenance Expenses ("ME")

Assumed ME of 5%. Changing this by 10% (to 5.5% and 4.5% respectively) points gives the following result:

	2022 Net		2021 Net	
	High B- rating points	Low B+ rating points	High B- rating points	Low BBB- rating points
Estimated premium liabilities/contribution	8,611	8,591	12,075	12,047

##### d. Change in PRAD %

Assumed a premium PRAD of 40%. Changing this by 10% (to 44% and 36% respectively) gives the following result:

	2022 Net		2021 Net	
	High B- rating points	Low B+ rating points	High B- rating points	Low BBB- rating points
Estimated premium liabilities	8,847	8,355	12,405	11,716

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS

#### Statements of financial position as at 31 December 2022

#### Group and Bank

		2022			2021		
	Note	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
<b>Assets</b>							
Cash and bank balances	(a)	4,977	785	5,762	5,647	776	6,423
Deposits and placements with banks and other financial institutions	(b)	1,387,754	17,707	1,405,461	858,705	16,190	874,895
Financial investments at fair value through profit or loss	(c)	9,979	-	9,979	-	-	-
Financial investments at fair value through other comprehensive income	(d)	267,195	-	267,195	613,625	-	613,625
Financial investments at amortised cost	(e)	77,715	-	77,715	193,561	-	193,561
Islamic financing	(f)	1,285,069	-	1,285,069	1,624,873	-	1,624,873
Other receivables		2,367	5,023	7,390	5,090	8,595	13,685
<b>Total assets</b>		<b>3,035,056</b>	<b>23,515</b>	<b>3,058,571</b>	<b>3,301,501</b>	<b>25,561</b>	<b>3,327,062</b>
<b>Liabilities</b>							
Financing payable	(g)	1,788,335	-	1,788,335	1,912,898	-	1,912,898
Deferred income		3,059	5,729	8,788	3,085	8,575	11,660
Provision for commitments and contingencies	(p)	17,098	-	17,098	31,736	-	31,736
Provision for claim	(24(ii))	-	14,975	14,975	-	15,448	15,448
Provision for expenses liability		596	-	596	599	-	599
Contribution payable		-	159	159	-	234	234
Other liabilities	(o)	560,231	2,652	562,883	653,196	1,304	654,500
<b>Total liabilities</b>		<b>2,369,319</b>	<b>23,515</b>	<b>2,392,834</b>	<b>2,601,514</b>	<b>25,561</b>	<b>2,627,075</b>
<b>Financed by:</b>							
Islamic banking fund		800,000	-	800,000	800,000	-	800,000
Reserves		(21,299)	-	(21,299)	(11,280)	-	(11,280)
Accumulated losses		(108,096)	-	(108,096)	(80,143)	-	(80,143)
Takaful participants fund	(k)	(4,868)	-	(4,868)	(8,590)	-	(8,590)
<b>Total Islamic business fund and Takaful fund</b>		<b>665,737</b>	<b>-</b>	<b>665,737</b>	<b>699,987</b>	<b>-</b>	<b>699,987</b>
<b>Total liabilities, Islamic business fund, and Takaful participants fund</b>		<b>3,035,056</b>	<b>23,515</b>	<b>3,058,571</b>	<b>3,301,501</b>	<b>25,561</b>	<b>3,327,062</b>
<b>Commitments and contingencies</b>							
	(l)	444,920	510,477	955,397	820,244	493,999	1,314,243

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

#### Statement of profit or loss for the year ended 31 December 2022

##### Group and Bank

		2022			2021		
	Note	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Income derived from Islamic banking fund	(h)	125,769	-	125,769	148,793	-	148,793
Financing cost		(52,277)	-	(52,277)	(29,538)	-	(29,538)
Net income from Islamic banking fund		73,492	-	73,492	119,255	-	119,255
Gross contribution		-	1,695	1,695	-	2,026	2,026
Wakalah fee		907	(907)	-	(58)	58	-
Reinsurance outward		-	(59)	(59)	-	(33)	(33)
Decrease/(Increase) in contribution liability		-	2,927	2,927	-	(3,474)	(3,474)
Decrease in claim liability (Note 24)		-	23	23	-	4,226	4,226
Decrease in expenses liability (Note 24)		3	-	3	186	-	186
Takaful fees and brokerage commission		94	-	94	125	-	125
Income from Takaful activities		1,004	3,679	4,683	253	2,803	3,056
Islamic banking fund and Takaful fund results		74,496	3,679	78,175	119,508	2,803	122,311
Other expenses	(i)	(24,886)	-	(24,886)	(16,310)	-	(16,310)
Net Income from Islamic business		49,610	3,679	53,289	103,198	2,803	106,001
Administrative expenses		(934)	-	(934)	(815)	-	(815)
Reversal on doubtful debt		-	43	43	-	90	90
Writeback/(Allowances) for expected credit losses ("ECL") on advances and financing	(j)	34,440	-	34,440	(14,668)	-	(14,668)
Writeback for ECL on commitments and contingencies		14,947	-	14,947	8,165	-	8,165
Allowances for ECL on financial investments		(126,016)	-	(126,016)	(3,142)	-	(3,142)
(Loss)/Profit for the year before zakat		(27,953)	3,722	(24,231)	92,738	2,893	95,631
Zakat		-	-	-	-	-	-
Net (loss)/profit for the year		(27,953)	3,722	(24,231)	92,738	2,893	95,631

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

#### Statement of comprehensive income for the year ended 31 December 2022

##### Group and Bank

		2022			2021		
	Note	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000	Islamic business fund RM'000	Takaful fund RM'000	Total RM'000
Net (loss)/profit for the year		(27,953)	3,722	(24,231)	92,738	2,893	95,631
Other comprehensive income to be reclassified to profit or (loss) in subsequent periods:							
Fair value changes on FVOCI		(10,019)	-	(10,019)	(14,256)	-	(14,256)
Net other comprehensive income to be reclassified to profit or (loss) in subsequent periods		(10,019)	-	(10,019)	(14,256)	-	(14,256)
Total comprehensive (loss)/income for the year		(37,972)	3,722	(34,250)	78,482	2,893	81,375

#### Statement of changes in Islamic business fund and Takaful fund for the year ended 31 December 2022

Group and Bank	Islamic banking fund RM'000	Accumulated losses RM'000	Fair value adjustment reserve RM'000	Total RM'000
At 1 January 2021	800,000	(184,364)	2,976	618,612
Net profit for the year	-	95,631	-	95,631
Other comprehensive loss	-	-	(14,256)	(14,256)
At 31 December 2021/1 January 2022	800,000	(88,733)	(11,280)	699,987
Net loss for the year	-	(24,231)	-	(24,231)
Other comprehensive loss	-	-	(10,019)	(10,019)
At 31 December 2022	800,000	(112,964)	(21,299)	665,737

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

#### Statement of cash flows for Islamic business fund the financial year ended 31 December 2022

	Group and Bank	
	2022	2021
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
(Loss)/Profit before zakat	(27,953)	92,738
Adjustments for:		
ECL Stage 3 of financing		
- Charged for the year	129,879	44,488
- Writeback during the year	(339,199)	(194,936)
- Charged for the year	22,498	50,155
ECL Stage 3 of commitments and contingencies		
Writeback for ECL on commitment & contingencies	(14,638)	(8,077)
- Charged for the year		
- Written back during the year		
Unrealised foreign exchange (gain)/loss	(55,666)	49,854
Unrealised loss on derivatives	-	1,542
Unrealised gain on Sukuk	-	(161)
Amortisation of premium less accretion of discount	(1,333)	(1,360)
Operating (loss)/profit before working capital changes	(234,046)	10,268
Changes in working capital:		
Deposits and placements with banks and other financial institutions	-	-
Islamic financing	691,507	674,153
Other assets	2,813	5,387
Other liabilities	(100,192)	(1,114,985)
Deferred income	(26)	1,174
Net claims paid for bank guarantee and takaful claims	(3)	(186)
Zakat paid	-	-
Net cash generated/(used in) from operating activities	360,053	(424,094)
<b>Cash flow from investing activities</b>		
Purchase of investments	(25,591)	-
Proceed from disposal of investments	370,000	52,717
<b>Cash flows from financing activities</b>		
Net repayment of financing payable	(182,188)	(250,612)
Proceeds from share capital	-	-
Net cash used in financing activities	(182,188)	(250,612)



## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

#### Statement of cash flows for Islamic business fund the financial year ended 31 December 2022 (cont'd.)

	Group and Bank	
	2022	2021
	RM'000	RM'000
Net increase/(decrease) in cash and cash equivalents	522,274	(621,989)
Net foreign exchange difference	6,105	1,577
Cash and cash equivalents at beginning of year excluding on behalf of customer	814,352	1,434,764
Cash and cash equivalents at end of year	1,342,731	814,352
Cash and cash equivalents comprise:		
Cash and bank balances	4,977	5,647
Deposits and placements with financial institutions	1,387,754	858,705
Less: Deposits and placements on behalf of customers	(50,000)	(50,000)
	1,342,731	814,352

#### Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022

##### (a) Cash and bank balances

	Shareholder's fund RM'000	Group and Bank Takaful Fund RM'000	Total fund RM'000
<b>2022</b>			
Cash and bank balances	4,977	785	5,762
<b>2021</b>			
Cash and bank balances	5,647	776	6,423

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)

#### (b) Deposits and placements with banks and other financial institutions

	Shareholder's fund RM'000	Group and Bank Takaful Fund RM'000	Total fund RM'000
<b>2022</b>			
Deposits and placements with:			
Licensed banks	508,217	-	508,217
Other financial institutions	879,537	17,707	897,244
	1,387,754	17,707	1,405,461
<b>2021</b>			
Deposits and placements with:			
Licensed banks	228,134	-	228,134
Other financial institutions	630,571	16,190	646,761
	858,705	16,190	874,895

Included in deposits and placements with other financial institutions for Takaful fund as at 31 December 2022 and 31 December 2021 is an amount related to Operator's fund of RM106,593 (2021: RM103,367).

	Group and Bank 2022 RM'000	2021 RM'000
Further breakdown to deposits and placements are as follows:		
For EXIM Bank	1,355,461	824,895
On behalf of customers and government	50,000	50,000
	1,405,461	874,895

#### (c) Financial investments at fair value through profit or loss

	Group and Bank 2022 RM'000	2021 RM'000
At fair value		
Quoted shares	9,979	-
Total financial investments at FVTPL	9,979	-

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

**Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)**

#### (d) Financial investments at fair value through other comprehensive income

	Group and Bank 2022 RM'000	2021 RM'000
At fair value		
Corporate Bonds and Sukuk	367,282	713,680
Less: Allowance for ECL	(100,087)	(100,055)
Total financial investments at FVOCI	267,195	613,625

Included in financial investments at FVOCI are investments to meet the requirement of Sukuk Programme of the Group amounting to RM29,852,000 (2021: RM92,046,500).

The maturity profile of money market instruments are as follows:

	Group and Bank 2022 RM'000	2021 RM'000
Within one year	160,767	302,787
One year to three years	91,371	310,838
Three years to five years	15,057	-
After five years	-	-
	267,195	613,625

Movements in the ECL on financial investments at FVOCI are as follows:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2021	1,110	-	100,000	101,110
Writeback during the year	(1,055)	-	-	(1,055)
At 31 December 2021/1 January 2022	55	-	100,000	100,055
Allowances during year	32	-	-	32
At 31 December 2022	87	-	100,000	100,087

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)

#### (e) Financial investments at amortised cost

	Group and Bank 2022 RM'000	2021 RM'000
Unquoted securities:		
Corporate Bonds and Sukuk	328,499	311,662
Less: Allowance for ECL	(250,784)	(118,101)
	77,715	193,561

Movements in the ECL on financial investments at amortised cost are as follows:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
At 1 January 2021	-	113,904	-	113,904
Allowance during the year	-	4,197	-	4,197
At 31 December 2021/1 January 2022	-	118,101	-	118,101
Transferred to Stage 3	-	(118,101)	118,101	-
Allowance during the year	-	-	132,683	132,683
At 31 December 2022	-	-	250,784	250,784

#### (f) Islamic financing

	Group and Bank 2022 RM'000	2021 RM'000
(i) Murabahah	73,831	81,682
Istisna'	27,255	25,869
Tawarruq	1,510,901	2,055,142
Ijarah	67,324	97,210
	1,679,311	2,259,903
Less: Allowance for ECL on impaired advances and financing		
- 12-month ECL - Stage 1	(41,508)	(27,064)
- Lifetime not impaired ECL - Stage 2	(15,345)	(80,941)
- Lifetime ECL credit impaired - Stage 3	(337,389)	(527,025)
Net advances and financing	1,285,069	1,624,873

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

**Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)**

#### (f) Islamic financing (cont'd.)

(ii) The maturity structure of the advances and financing are as follows:

	<b>Group and Bank 2022 RM'000</b>	<b>2021 RM'000</b>
Within one year	653,212	1,470,206
One year to three years	486,682	187,653
Three years to five years	225,994	455,311
Over five years	313,423	146,733
	<b>1,679,311</b>	<b>2,259,903</b>

(iii) Islamic gross advances and financing analysed by profit rate sensitivity are as follows:

	<b>Group and Bank 2022 RM'000</b>	<b>2021 RM'000</b>
Fixed rate	1,643	2,683
Variable rate	1,677,668	2,257,220
	<b>1,679,311</b>	<b>2,259,903</b>

(iv) Islamic gross advances and financing analysed by geography are as follows:

	<b>Group and Bank 2022 RM'000</b>	<b>2021 RM'000</b>
Malaysia	673,170	1,257,672
East Asia	516,264	412,816
South Asia	19,565	21,902
Europe	215,470	315,047
West Africa	51,750	28,594
Oceania	62,581	90,118
Middle East	140,511	133,754
	<b>1,679,311</b>	<b>2,259,903</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

**Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)**

#### (f) Islamic financing (cont'd.)

(v) Islamic gross advances and financing analysed by industry are as follows:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Primary agriculture	12,238	64,883
Manufacturing	508,450	482,453
Transport, storage and communication	186,264	298,368
Construction	589,107	616,364
Wholesale and retail trade, and restaurants and hotels	22,512	165,096
Other	360,740	632,739
	<b>1,679,311</b>	<b>2,259,903</b>

(vi) Movements in impaired advances and financing are as follows:

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	772,552	924,367
Impaired during the year	131,700	59,991
Recoveries	(111,160)	(50,163)
Written-off	(226,033)	(142,078)
Exchange differences	30,046	(19,565)
At 31 December	<b>597,105</b>	<b>772,552</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

**Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)**

#### (f) Islamic financing (cont'd.)

(vii) Advances and financing analysed by facility and Shariah contract are as follows:

	<b>Murabahah RM'000</b>	<b>Istisna RM'000</b>	<b>Tawarruq RM'000</b>	<b>Ijarah RM'000</b>	<b>Total RM'000</b>
<b>2022</b>					
<b>At amortised cost</b>					
Malaysian Kitchen Financing Facility-i	-	-	1,374	-	1,374
Overseas Contract Financing-i	-	-	51,750	-	51,750
Overseas Investment Financing-i	-	-	31,428	-	31,428
Overseas Project Financing-i	-	27,255	442,661	-	469,916
Supplier Financing-i	71,246	-	269,565	13,283	354,094
Term Financing-i	2,585	-	697,049	54,041	753,675
Vendor Financing-i	-	-	17,074	-	17,074
Gross financing	73,831	27,255	1,510,901	67,324	1,679,311
Allowances for ECL on advances and financing					
- 12-month ECL - Stage 1	-	-	-	-	(41,508)
- Lifetime not impaired ECL - Stage 2	-	-	-	-	(15,345)
- Lifetime ECL credit impaired - Stage 3	-	-	-	-	(337,389)
Net advances and financing	73,831	27,255	1,510,901	67,324	1,285,069
<b>2021</b>					
<b>At amortised cost</b>					
Buyer Credit-i	-	-	-	-	-
Malaysian Kitchen Financing Facility-i	-	-	1,378	-	1,378
Overseas Contract Financing-i	-	-	30,989	-	30,989
Overseas Investment Financing-i	-	-	56,883	-	56,883
Overseas Project Financing-i	-	25,869	438,131	-	464,000
Supplier Financing-i	78,601	-	814,586	42,607	935,794
Term Financing-i	3,081	-	660,904	54,603	718,588
Vendor Financing-i	-	-	52,271	-	52,271
Gross financing	81,682	25,869	2,055,142	97,210	2,259,903
Allowances for ECL on advances and financing					
- 12-month ECL - Stage 1	-	-	-	-	(27,064)
- Lifetime not impaired ECL - Stage 2	-	-	-	-	(80,941)
- Lifetime ECL credit impaired - Stage 3	-	-	-	-	(527,025)
Net advances and financing	81,682	25,869	2,055,142	97,210	1,624,873

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

**Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)**

#### (f) Islamic financing (cont'd.)

(viii) Movements in the allowance for ECL for impaired advances and financing are as follows:

	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total ECL RM'000
<b>2022</b>				
At 1 January	27,064	80,941	527,025	635,030
Transferred to Stage 1	44,823	(44,823)	-	-
Transferred to Stage 3	-	(17,103)	17,103	-
Allowance/Writeback	(3,810)	(104)	(391)	(4,305)
Financial assets derecognised	(14,626)	(9,397)	-	(24,023)
Changes due to change in credit risk	(11,943)	2,304	-	(9,639)
Modification to contractual cash flows of financial assets	-	3,527	-	3,527
Total net profit and loss charge during the period	14,444	(65,596)	16,712	(34,440)
Write offs	-	-	(226,033)	(226,033)
Exchange differences	-	-	19,685	19,685
At 31 December	41,508	15,345	337,389	394,242
<b>2021</b>				
At 1 January	30,304	54,662	657,977	742,943
Transferred from Stage 1	(3,857)	3,857	-	-
Transferred to Stage 2	-	(9,487)	9,487	-
Allowance/(Written back)	1,192	4,594	(17,857)	(12,071)
Financial assets derecognised	(3,599)	(3,939)	-	(7,538)
Changes due to change in credit risk	3,493	15,787	-	19,280
Modification to contractual cash flows of financial assets	(469)	15,467	-	14,998
Total net profit and loss charge during the period	(3,240)	26,279	(8,370)	14,669
Write offs	-	-	(142,078)	(142,078)
Exchange differences	-	-	19,496	19,496
At 31 December	27,064	80,941	527,025	635,030

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

#### Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)

##### (f) Islamic financing (cont'd.)

##### (ix) Overlays and adjustments for ECL amid COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of expected credit losses ("ECL") with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECLs for the year ended and as at 31 December 2022.

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

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19, the impact of these adjustments were estimated at portfolio level and the Bank for financing as at 31 December 2022 amounted to RM264,195,000 (2021: RM114,305,000). Total additional overlays for ECL maintained by the Group and the Bank as at 31 December 2022 stood at RM10,207,000 (2021: RM4,161,000).

ECL (inclusive of overlays) analysed by geographical area are as follows:

	Outstanding Amount 2022 RM'000	Group and Bank Modelled ECL 2022 RM'000	Management Overlay 2022 RM'000	Total ECL 2022 RM'000
Europe	215,470	1,875	5,628	7,503
Malaysia	48,725	5,962	4,579	10,541
	264,195	7,837	10,207	18,044

	Amount 2021 RM'000	Group and Bank Modelled ECL 2021 RM'000	Management Overlay 2021 RM'000	Total ECL 2021 RM'000
East Asia	17,439	299	542	841
Malaysia	95,906	13,335	3,619	16,954
Oceania	960	182	-	182
	114,305	13,816	4,161	17,977

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

**Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)**

#### (f) Islamic financing (cont'd.)

- (ix) Overlays and adjustments for ECL amid COVID-19 environment (cont'd.)

ECL (inclusive of overlays) analysed by industry are as follows:

	<b>Outstanding Amount 2022 RM'000</b>	<b>Group and Bank Modelled ECL 2022 RM'000</b>	<b>Management Overlay 2022 RM'000</b>	<b>Total ECL 2022 RM'000</b>
Construction	215,470	1,875	5,628	7,503
Manufacturing	1,547	50	-	50
Transport, storage and communication	40,313	5,610	-	5,610
Wholesale and retail trade, and restaurants and hotels	6,865	302	4,579	4,881
	264,195	7,837	10,207	18,044

	<b>Outstanding Amount 2021 RM'000</b>	<b>Group and Bank Modelled ECL 2021 RM'000</b>	<b>Management Overlay 2021 RM'000</b>	<b>Total ECL 2021 RM'000</b>
Manufacturing	62,982	10,239	893	11,132
Transport, storage and communication	41,988	3,135	2,531	5,666
Wholesale and retail trade, and restaurants and hotels	9,335	442	737	1,179
	114,305	13,816	4,161	17,977

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)

#### (g) Financing Payable

	Group and Bank 2022 RM'000	2021 RM'000
(i) <u>Revolving credit facility - unsecured</u>		
Within one year	388,237	399,675
Three years to five years*	268	357
	388,505	400,032
(ii) <u>Sukuk</u>		
Within one year	-	187,430
Three years to five years	87,736	83,215
	87,736	270,645
(iii) <u>Syndication financing</u>		
One year to three years	1,312,094	1,242,221
	<b>1,788,335</b>	<b>1,912,898</b>

\* Special Relief Fund ("SRF") from Bank Negara Malaysia ("BNM") for the purpose to provide financing to SME customers.

#### (h) Income derived from investment of Islamic banking fund

	Group and Bank 2022 RM'000	2021 RM'000
Islamic financing:		
Murabahah	19,302	20,336
Tawarruq	54,023	47,997
Ijarah	315	1,020
Recoveries from impaired financing	13,544	15,060
Deposits and placements with banks and other financial institutions	21,360	38,004
Financial investments	17,225	26,257
Net income from profit rate swaps	-	119
	125,769	148,793

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)

#### (i) Other (expenses)/income

	Group and Bank	
	2022	2021
	RM'000	RM'000
Fee Income	1,616	989
Investment in Share (PGB)	(269)	-
Foreign exchange (loss)/gain		
- unrealised	(55,666)	(51,431)
- realised	29,433	35,513
Unrealised loss on derivatives	-	(1,542)
Unrealised gain on Sukuk	-	161
	(24,886)	(16,310)

#### (j) (Writeback)/Allowances for ECL on advances and financing

	Group and Bank	
	2022	2021
	RM'000	RM'000
Allowances/(Writeback) for ECL on advances and financing		
- 12-month ECL - Stage 1, net	14,444	(3,240)
- Lifetime not impaired ECL - Stage 2, net	(65,596)	26,278
- Lifetime ECL credit impaired - Stage 3, net	129,879	44,488
- Lifetime ECL written back - Stage 3, net	(339,199)	(194,936)
- Bad debts written off	226,032	142,078
	(34,440)	14,668

#### (k) Takaful participants fund

	Group and Bank	
	2022	2021
	RM'000	RM'000
<u>Takaful participants fund</u>		
Accumulated deficit (i)	(4,868)	(8,590)
Qard (ii)	4,868	8,590
	-	-

The deficit in the Takaful participant fund is covered by the Qard from Shareholders' funds. Qard represents a benevolent financing to the Takaful participants fund to make good any underwriting deficit experienced during a financial period. The amount is unsecured, not subject to any profit elements and has no fixed terms of repayment. The management expects to recover the balance from future profits of Takaful participants fund.



## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

#### Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)

##### (k) Takaful participants fund (cont'd.)

##### Measurement and impairment of Qard

Any deficit in the Takaful fund is made good via a benevolent financing, or Qard, granted by the Islamic business fund. Qard is stated at cost less any accumulated impairment losses in the Islamic business fund. In the Takaful fund, Qard is stated at cost. The Qard shall be repaid from future surpluses of the Takaful fund.

Qard is tested for impairment on an annual basis via an assessment of the estimated surpluses or cash flows from the Takaful fund to determine whether there is objective evidence of impairment. If the Qard is impaired, an amount comprising the difference between its carrying amount and its recoverable amount, less any impairment loss previously recognised, is recognised in the statements of profit or loss.

Impairment losses are subsequently reversed in the statements of profit or loss if objective evidence exists that the Qard is no longer impaired.

	Group and Bank	
	2022 RM'000	2021 RM'000
(i) <u>Accumulated deficit</u>		
At beginning of the year	(8,590)	(11,483)
Net surplus of the Takaful fund	3,722	2,893
At end of the year	(4,868)	(8,590)
(ii) <u>Qard</u>		
At beginning of the year	8,590	11,483
Decrease in Qard	(3,722)	(2,893)
At end of the year	4,868	8,590

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)

#### (l) Commitments and contingencies

	Group and Bank	
	2022	2021
	RM'000	RM'000
<u>Banking operation commitments</u>		
Contracted but not provided for:		
Guarantee facility	2,152	3,450
Letter of credit	1,500	645
Undrawn financing	441,268	816,149
	444,920	820,244
<u>Takaful operation commitments</u>		
Contracted but not provided for:		
Within one year	326,097	319,069
One year or later and no later than five years	184,380	174,930
	510,477	493,999
Total commitments and contingencies	955,397	1,314,243

#### (m) Shariah disclosures

##### (i) Shariah non-compliant events

There is one (1) event related to SNC event occurred as follows:

	Group and Bank			
	2022		2021	
	No. of event	RM'000	No. of event	RM'000
SNC with no financial impact to the Bank:				
Non-adherence to the requirement of Ijarah rental based on benchmark (Variable Rate)	1	-	-	-
SNC income derecognised from the Bank's due to:				
Treatment NCB	-	-	1	1,262
Absence of Tawarruq Transaction	-	-	1	2
	1	-	2	1,264

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

**Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)**

#### (m) Shariah disclosures (cont'd.)

- (ii) Sources and uses of charity funds

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
At 1 January	2,969	3,878
Funds distributed during the year		
- Contribution to non-profit organisation	(329)	(909)
At 31 December	2,640	2,969

Monies derived from the SNC event on Islamic financing activities as disclosed in Shariah Committee's Report under note Disclosure on SNC Event were channelled to charity fund and distributed progressively to the eligible beneficiaries.

#### (n) Regulatory Capital

	<b>Group and Bank</b>			
	<b>Before</b>	<b>After</b>	<b>Before</b>	<b>After</b>
	<b>Transitional</b>	<b>Transitional</b>	<b>Transitional</b>	<b>Transitional</b>
	<b>Arrangement</b>	<b>Arrangement</b>	<b>Arrangement</b>	<b>Arrangement</b>
	<b>2022</b>	<b>2022</b>	<b>2021</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Islamic banking fund	800,000	800,000	800,000	800,000
Accumulated losses	(80,143)	(80,143)	(172,881)	(172,881)
Current year (loss)/profit	(27,953)	(27,953)	92,738	92,738
Add: Transitional arrangement	-	-	-	21,106
Eligible Tier 1 capital	691,904	691,904	719,857	740,963
Collective allowance on Islamic financing*	56,940	56,940	226,161	205,055
Provision for commitments and contingencies	13,897	13,897	26,241	26,241
Provision for guarantee and claim	11,166	11,166	11,450	11,450
Eligible Tier 2 capital	82,003	82,003	263,852	242,746
Total capital base	773,907	773,907	983,709	983,709
Risk weighted assets	1,763,117	1,763,117	2,344,964	2,344,964
Core capital ratio	39.24%	39.24%	30.70%	31.60%
RWCR	43.89%	43.89%	41.95%	41.95%

\* The eligible amounts for Tier 2 Capital is only limited to the excess of total collective allowances over the identifiable incurred losses in the collective allowance pool.

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

**Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)**

#### (o) Other liabilities

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Sinking fund and debt services reserve accounts	54,422	51,106
Interest payable	23,165	6,562
Amount due to Teraju	54,197	53,214
Financing from banking business*	398,159	523,645
Others	32,940	19,973
	<b>562,883</b>	<b>654,500</b>

\* The financing from banking business is unsecured, does not bear profit and has no fixed terms of repayment.

#### (p) Provision for commitments and contingencies

	<b>Group and Bank</b>	
	<b>2022</b>	<b>2021</b>
	<b>RM'000</b>	<b>RM'000</b>
Provision for commitments and contingencies	17,098	31,736

Movements in the provisions for commitments and contingencies are as follow:

	<b>Stage 1 12-month ECL RM'000</b>	<b>Stage 2 Lifetime ECL not credit impaired RM'000</b>	<b>Stage 3 Lifetime ECL credit impaired RM'000</b>	<b>Total ECL RM'000</b>
At 1 January 2021	14,790	12,080	12,943	39,813
Transferred to Stage 2	(127)	127	-	-
Transferred to Stage 3	-	(436)	436	-
Financial asset derecognised	(3,534)	(247)	-	(3,781)
	11,129	11,524	13,379	36,032
Changes due change in credit risk	9,801	(2,692)	-	7,109
Modification to contractual cash flows of financial asset	(17)	(249)	-	(266)
(Writeback)/Allowance during the year	(4,004)	749	(7,916)	(11,171)
Exchange differences	-	-	32	32
At 31 December 2021/ 1 January 2022	16,909	9,332	5,495	31,736
Transferred to Stage 1	6,625	(6,625)	-	-
Financial asset derecognised	(14,583)	(2,379)	-	(16,962)
Changes due change in credit risk	3,793	22	-	3,815
Modification to contractual cash flows of financial asset	-	150	-	150
Allowance/(Writeback) during the year	599	54	(2,603)	(1,950)
Exchange differences	-	-	309	309
At 31 December 2022	<b>13,343</b>	<b>554</b>	<b>3,201</b>	<b>17,098</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

**Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)**

#### (q) Shariah directors remuneration

	Group and Bank	
	2022 RM'000	2021 RM'000
Salaries and other short-term benefits	281	328
	Fees RM'000	Total RM'000
<b>Group and Bank</b>		
<b>2022</b>		
<b>Shariah Committee Members (Note 31):</b>		
Prof. Datin Dr. Rusni Hassan	84	84
Dr. Safinar Salleh	54	54
Dr. Ghazali Jaapar	56	56
Dr. Muhammad Syahmi Mohd Karim	56	56
Prof. Dr. Muhammad Ridhwan Ab. Aziz	31	31
	281	281
<b>2021</b>		
<b>Shariah Committee Members (Note 31):</b>		
Prof. Datin Dr. Rusni Hassan	84	84
Dr. Zaharuddin Abdul Rahman	24	24
En. Abd Rasid Abd Kadir	16	16
En. Zainal Abidin Mohd Tahir	53	53
Dr. Safinar Salleh	63	63
Dr. Ghazali Jaapar	44	44
Dr. Muhammad Syahmi Mohd Karim	44	44
	328	328

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)

#### (r) Liquidity risk management

##### Measurement

Table below analyses assets and liabilities of the Islamic business's according to their contractual maturity:

Islamic business	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2022</b>						
<b>Assets</b>						
Cash and bank balances	4,977	-	-	-	-	4,977
Deposits and placements with banks and other financial institutions	-	1,387,754	-	-	-	1,387,754
Financial investments at fair value through profit or loss	-	-	-	-	9,979	9,979
Financial investments at fair value through other comprehensive income	-	160,767	106,428	-	-	267,195
Financial investments at amortised cost	-	-	-	-	77,715	77,715
Islamic financing	-	-	16,278	669,920	598,871	1,285,069
Other assets	2,367	-	-	-	-	2,367
<b>Total assets</b>	<b>7,344</b>	<b>1,548,521</b>	<b>122,706</b>	<b>669,920</b>	<b>686,565</b>	<b>3,035,056</b>
<b>Liabilities</b>						
Borrowings	-	388,237	87,737	1,312,361	-	1,788,335
Other liabilities	580,984	-	-	-	-	580,984
<b>Total liabilities</b>	<b>580,984</b>	<b>388,237</b>	<b>87,737</b>	<b>1,312,361</b>	<b>-</b>	<b>2,369,319</b>
<b>Net maturity mismatch</b>	<b>(573,640)</b>	<b>1,160,284</b>	<b>34,969</b>	<b>(642,441)</b>	<b>686,565</b>	<b>665,737</b>



## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

**Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)**

#### (r) Liquidity risk management (cont'd.)

Measurement (cont'd.)

Table below analyses assets and liabilities of the Islamic business's according to their contractual maturity (cont'd.):

Islamic business	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2021</b>						
<b>Assets</b>						
Cash and bank balances	5,647	-	-	-	-	5,647
Deposits and placements with banks and other financial institutions	-	858,705	-	-	-	858,705
Financial investments at fair value through other comprehensive income	-	-	302,787	310,838	-	613,625
Financial investments at amortised cost	-	-	-	-	193,561	193,561
Islamic financing	-	66,123	764,916	417,412	376,422	1,624,873
Derivative financial instruments	-	-	-	-	-	-
Other assets	5,090	-	-	-	-	5,090
<b>Total assets</b>	<b>10,737</b>	<b>924,828</b>	<b>1,067,703</b>	<b>728,250</b>	<b>569,983</b>	<b>3,301,501</b>
<b>Liabilities</b>						
Borrowings	-	399,675	187,430	1,325,793	-	1,912,898
Other liabilities	688,616	-	-	-	-	688,616
<b>Total liabilities</b>	<b>688,616</b>	<b>399,675</b>	<b>187,430</b>	<b>1,325,793</b>	<b>-</b>	<b>2,601,514</b>
<b>Net maturity mismatch</b>	<b>(677,879)</b>	<b>525,153</b>	<b>880,273</b>	<b>(597,543)</b>	<b>569,983</b>	<b>699,987</b>

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

**Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)**

#### (r) Liquidity risk management (cont'd.)

The following tables show the contractual undiscounted cash flow payable for non-derivatives financial liabilities. The financial liabilities in the tables below do not agree to the balances in the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The maturity profile does not necessarily reflect behavioural cash flows.

Islamic business	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2022</b>						
<b>Non-derivative financial liabilities</b>						
Borrowings	-	388,237	87,737	1,312,361	-	1,788,335
Other liabilities	580,984	-	-	-	-	580,984
Total financial liabilities	580,984	388,237	87,737	1,312,361	-	2,369,319
<b>Commitments and contingencies</b>						
<u>Banking operation commitments</u>						
<b>Contracted but not provided for:</b>						
Guarantee facility	2,152	-	-	-	-	2,152
Letter of credit	1,500	-	-	-	-	1,500
Undrawn loans and financing	84,966	-	296,346	48,108	11,848	441,268
	88,618	-	296,346	48,108	11,848	444,920
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	326,097	-	-	326,097
One year or later and no later than five years	-	-	-	184,380	-	184,380
	-	-	326,097	184,380	-	510,477
Total commitments and contingencies	88,618	-	622,443	232,488	11,848	955,397

## NOTES TO THE FINANCIAL STATEMENTS

### 46. ISLAMIC BUSINESS FUNDS (cont'd.)

**Notes to the financial statements for Islamic business fund and Takaful fund for the financial year ended 31 December 2022 (cont'd.)**

#### (r) Liquidity risk management (cont'd.)

The following tables show the contractual undiscounted cash flow payable for non-derivatives financial liabilities. The financial liabilities in the tables below do not agree to the balances in the statement of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The maturity profile does not necessarily reflect behavioural cash flows (cont'd.).

Islamic business	On demand RM'000	Less than 3 months RM'000	3 to 12 months RM'000	1 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2021</b>						
<b>Non-derivative financial liabilities</b>						
Borrowings	-	399,675	187,430	1,325,793	-	1,912,898
Other liabilities	688,616	-	-	-	-	688,616
Total financial liabilities	688,616	399,675	187,430	1,325,793	-	2,601,514
<b>Commitments and contingencies</b>						
<u>Banking operation commitments</u>						
Contracted but not provided for:						
Guarantee facility	3,450	-	-	-	-	3,450
Letter of credit	645	-	-	-	-	645
Undrawn loans and financing	405,718	35,000	225,621	79,508	70,302	816,149
	409,813	35,000	225,621	79,508	70,302	820,244
<u>Insurance operation commitments</u>						
Contracted but not provided for:						
Within one year	-	-	319,069	-	-	319,069
One year or later and no later than five years	-	-	-	174,930	-	174,930
	-	-	319,069	174,930	-	493,999
Total commitments and contingencies	409,813	35,000	544,690	254,438	70,302	1,314,243

## NOTES TO THE FINANCIAL STATEMENTS

### 47. SEGMENT INFORMATION

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments.

It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity.

Segment information are presented in respect of the Group's business segments as follows:

(1) Banking

Banking comprises activities involving conventional and Islamic facilities to finance and support export and import of goods, services and overseas projects as well as financial guarantee facilities with an emphasis on non-traditional markets.

(2) Insurance and Takaful

Insurance and Takaful comprise activities involving providing export, credit and political risks insurance/takaful.

(3) Support

Support refers to non-core operations mainly involving finance, treasury, administration, human resource and others which support the Group's overall operation.

## NOTES TO THE FINANCIAL STATEMENTS

### 47. SEGMENT INFORMATION (cont'd.)

	2022				2021			
	Business segments		Group and Bank		Business segments		Group and Bank	
	Banking RM'000	Takaful and Insurance RM'000	Support RM'000	Total RM'000	Banking RM'000	Takaful and Insurance RM'000	Support RM'000	Total RM'000
Net interest income	87,336	-	-	87,336	36,639	-	-	36,639
Underwriting results	-	5,729	-	5,729	-	4,769	-	4,769
Income from Islamic business	73,492	1,004	-	74,496	119,255	253	-	119,508
Other (losses)/income	(53,846)	-	(61)	(53,907)	(9,760)	-	14,293	4,533
Net income/(loss)	106,982	6,733	(61)	113,654	146,134	5,022	14,293	165,449
Overhead expenses	(11,983)	(1,603)	(66,078)	(79,664)	(18,900)	(1,534)	(63,410)	(83,844)
Operating profit/(loss)	94,999	5,130	(66,139)	33,990	127,234	3,488	(49,117)	81,605
Writeback/(Allowances) for ECL on loans, advances and financing	5,155	-	-	5,155	(47,107)	-	-	(47,107)
Writeback for ECL on commitment and contingencies	20,426	-	-	20,426	19,754	-	-	19,754
Allowances for ECL on financial investments	-	-	(126,025)	(126,025)	-	-	(3,145)	(3,145)
Allowances for ECL on other assets	(23)	-	-	(23)	-	-	-	-
Taxation	120,557	5,130	(192,164)	(66,477)	99,881	3,488	(52,262)	51,107
Net (loss)/profit for the year - Group and Bank	(66,477)				51,107			

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