FINANCIAL
STATEMENT

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 (Resigned on 15 July 2022)
Raymond Fam Chye Soon (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:

Rating agencies	***Date***	***Ratings***
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

بسم الله الرحمن الرحيم

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.

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

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:-

i. 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.
ii. 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.
iii. 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

Dr. Safinar Salleh
Member

Kuala Lumpur, Malaysia

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

Dato' Azman Mahmud

Before me,

PESURUHJAYA SUMPAH
W839
ONG SIEW KEE
Tempoh Lantikan
01/06/2021 - 31/12/2023
MALAYSIA

Lot LG 27B, Ground Floor,
Wilayah Kompleks 2, Jalan
.hi Abdullah, 50100 Kuala Lumpu

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***
Expected credit losses ("ECL") of loans, advances and financing, and financial investments not carried at fair value through profit or loss 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. 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. 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"). Management also uses externally available industry and financial data, as appropriate, to supplement internally available credit experiences. 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.	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. 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. 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. 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. We involved our credit modelling specialists in the performance of these procedures where their specific expertise was required. We also assessed whether the financial statements' disclosures appropriately reflect the Group's and the Bank's exposures to credit risk.

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***
Valuation of derivatives and hedge accounting	
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. 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. 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 *Financial Instruments*. 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.	We engaged our valuation and financial risk management professionals in accordance with the requirements of International Standard on Auditing 620: *Reliance on the Work of an Auditors' Expert* 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: (a) reviewed the critical terms of the derivative contracts; (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; (c) performed independent valuation of selected derivatives and compared our valuation to those performed by management; (d) reviewed the risk management strategies and basis of the economic hedges applied by the management; and (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 We also considered whether the disclosures in relation to derivatives and hedge accounting comply with the relevant disclosure requirements.
Insurance contract/Takaful certificate and expense liabilities	
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. 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.	We engaged our Actuarial Services professionals in accordance with the requirements of International Standard on Auditing 620: *Reliance on the Work of an Auditors' Expert* 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: (a) understood and documented the qualifications, objectivity and independence of the Appointed Actuary tasked with estimating these liabilities; (b) tested the completeness and sufficiency or accuracy of data used in the actuarial valuation; (c) compared the actuarial valuation methodologies and assumptions against recognised actuarial practices, and with industry data;

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***
Insurance contract/Takaful certificate and expense liabilities (cont'd.) 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 *Insurance Contracts*. 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. 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.	(d) reviewed the assumptions used by the Appointed Actuary and rationale for conclusions made thereon; (e) assessed consistency of valuation methodologies applied; (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; (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 (h) reviewed management's estimation of the calculated reinsurance assets and thereon, their assessment of the credit quality of the underlying reinsurance counterparties. We also considered whether the disclosures in relation to the provision for these liabilities comply with the relevant disclosure requirements.

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

	Note	Group 2022 RM'000	Group 2021 RM'000
Assets			
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
Total assets		6,665,152	7,813,799
Liabilities			
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
Total liabilities		5,128,702	6,188,285
Financed by:			
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)
Shareholders' funds		1,541,318	1,634,104
Takaful participants fund	46	(4,868)	(8,590)
Total liabilities, shareholders' fund and Takaful participants fund		6,665,152	7,813,799
Commitments and contingencies	41	1,228,999	1,858,862

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
Assets			
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
Total assets		6,729,281	7,877,928
Liabilities			
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
Total liabilities		5,192,836	6,252,419
Financed by:			
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)
Shareholders' funds		1,541,313	1,634,099
Takaful participants fund	44	(4,868)	(8,590)
Total liabilities, shareholders' fund and Takaful participants fund		6,729,281	7,877,928
Commitments and contingencies	41	1,228,999	1,858,862

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 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 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
Other comprehensive loss				
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
Group				
At 1 January 2021	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
At 31 December 2021	2,958,665	(1,313,281)	(11,280)	1,634,104
At 1 January 2022	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)
At 31 December 2022	2,958,665	(1,396,123)	(21,224)	1,541,318
Bank				
At 1 January 2021	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
At 31 December 2021	2,958,665	(1,313,286)	(11,280)	1,634,099
At 1 January 2022	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)
At 31 December 2022	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
Cash flows from operating activities				
(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**
Cash flows from operating activities (cont'd.)				
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
Net cash generated from operating activities	577,738	757,064	577,738	757,064
Cash flows from investing activities				
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)	-
Net cash generated from investing activities	327,604	50,731	327,604	50,731

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
Cash flows from financing activities				
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)
Net cash used in financing activities	(1,332,978)	(944,053)	(1,332,978)	(944,053)
Net decrease in cash and cash equivalents	(427,636)	(136,258)	(427,636)	(136,258)
Net foreign exchange difference	14,039	4,672	14,039	4,672
Cash and cash equivalents at beginning of the year	3,076,342	3,207,928	3,076,342	3,207,928
Cash and cash equivalents at end of the year	2,662,745	3,076,342	2,662,745	3,076,342
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 R*eference 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 certficates 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.

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).

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

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

(f) Financial assets (cont'd.)

The most significant elements if 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.

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

<u>Initial recognition and measurement</u>

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.

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 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 find 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.s

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	Group and Bank 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	Group and Bank 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	Group and Bank 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	Group and Bank 2021 RM'000
At amortised cost		
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	Group and Bank 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

9. LOANS, ADVANCES AND FINANCING (cont'd.)

(ii) Gross loans, advances and financing analysed by contractual maturity are as follows:

	Group and Bank	
	2022 RM'000	**2021 RM'000**
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
	4,761,499	5,300,631

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

	Group and Bank	
	2022 RM'000	**2021 RM'000**
Conventional		
Fixed rate	129,649	174,636
Variable rate	2,952,539	2,866,092
Islamic		
Fixed rate	1,643	2,683
Variable rate	1,677,668	2,257,220
	4,761,499	5,300,631

(iv) Gross loans, advances and financing analysed by geographical area are as follows:

	Group and Bank	
	2022 RM'000	**2021 RM'000**
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
	4,761,499	5,300,631

NOTES TO THE FINANCIAL STATEMENTS

9. LOANS, ADVANCES AND FINANCING (cont'd.)

(v) Gross loans, advances and financing analysed by industry are as follows:

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
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
	4,761,499	5,300,631

(vi) Movements of gross impaired loans, advances and financing ("impaired loans") are as follows:

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
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)
	2,024,493	2,096,575
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:

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
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
	2,024,493	2,096,575

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:

	Group and Bank 2022 RM'000	2021 RM'000
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
	2,024,493	2,096,575

(ix) Movements in the allowance for ECL for loans, advances and financing 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
Group and Bank				
2022				
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
Group and Bank				
2021				
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

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
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%

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:

	Group and Bank			
	Outstanding Balance RM'000	**Modelled ECL RM'000**	**Management Overlay Provided RM'000**	**Total ECL RM'000**
2022				
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
2021				
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:

	Group and Bank			
	Outstanding Balance 2022 RM'000	**Modelled ECL 2022 RM'000**	**Management Overlay 2022 RM'000**	**Total 2022 RM'000**
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

	Group and Bank			
	Outstanding Balance 2021 RM'000	**Modelled ECL 2021 RM'000**	**Management Overlay 2021 RM'000**	**Total 2021 RM'000**
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	Group and Bank 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	Group and Bank 2021 RM'000
ECL		
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		Notional	Fair Value		Notional
	Assets RM'000	Liabilities RM'000	Amount RM'000	Assets RM'000	Liabilities RM'000	Amount RM'000
Derivatives used in fair value hedges						
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
Derivative held for trading						
Forward foreign exchange contract	-	2,878	180,173	-	-	-
Total	15,887	183,904	2,660,099	80,463	999	2,615,298

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 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.

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 RM'000	2021 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 RM'000	2021 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 RM'000	2021 RM'000	2022 RM'000	2021 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
Group					
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
Group			
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
Bank			
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:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
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:

	Group		Bank	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
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**
Cost		
At 1 January	1,300	1,300
Accumulated depreciation		
At 1 January	486	468
Charged for the year (Note 31)	18	18
At 31 December	504	486
Carrying amount	796	814
Included in the carrying amount of investment properties are:		
Freehold land	400	400
Buildings	396	414
	796	814
Fair value of investment properties	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**
Computer software		
Cost		
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
Accumulated depreciation		
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
Carrying amount	4,255	1,211

NOTES TO THE FINANCIAL STATEMENTS

17. PROPERTY AND EQUIPMENT

	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
Group and Bank									
Cost									
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
Accumulated depreciation									
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
Carrying amount									
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.)

	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
Group and Bank									
Cost									
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
Accumulated depreciation									
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
Carrying amount									
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	Group and Bank 2021 RM'000
Cost		
At 1 January	6,957	988
Additions	75	5,969
	7,032	6,957
Accumulated depreciation		
At 1 January	1,950	766
Charged for the year (Note 31)	1,396	1,184
At 31 December	3,346	1,950
Carrying amount	3,686	5,007

19. BORROWINGS

	Group and Bank 2022 RM'000	Group and Bank 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	Group and Bank 2021 RM'000
(i) Term loans/Revolving credits - unsecured		
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 RM'000	Group and Bank 2021 RM'000
(ii) Medium Term Notes("MTN")/Sukuk		
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) Syndication financing		
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
2022					
- 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
2021					
- 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.

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 RM'000	**2021 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 RM'000	**2021 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

	Group and Bank		
	Gross RM'000	**Reinsurance RM'000**	**Net RM'000**
2022			
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
2021			
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

24. PROVISION FOR GUARANTEE AND CLAIMS

	Group and Bank Gross RM'000	Group and Bank Net RM'000
2022		
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(ii))	-	-
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
2021		
(i) Insurance claims		
At 1 January	30,723	30,723
Reversal during the year	(3,719)	(3,719)
Paid during the year (Note 27(ii))	-	-
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
Issued and fully paid-up				
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.

	Group and Bank 2022 RM'000	2021 RM'000
Banking	194,545	145,154
Insurance and takaful	2,157	1,560
Recoveries from impaired loans	29,188	27,490
Treasury	2,236	501
	228,126	174,705

The timing of revenue recognition by the Group and the Bank are as follows:

	Group and Bank 2022 RM'000	2021 RM'000
At a point in time	36,171	38,887
Over a period of time	191,955	135,818
	228,126	174,705

27. INTEREST INCOME

	Group and Bank 2022 RM'000	2021 RM'000
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
	184,353	137,949

NOTES TO THE FINANCIAL STATEMENTS

28. INTEREST EXPENSE

	Group and Bank 2022 RM'000	Group and Bank 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	Group and Bank 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	Group and Bank 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 RM'000	**2021 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 RM'000	**2021 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

	Note	Group and Bank 2022 RM'000	Group and Bank 2021 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 RM'000	Group and Bank 2021 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 RM'000	Group and Bank 2021 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 RM'000	Group and Bank 2021 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 RM'000	Group and Bank 2021 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 RM'000	Fees RM'000	Other Emoluments RM'000	Total RM'000
Group and Bank				
2022				
Non-Executive Directors (Note 31):				
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
Shariah Committee Members (Note 31):				
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
Group and Bank				
2021				
Non-Executive Directors (Note 31):				
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
Shariah Committee Members (Note 31):				
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

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 RM'000	**2021 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 RM'000	**2021 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 RM'000	**2021 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 RM'000	Group and Bank 2021 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 RM'000	Group and Bank 2021 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 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 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 2022 RM'000	Group 2021 RM'000	Bank 2022 RM'000	Bank 2021 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**
Banking operation commitments		
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
Insurance operation commitments		
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
Operational commitments		
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:

	Group and Bank	
	2022 RM'000	2021 RM'000
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:

	Group and Bank	
	2022 RM'000	2021 RM'000
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.

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.

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 exhange rates (+/-) %	Effect on profit/loss Increase in FX rate RM'000	Effect on profit/loss Decrease in FX rate RM'000	Effect on equity Increase in FX rate RM'000	Effect on equity Decrease in FX rate RM'000
2022					
EUR	5	3,115	(3,115)	3,115	(3,115)
GBP	5	1,995	(1,995)	1,995	(1,995)
SGD	5	4,721	(4,721)	4,721	(4,721)
USD	10	44,717	(44,717)	44,717	(44,717)
AUD	10	1,266	(1,266)	1,266	(1,266)
HKD	5	-	-	-	-
		55,814	(55,814)	55,814	(55,814)
2021					
EUR	5	3,482	(3,482)	3,482	(3,482)
GBP	5	1,964	(1,964)	1,964	(1,964)
SGD	5	2,390	(2,390)	2,390	(2,390)
USD	10	38,908	(38,908)	38,908	(38,908)
AUD	10	748	(748)	748	(748)
HKD	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
2022						
Assets						
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
Total assets	2,832,297	937,630	1,609,556	555,001	730,668	6,665,152
Liabilities and equity						
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
Total liabilities and equity	530,719	2,291,411	1,473,883	410,733	1,958,406	6,665,152
Period gap	**2,301,578**	**(1,353,781)**	**135,673**	**144,268**	**(1,227,738)**	**-**
Cumulative gap	**2,301,578**	**947,797**	**1,083,470**	**1,227,738**	**-**	**-**

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
2021						
Assets						
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
Total assets	3,215,365	1,192,030	1,689,416	872,622	844,366	7,813,799
Liabilities and equity						
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
Total liabilities and equity	499,165	1,304,202	3,543,142	436,185	2,031,105	7,813,799
Period gap	**2,716,200**	**(112,172)**	**(1,853,726)**	**436,437**	**(1,186,739)**	**-**
Cumulative gap	**2,716,200**	**2,604,028**	**750,302**	**1,186,739**	**-**	**-**

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
2022						
Assets						
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
Total assets	2,832,297	937,630	1,609,556	555,001	794,797	6,729,281
Liabilities and equity						
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
Total liabilities and equity	530,719	2,291,411	1,473,883	410,733	2,022,535	6,729,281
Period gap	**2,301,578**	**(1,353,781)**	**135,673**	**144,268**	**(1,227,738)**	**-**
Cumulative gap	**2,301,578**	**947,797**	**1,083,470**	**1,227,738**	**-**	**-**

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
2021						
Assets						
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
Total assets	3,215,365	1,192,030	1,689,416	872,622	908,495	7,877,928
Liabilities and equity						
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
Total liabilities and equity	499,165	1,304,202	3,543,142	436,185	2,095,234	7,877,928
Period gap	**2,716,200**	**(112,172)**	**(1,853,726)**	**436,437**	**(1,186,739)**	**-**
Cumulative gap	**2,716,200**	**2,604,028**	**750,302**	**1,186,739**	**-**	**-**

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
2022						
Assets						
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
Total assets	171,996	2,832,007	937,630	1,609,556	1,113,963	6,665,152
Liabilities						
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
Total liabilities	421,956	530,719	2,291,411	1,473,883	410,733	5,128,702
Net maturity mismatch	**(249,960)**	**2,301,288**	**(1,353,781)**	**135,673**	**703,230**	**1,536,450**

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
2021						
Assets						
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
Total assets	197,454	3,215,271	1,192,030	1,689,416	1,519,628	7,813,799
Liabilities						
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
Total liabilities	405,591	499,165	1,304,202	3,543,142	436,185	6,188,285
Net maturity mismatch	**(208,137)**	**2,716,106**	**(112,172)**	**(1,853,726)**	**1,083,443**	**1,625,514**

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
2022						
Assets						
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
Total assets	236,125	2,832,007	937,630	1,609,556	1,113,963	6,729,281
Liabilities						
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
Total liabilities	486,090	530,719	2,291,411	1,473,883	410,733	5,192,836
Net maturity mismatch	**(249,965)**	**2,301,288**	**(1,353,781)**	**135,673**	**703,230**	**1,536,445**

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**
2021						
Assets						
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
Total assets	261,583	3,215,271	1,192,030	1,689,416	1,519,628	7,877,928
Liabilities						
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
Total liabilities	469,725	499,165	1,304,202	3,543,142	436,185	6,252,419
Net maturity mismatch	**(208,142)**	**2,716,106**	**(112,172)**	**(1,853,726)**	**1,083,443**	**1,625,509**

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
2022						
Derivative financial liabilities instruments	-	1 ,944	934	161,522	19,504	183,904
Non-derivative financial liabilities						
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
Commitments and contingencies						
Banking operation commitments						
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
Insurance operation commitments						
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**
2021						
Derivative financial instruments	-	-	-	999	-	999
Non-derivative financial liabilities						
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
Commitments and contingencies						
Banking operation commitments						
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
Insurance operation commitments						
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
2022			
Credit exposure for on-balance sheet assets:			
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
Credit exposure for off-balance sheet assets:			
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
2021			
Credit exposure for on-balance sheet assets:			
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
Credit exposure for off-balance sheet assets:			
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
Collateral type		
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
2022				
Credit impaired financial assets				
Loans, advances and financing	2,024,493	1,466,033	558,460	1,312,533
Financial investment at FVOCI	100,000	100,000	-	-
Total credit impaired financial assets	2,124,493	1,566,033	558,460	1,312,533
2021				
Credit impaired financial assets				
Loans, advances and financing	2,096,575	1,450,165	646,410	1,597,077
Financial investment at FVOCI	100,000	100,000	-	-
Total credit impaired financial assets	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
2022								
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

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
2021								
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
2022				
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
2021				
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	-	20,1481
	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
2022								
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
2022								
(cont'd.)	-	-	635,044	4,170,823	-	-	-	4,805,867
Administrative and Support Service Activities	-	-	-	382,274	-	-	-	382,274
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	-	-	-	30,127	-	-	-	30,127
Water Supply; Sewerage, Waste Management and Remediation Activities	-	-	-	98,278	-	-	-	98,278
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
2021								
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
2021								
(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
2022				
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
2021				
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**
2022			
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**
2021			
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
2022				
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

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
2021				
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**
2022			
Financial assets			
Assets measured at fair value			
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	-
Financial liabilities			
Liabilities measured at fair value			
Derivative financial instruments	183,904	183,904	-
Financial assets			
Assets not measured at fair value			
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
Financial liabilities			
Liabilities not measured at fair			
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
2021			
Financial assets			
Assets measured at fair value			
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	-
Financial liabilities			
Liabilities measured at fair value			
Derivative financial instruments	999	999	-
Financial assets			
Assets not measured at fair value			
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
Financial liabilities			
Liabilities not measured at fair			
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 Handing 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

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 RM'000 High +10%	2022 Net RM'000 Low -10%	2021 Net RM'000 High +10%	2021 Net 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 High B- rating points	2022 Net Low B+ rating points	2021 Net High B- rating points	2021 Net 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 High B- rating points	2022 Net Low B+ rating points	2021 Net High B- rating points	2021 Net 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

	Note	2022 Islamic business fund RM'000	2022 Takaful fund RM'000	2022 Total RM'000	2021 Islamic business fund RM'000	2021 Takaful fund RM'000	2021 Total RM'000
Assets							
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
Total assets		3,035,056	23,515	3,058,571	3,301,501	25,561	3,327,062
Liabilities							
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
Total liabilities		2,369,319	23,515	2,392,834	2,601,514	25,561	2,627,075
Financed by:							
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)
Total Islamic business fund and Takaful fund		665,737	-	665,737	699,987	-	699,987
Total liabilities, Islamic business fund, and Takaful participants fund		3,035,056	23,515	3,058,571	3,301,501	25,561	3,327,062
Commitments and contingencies	(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

	Note	2022 Islamic business fund RM'000	2022 Takaful fund RM'000	2022 Total RM'000	2021 Islamic business fund RM'000	2021 Takaful fund RM'000	2021 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 RM'000	2021 RM'000
Cash flows from operating activities		
(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)
Cash flow from investing activities		
Purchase of investments	(25,591)	-
Proceed from disposal of investments	370,000	52,717
Cash flows from financing activities		
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 RM'000	2021 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

	Group and Bank Shareholder's fund RM'000	Takaful Fund RM'000	Total fund RM'000
2022			
Cash and bank balances	4,977	785	5,762
2021			
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

	Group and Bank		
	Shareholder's fund RM'000	Takaful Fund RM'000	Total fund RM'000
2022			
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
2021			
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	-

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

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:

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
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
	1,679,311	2,259,903

(iii) Islamic gross advances and financing analysed by profit rate sensitivity are as follows:

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
Fixed rate	1,643	2,683
Variable rate	1,677,668	2,257,220
	1,679,311	2,259,903

(iv) Islamic gross advances and financing analysed by geography are as follows:

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
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
	1,679,311	2,259,903

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:

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
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
	1,679,311	2,259,903

(vi) Movements in impaired advances and financing are as follows:

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
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	597,105	772,552

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:

	Murabahah RM'000	Istisna RM'000	Tawarruq RM'000	Ijarah RM'000	Total RM'000
2022					
At amortised cost					
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
2021					
At amortised cost					
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
2022				
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
2021				
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

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:

		Group and Bank		
	Outstanding Amount 2022 RM'000	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

		Group and Bank		
	Amount 2021 RM'000	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:

		Group and Bank		
	Outstanding Amount 2022 RM'000	Modelled ECL 2022 RM'000	Management Overlay 2022 RM'000	Total ECL 2022 RM'000
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

		Group and Bank		
	Outstanding Amount 2021 RM'000	Modelled ECL 2021 RM'000	Management Overlay 2021 RM'000	Total ECL 2021 RM'000
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	Group and Bank 2021 RM'000
(i)	Revolving credit facility - unsecured		
	Within one year	388,237	399,675
	Three years to five years*	268	357
		388,505	400,032
(ii)	Sukuk		
	Within one year	-	187,430
	Three years to five years	87,736	83,215
		87,736	270,645
(iii)	Syndication financing		
	One year to three years	1,312,094	1,242,221
		1,788,335	**1,912,898**

* 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	Group and Bank 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 RM'000	2021 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 RM'000	2021 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 RM'000	2021 RM'000
Takaful participants fund			
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)	Accumulated deficit		
	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)	Qard		
	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 RM'000	2021 RM'000
Banking operation commitments		
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
Takaful operation commitments		
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 No. of event	RM'000	2021 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

	Group and Bank 2022 RM'000	Group and Bank 2021 RM'000
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

	Group and Bank			
	Before Transitional Arrangement 2022 RM'000	After Transitional Arrangement 2022 RM'000	Before Transitional Arrangement 2021 RM'000	After Transitional Arrangement 2021 RM'000
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

	Group and Bank 2022 RM'000	2021 RM'000
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
	562,883	654,500

* The financing from banking business is unsecured, does not bear profit and has no fixed terms of repayment.

(p) Provision for commitments and contingencies

	Group and Bank 2022 RM'000	2021 RM'000
Provision for commitments and contingencies	17,098	31,736

Movements in the provisions for commitments and contingencies are as follow:

	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	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	13,343	554	3,201	17,098

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**
Group and Bank		
2022		
Shariah Committee Members (Note 31):		
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
2021		
Shariah Committee Members (Note 31):		
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
2022						
Assets						
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
Total assets	7,344	1,548,521	122,706	669,920	686,565	3,035,056
Liabilities						
Borrowings	-	388,237	87,737	1,312,361	-	1,788,335
Other liabilities	580,984	-	-	-	-	580,984
Total liabilities	580,984	388,237	87,737	1,312,361	-	2,369,319
Net maturity mismatch	**(573,640)**	**1,160,284**	**34,969**	**(642,441)**	**686,565**	**665,737**

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
2021						
Assets						
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
Total assets	10,737	924,828	1,067,703	728,250	569,983	3,301,501
Liabilities						
Borrowings	-	399,675	187,430	1,325,793	-	1,912,898
Other liabilities	688,616	-	-	-	-	688,616
Total liabilities	688,616	399,675	187,430	1,325,793	-	2,601,514
Net maturity mismatch	(677,879)	525,153	880,273	(597,543)	569,983	699,987

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
2022						
Non-derivative financial liabilities						
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
Commitments and contingencies						
Banking operation commitments						
Contracted but not provided for:						
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
Insurance operation commitments						
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

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
2021						
Non-derivative financial liabilities						
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
Commitments and contingencies						
Banking operation commitments						
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
Insurance operation commitments						
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.)

	Group and Bank							
	2022 Business segments				2021 Business segments			
	Banking RM'000	Insurance and Takaful RM'000	Support RM'000	Total RM'000	Banking RM'000	Insurance and Takaful 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)	-	-	-	-
	120,557	5,130	(192,164)	(66,477)	99,881	3,488	(52,262)	51,107
Taxation				-				-
Net (loss)/profit for the year - Group and Bank				(66,477)				51,107