



MALAYSIA BUILDING SOCIETY BERHAD  
Registration No. 197001000172 (941740)  
A Subsidiary of the EPF



INTEGRATED  
ANNUAL REPORT 2021

# Reimagining **ISLAMIC BANKING**



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## Cover rationale

MBSB Bank Berhad's new corporate headquarters stands tall on the cover as a symbol of the Bank's Journey to 2025 (J25). Illustrated with the oil painting technique, the image inspires confidence as the Bank progress to become a Top Progressive Islamic Bank.



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for digital copy

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## ABOUT THIS REPORT

This Report is Malaysia Building Society Berhad (“MBSB”)’s Integrated Annual Report (the “Report”). 2021 is our second year of further enhancing our corporate reporting and internal processes. This Report has been prepared with reference to the International Integrated Reporting Council (“IIRC”)’s International Integrated Reporting Framework (the “<IR> Framework”).

In the context of the external environment, this Report strives to provide succinct and transparent communication about how we create value for our stakeholders over the short-, medium-, and long-term horizon through our strategy, governance, performance, and prospects. We understand the benefits of integrated thinking and are continuously striving to strengthen our internal procedures to fully realise them through our 2-year <IR> roadmap.

### Reporting Scope and Boundaries

This report only covers the core business activities of MBSB which is represented by MBSB Bank Berhad (“the Bank” or “MBSB Bank”), unless otherwise specified. It provides material information relating to our strategy and business model, operating context, material risks, stakeholder interests, performance, prospects and governance. The report boundaries of each material matter is further disclosed in their respective sections. This report covers the period from 1 January 2021 to 31 December 2021. We present comparative information on quantitative data for three years, where information is available.

### Reporting Suite and Framework

This is MBSB’s second year of adopting the <IR> Framework. We are committed to continuously improving the depth of disclosures for each year of reporting. In addition, this report also adheres to the following frameworks:

- Bursa Malaysia Securities Berhad (“Bursa”) Main Market Listing Requirements
- Malaysian Financial Reporting Standards (“MFRS”)

- International Financial Reporting Standards (“IFRS”)
- Malaysian Code on Corporate Governance (“MCCG”)
- Companies Act 2016
- Bursa Sustainability Reporting Guidelines
- Global Reporting Index (“GRI”) Sustainability Reporting Standards - Core Option
- FTSE4Good Bursa Malaysia (“F4GBM”)
- United Nations Sustainable Development Goals (“UNSDGs”)
- Bank Negara Malaysia Policy Documents and Guidelines
- Islamic Financial Services Act 2013

### Our 2021 Reporting Suite

#### Integrated Annual Report


Our primary report that provides a holistic assessment of our ability to create sustainable value in the short, medium, and long term.

#### Corporate Governance Report

A report that outlines MBSB’s corporate governance practices.

#### Sustainability Report

Communicates our approach and sustainability performance in relation to issues material to MBSB and its stakeholders.

 Our reports are available at <https://www.mbsb.com.my/ar.html>

#### Assurance

We are continuously enhancing the quality of our report by providing balanced, relevant, and accurate data. MBSB’s senior management team including the internal audit function closely collaborated to ensure the accuracy and reliability of the information presented in this report. This report is reviewed and approved by the Board of Directors. Financial statements have been audited. We have continued our efforts to obtain external assurance on the financial statements and limited assurance on selected non-financial information for the year. The independent auditors’ report for our financial and non-financial information is presented on pages 152 to 156 of this report and page 109 to page 111 of our 2021 Sustainability Report, respectively.

## Key Concepts

### Our value creation process

We create value through our business model by managing our key resources – our six capitals – in our business activities and interactions to generate the desired output and outcomes that benefit our stakeholders, society and the environment. Our decision-making process is integrated with our value creation process.



*Our value creation process is described from pages 26 to 27*

### Materiality and material matters

We applied the principle of materiality in this report. This report outlines our approach to managing the identified material matters, which are matters that have the potential to impact our value creation and the achievement of our strategy. These matters are at the heart of the content in this report and they guide our long-term business strategies, goals and direction.



*We provide a more detailed discussion on the material matters from pages 33 to 37*

## Feedback

We value our stakeholders' feedback to improve our reporting and sustainability disclosures continuously. Should you have any comments or queries regarding this report, please reach out to us at [enquiry@mbsbbank.com](mailto:enquiry@mbsbbank.com).

## Forward-looking Statement

All statements (other than statements of historical facts) regarding MBSB's financial position, business strategy, market growth and developments, expectations of growth and profitability and plans and objectives of management for future operations, are forward-looking statements. Forward-looking statements are identified by their use of a date in the future or words such as "will", "anticipates", "aims", "could", "may", "should", "expects", "believes", "intends", "plans" or "targets". Despite management's efforts to realise these commitments, these forward-looking statements are based on assumptions which may be subject to risks and uncertainties influenced by factors beyond management's control, including but are not limited to future trends, economic conditions, overnight policy rate, pandemics such as COVID-19, change in government regulations and laws or any action or inaction by government or local authority, any strikes, blockades or civil disturbances. No assurance can be given that forward-looking statements will be correct and undue reliance should not be placed on such statements.

## Responsibility of the Board

The Board recognises its role in maintaining the integrity of this Integrated Annual Report, which, in the Board's opinion, addresses all the topics relevant to the Group's ability to create value and fairly presents the integrated performance of MBSB.

### Our six capitals for value creation



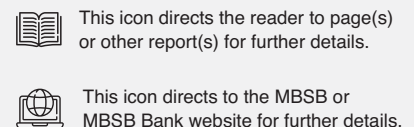
### Our sustainability pursuits



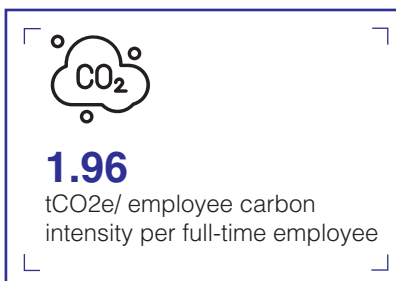
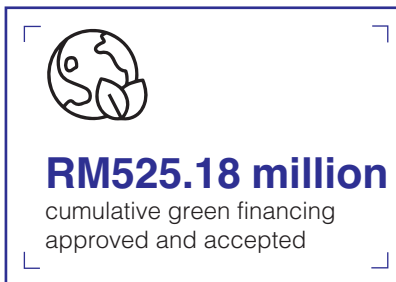
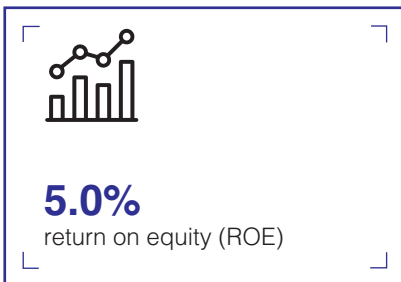
### Our stakeholders



### Navigation icons



# 2021 Performance Snapshot

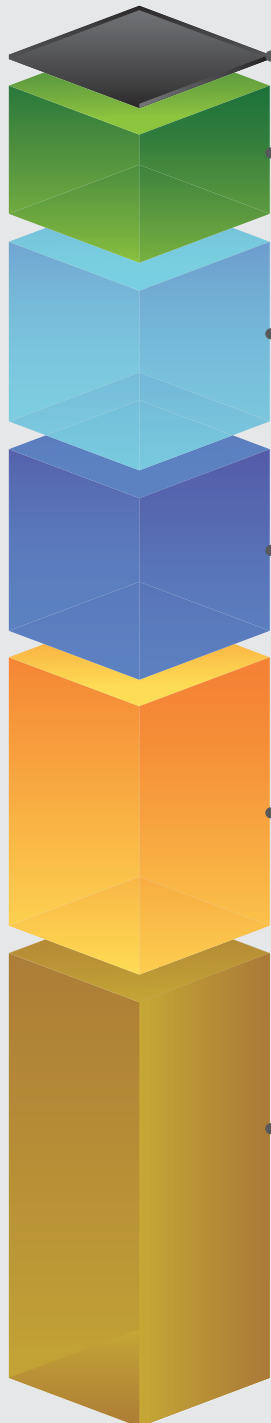


## Our Differentiating Factor

- 1 Dynamic and strong leadership
- 2 Diversified team of skilled professionals with technical capabilities
- 3 Innovative product offerings and services
- 4 Lean and agile business model
- 5 Strong exposure in growth sectors
- 6 Strong customer relationships

# RM1,654.2 million

## VALUE GENERATED AND DISTRIBUTED



**RM6.6 MILLION**

total contribution in the form of non-zakat charitable donations

**0.4%**



**RM196.5 MILLION**

paid to our partners, suppliers, and service providers

**11.9%**



**RM259.0 MILLION**

paid to our employees in the form of benefits, salaries, and bonuses

**15.7%**



**RM259.0 MILLION**

distributed to the government in the form of taxes and zakat which contributes to nation building

**15.7%**



**RM354.7 MILLION**

dividend paid to our shareholders, translating to a dividend of 3.0 cents net per ordinary share

**21.4%**



**RM578.4 MILLION**

retained for MBSB's future reinvestment and growth

**34.9%**

## CHAIRMAN'S STATEMENT

“Moving forward, we will continue to focus on our digital transformation journey as we observe industry trends shifting towards automation. Not forgoing our aspiration of becoming a top progressive Islamic bank, we remain committed in identifying avenues to expand our corporate portfolio whilst instilling our prominence as a standalone Islamic bank in the market.”

Tan Sri  
Azlan Zainol

Chairman





# Assalamualaikum wbt

## Dear all,

Globally, 2021 has been about economic revival following the recovery from the Covid-19 pandemic. Fortunately, it has been a rather encouraging year for us at MBSB as we recover from it and overcome the challenging economic conditions together as a nation. Undoubtedly, the economic shocks throughout 2021 have been sharp but we have acted swiftly by deploying an arsenal of social and fiscal stimulus packages.

Cognizant to the economic situation, Bank Negara Malaysia was well judged by maintaining the Overnight Policy Rate (OPR) at 1.75%. This gave the banking industry reasonable space to widen their cash reserves to meet liquidity requirement.

As we witnessed the early signs of economic recovery with improvement in GDP as well as increased domestic trade over the last quarter of 2021, I am hopeful that the nation will be able to bounce back together as we entered the endemic phase. The banking industry continues to remain resilient and MBSB remains connected to our values of giving back to the community by assisting those in need.

As for this year 2022, with the reopening of local and international borders, greater reopening of economic and social sectors as well as increasing external demand from major trade partners, the nation sees positive economic outlook with an expected GDP growth between 5.5% to 6.5% in 2022.

Moving forward, we will continue to focus on our digital transformation journey as we observe industry trends shifting towards automation. Not forgoing our aspiration of becoming a top progressive Islamic bank, we remain committed in identifying avenues to expand our corporate portfolio whilst instilling our prominence as a standalone Islamic bank in the market.

Our responsibility as a financial institution also lies in creating a viable Environment, Social and Governance (ESG) framework that will enable a more sustainable future. The intensifying climate change that we have seen over the years should be a motivating factor for all of us to act fast as it will continue to affect the younger generation.

This is why the adoption of United Nations Sustainable Development Goals (UNSDG) should be taken seriously. It is also important that we stay committed towards climate related investments, such as green financing and renewable energy financing which is also in line with the Climate Change and Principle-based Taxonomy (CCPT).

On behalf of the MBSB Group, I would like to thank my predecessor, YBhg Tan Sri Abdul Halim Ali, for helming as the chairman for twenty years. We are also deeply saddened by the passing of our President and Chief Executive Officer, Datuk Seri Ahmad Zaini Othman. It was a huge loss not only to MBSB Group, but also to the banking industry and we are grateful for his many contributions in improving the bank since his appointment to the helm in 2009. I would also like to extend a warm welcome to Datin Hoi Lai Ping who has just joined MBSB on 1 March 2022.

I believe that we can carry on to strive for achievements by upholding the company's values to stay committed in achieving the Group's goals. Our Journey 25 (J25) aspiration of becoming a mature Islamic financial institution and a regional player in trade finance by preserving stakeholders' confidence, optimising customers' reach through digital capabilities and technology enhancements, and expanding existing services is in full swing.

I wish to take this opportunity too to thank the members of the boards at MBSB, MBSB Bank as well as our Shariah Advisory Committee for their assistance. Thank you to our employees who have endlessly worked hard in delivering their best to our customers. With that, I would also like to thank our customers for their unwavering support.

Lastly, I express my appreciation to Bank Negara Malaysia, the Ministry of Finance and other regulatory authorities for their continuous guidance and encouragement towards MBSB.

Thank you.



7 April 2022  
**Tan Sri Azlan Zainol**

# ABOUT MBSB





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## ACEO'S STATEMENT

“ In 2021, MBSB executed various corporate exercises to benefit from a greater access to funding, investments and which can strengthen our capital position in supporting the Group's aim in realising the 'Journey 25' goal which is to be a matured Islamic financial institution and also to be a regional player on trade finance by the year 2025. ”

Datuk Nor Azam  
bin M Taib

Acting Chief Executive Officer



**Dear stakeholders of MBSB,**

I am truly honoured to be able to give my first address for our annual report and I am thankful for the trust that was given to me by the Board of Directors and shareholders as well as everyone at MBSB. I truly appreciate the confidence in me to steer the Group.

It is also important to note that I am very grateful for the knowledge and legacy that our previous President and Chief Executive Officer, Allahyarham Datuk Seri Ahmad Zaini has imparted to me during his tenure as the leader of the Group.

Alongside my appointment, MBSB has also welcomed several new members to the management team whom I am excited to work with. I believe that with expertise and unique experience and skill sets, we are able to go the distance in this industry.

Apart from the structural change in the Group, MBSB has also physically changed its location from being head quartered in Damansara Heights to being the first Bank to be head quartered in Selangor, at PJ Sentral.

Economic wise, the COVID-19 recovery in 2021 has encouraged fair improvements in certain industries. Fundamentally however, many could not perform as well as they did prior to the pandemic. As a result, the role of financial institutions has expanded well beyond providing financing products and services.

This called for a dynamic approach to our way of doing business. In 2021, MBSB executed various corporate exercises to benefit from a greater access to funding, investments and which can strengthen our capital position in supporting the Group's aim in realising the 'Journey 25' goal which is to be a matured Islamic financial institution and also to be a regional player on trade finance by the year 2025.

We have also accelerated the promotional campaigns for several of our products, to increase the public awareness towards our current and savings accounts (CASA-i) as well as personal financing (PF-i).

Recognizing the financial difficulties faced by both retail and corporate customers and as part of our efforts to preserve assets, we have continued our assistance to our customers through the Targeted Repayment Assistance Program.

We also actively participated in rebuilding lives, businesses and livelihoods due to the devastating flood that happened towards the end of the year. Rescheduling and restructuring assistance were offered to the flood victims on top of the contributions given.

In essence, 2021 saw a year of continued resilience and momentum to regain economic recovery and it will not be possible without the support of our customers who have been loyal to us after all these years.

I would also like to thank the employees of MBSB for being consistent in executing the company's vision and mission. May we continue to work together for MBSB's further progress.

Thank you.



**Datuk Nor Azam bin M Taib**  
ACTING CHIEF EXECUTIVE OFFICER

## OUR VISION AND CORE VALUES

### OUR VISION

**TO BE A  
TOP PROGRESSIVE  
ISLAMIC BANK**

### OUR CORE VALUES

**HUMILITY** 

**PROFESSIONALISM** 

**ETHICS** 

**EMPATHY** 

**PASSION** 

Malaysia's

**FIRST**

property financier

Supporting the  
nation's economic  
growth for more than

**70 YEARS**

Formed MBSB Bank,  
Malaysia's

**SECOND  
LARGEST**

standalone Islamic bank

## Building Society – Creating Long-term Value

For more than 70 years, Malaysia Building Society Berhad ("MBSB") has been at the forefront of the country's economic development. As a pioneer in Malaysian financial services, MBSB was one of the first financial institutions in the region to offer low- and middle-income house loans, even before Malaysia's independence. MBSB's origins may be traced back to the Federal and Colonial Building Society Limited, which was established in 1950 and was the progenitor of MBSB, which was renamed Malaya Borneo Building Society Limited ("MBBS") in 1956. Its operations were transferred to the newly formed MBSB in 1970.

MBSB acquired Asian Finance Bank in 2018, which was subsequently renamed as MBSB Bank. This acquisition marks a watershed moment for MBSB as it positions itself to become one of the country's largest Islamic banks. We are honored to continue upholding our tradition of being a "building society" by offering Shariah-compliant banking and financial services to over 300,00 consumers. We remain committed to achieving the objectives of Shariah through value-based intermediation ("VBI") by positively impacting the economy, community, and environment.

Since its inception, MBSB's major goal has been to provide financing opportunities to low- and middle-income groups while simultaneously facilitating the growth of diverse residential regions. MBSB has always been in support of government initiatives that facilitate this ambition of providing life-changing opportunities to those who need it most.

Throughout the years of development and change, our dedication to assist nation-building has remained constant. Today, we are continuing to reinvent our business by embracing technology and launching digital initiatives to promote access and convenience to financial services for regular residents and small and medium-sized businesses, notably during the COVID-19 pandemic. In addition, we provide financial literacy programmes to help our customers make smarter financial decisions.

Our pathway to long-term success is guided by dynamic leadership and the passion of all our employees. We aim to be the leading progressive Islamic bank in the future, guided by our business objectives and Journey 25 plans. We are confident that, as in the past, we will continue to play an important role in the Malaysian economy in the future.

## WHERE WE OPERATE

47



branches within Malaysia

54



self-service terminals across all branches

### PERLIS

Kangar

### KEDAH

Alor Setar

Kulim

Langkawi

Sungai Petani

### PENANG

Butterworth

Penang

### PERAK

Ipoh

Sitiawan

Taiping

### KELANTAN

Kota Bharu

### TERENGGANU

Kemaman

Kuala Terengganu

### PAHANG

Kuantan

### SELANGOR

Bandar Baru Bangi

Batu Caves

Kajang

Klang

Petaling Jaya

Puchong

Shah Alam Emira

Kelana Jaya

### WILAYAH PERSEKUTUAN

Cheras

Damansara

Kuala Lumpur

Jalan Sultan Ismail

Putrajaya

Wangsa Maju

### NEGERI SEMBILAN

Seremban

### MELAKA

Melaka

### JOHOR

Batu Pahat

Johor Bahru

Kluang

Muar

Taman Molek

Tebrau

Kulai

### SABAH

Kota Kinabalu Main

Kota Kinabalu

Sandakan

Tawau

Keningau

### SARAWAK

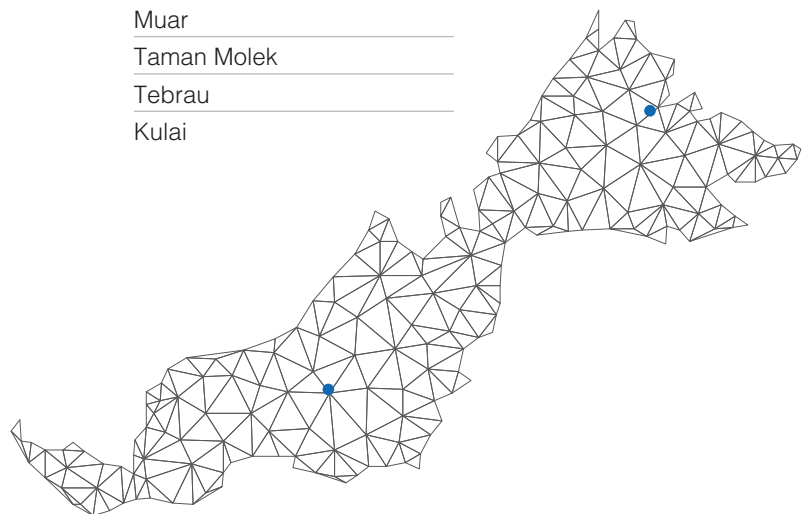
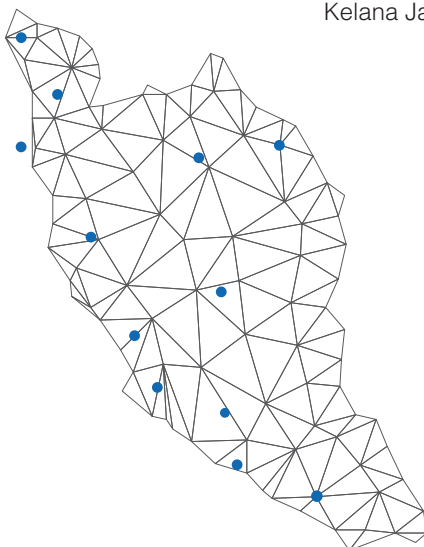
Kuching

Miri

Sibu

Bintulu

Mukah





## CENTRAL REGION

- |   |  |   |
|---|--|---|
| <p><b>1 DAMANSARA</b><br/>Ground Floor, Wisma MBSB,<br/>48, Jalan Dungun,<br/>Damansara Heights,<br/>50490 Kuala Lumpur.<br/>TEL. NO. 03-20963333<br/>FAX NO. 03-20963376</p>                         | <p><b>6 CHERAS</b><br/>185, Jalan Sarjana,<br/>Taman Connaught,<br/>56000 Cheras, Kuala Lumpur.<br/>TEL. NO.03-91322955<br/>FAX NO. 03-91322954</p>  | <p><b>11 PUTRAJAYA</b><br/>No.30, Jalan Diplomatik 3/1,<br/>Presint 15, 62000 Putrajaya.<br/>TEL. NO.03-88810569<br/>FAX NO. 03-88810572</p>  |
| <p><b>2 KUALA LUMPUR</b><br/>No. 8, Wisma RKT,<br/>Jalan Raja Abdullah,<br/>Off Jalan Sultan Ismail,<br/>50300 Kuala Lumpur.<br/>TEL. NO. 03-26912689<br/>FAX NO. 03-26912830</p>                     | <p><b>7 BANDAR BARU BANGI</b><br/>No. 49, Jalan Medan Pusat 2D,<br/>Seksyen 9, 43650 Bandar Baru<br/>Bangi, Selangor.<br/>TEL. NO. 03-89257584<br/>FAX NO. 03-89257708</p>                         | <p><b>12 WANGSA MAJU</b><br/>Ground Floor,<br/>No. 52, Jalan Wangsa Delima 6,<br/>Pusat Bandar Wangsa Maju,<br/>53300 Kuala Lumpur.<br/>TEL. NO.03-41421292<br/>FAX NO. 03-41421269</p>           |
| <p><b>3 PJ SENTRAL</b><br/>Level 1, Menara MBSB Bank<br/>PJ Sentral, Lot 12,<br/>Persiaran Barat, Seksyen 52,<br/>46200 Petaling Jaya, Selangor.<br/>TEL. NO. 03-79569200<br/>FAX NO. 03-79569627</p> | <p><b>8 PUCHONG</b><br/>1-G-1, Ground Floor, Tower 1 @<br/>PFCC, Jalan Puteri 1/2, Bandar<br/>Puteri, 47100 Puchong, Selangor.<br/>TEL. NO. 03-80635208<br/>FAX NO. 03-80635867</p>                | <p><b>13 KAJANG</b><br/>No. 2A-G, Jalan Semenyih,<br/>Pekan Kajang,<br/>43000 Kajang, Selangor.<br/>TEL. NO. 03-87301521<br/>FAX NO. 03-87401436</p>  |
| <p><b>4 KLANG</b><br/>33, Jalan Tiara 3,<br/>Bandar Baru Klang,<br/>41150 Klang, Selangor.<br/>TEL. NO. 03-33426822<br/>FAX NO. 03-33411410</p>   | <p><b>9 SHAH ALAM EMIRA</b><br/>Lot R-01-01 &amp; R-01-02.<br/>Emira D'Kayangan,<br/>Seksyen 13, 40100 Shah Alam,<br/>Selangor<br/>TEL. NO. 03-55231381<br/>FAX NO. 03-55231392</p>                | <p><b>14 JALAN SULTAN ISMAIL</b><br/>Ground Floor, Podium Block,<br/>Kenanga International,<br/>Jalan Sultan Ismail,<br/>50250 Kuala Lumpur.<br/>TEL. NO. 03-20791144<br/>FAX NO. 03-20791100</p> |
| <p><b>5 BATU CAVES</b><br/>Lot 1-0, Jalan SM1<br/>Taman Sunway Batu Caves<br/>68100 Batu Caves, Selangor.<br/>TEL. NO. 03-61777956<br/>FAX NO. 03-61772404</p>  | <p><b>10 KELANA JAYA</b><br/>A-11-1 &amp; A-11-2, Blok A,<br/>Plaza Glomac, Jalan SS7/19,<br/>Kelana Jaya, 47301 Petaling Jaya,<br/>Selangor.<br/>TEL. NO. 03-78830089<br/>FAX NO. 03-78830120</p> |   |

## NORTHERN REGION

### 1 PENANG

No W-00 Ground Floor,  
Wisma Penang Garden,  
No 42, Jalan Sultan Ahmad Shah,  
10050 Pulau Pinang.  
TEL. NO. 04-2266275  
FAX NO. 04-2286275

### 2 ALOR SETAR

No. 165 & 166,  
Kompleks Perniagaan Sultan Abdul  
Hamid Fasa 2  
11, Susur Sultan Abdul Hamid  
05050 Alor Setar Kedah.  
TEL. NO. 04-7714355  
FAX NO. 04-7724308

### 3 KANGAR

No. 35, Jalan Seruling,  
01000 Kangar, Perlis.  
TEL. NO. 04-9766400  
FAX NO. 04-9774141

### 4 SUNGAI PETANI

No. 114, Jalan Pengkalan,  
Taman Pekan Baru,  
08000 Sungai Petani, Kedah.  
TEL. NO. 04-4229302  
FAX NO. 04-4212046

### 5 BUTTERWORTH

No. 2783 Jalan Chain Ferry,  
Taman Inderawasih,  
13600 Perai, Pulau Pinang.  
TEL. NO. 04-3980145  
FAX NO. 04-3980898

### 6 KULIM

No. 26, Jalan Raya,  
09000 Kulim, Kedah.  
TEL. NO. 04-4951400  
FAX NO. 04-4904400

### 7 LANGKAWI

No.26 & 28,  
Jalan Pandak Mayah 4,  
Pusat Bandar Kuah,  
07000 Langkawi, Kedah.  
TEL. NO. 04-9666055  
FAX NO. 04-9669055

### 8 IPOH

No. 45, Persiaran Greenhill,  
30450 Ipoh, Perak.  
TEL. NO. 05-2545659  
FAX NO. 05-2544748

### 9 TAIPING

No. 1, Lot 10958,  
Jalan Saujana,  
Taman Saujana 3,  
34600 Kamunting, Perak.  
TEL. NO. 05-8074000  
FAX NO. 05-8041444

### 10 SITIAWAN

Ground Floor,  
No. 35, Persiaran PM 3/2,  
Pusat Bandar Sri Manjung, Seksyen 3,  
32040 Sri Manjung, Perak.  
TEL. NO. 05-6882700  
FAX NO. 05-6882703

### 4 TEBRAU

No. 17 & 17-1,  
Jalan Mutiara Emas 9/3,  
Austin Boulevard,  
Taman Mount Austin,  
81100 Johor Bahru, Johor.  
TEL. NO. 07-3581700  
FAX NO. 07-3581703

### 5 BATU PAHAT

No. 28 & 29,  
Jalan Persiaran Flora Utama,  
Taman Flora Utama,  
83000 Batu Pahat, Johor.  
TEL. NO. 07-4316614  
FAX NO. 07-4317382

### 6 MUAR

No 30A-2, Jalan Arab,  
84000 Muar, Johor.  
TEL. NO. 06-9532000  
FAX NO. 06-9533200

### 7 KLUANG

No. 6, Lot 9053,  
Jalan Hj Manan,  
86000 Kluang, Johor.  
TEL. NO. 07-7717585  
FAX NO. 07-7726572

### 8 KULAI

19, Jalan Sri Putra, Bandar Putra,  
81000 Kulai, Johor.  
TEL. NO. 07-6633458  
FAX NO. 07-6633284

### 9 TAMAN MOLEK

No. 65 & 65A,  
Jalan Molek 2/4,  
Taman Molek,  
81100 Johor Bahru, Johor.  
TEL. NO. 07-3542240  
FAX NO. 07-3542241

## SOUTHERN REGION

### 1 MELAKA

No. 203 & 204,  
Jalan Melaka Raya 1,  
Taman Melaka Raya,  
75000 Melaka.  
TEL. NO. 06-2828255  
FAX NO. 06-2847270

### 2 JOHOR BAHRU

D-1-5, D-2-5, D-3-5 & D-4-5  
Pusat Komersial Bayu Tasek  
Persiaran Southkey 1,  
Kota Southkey  
80150 Johor Bahru, Johor  
TEL. NO. 07-3364707  
FAX NO. 07-3361859

### 3 SEREMBAN

Lot 11-G & Lot 12-G,  
11-1 & 12-1 Seremban City Centre,  
Jalan Pasar, 70000 Seremban,  
Negeri Sembilan  
TEL. NO. 06-7638455  
FAX NO. 06-7630701

## EAST COAST REGION

- 1 KEMAMAN**  
K-10723, Taman Chukai Utama,  
Fasa 4, Jalan Kubang Kurus,  
24000 Kemaman, Terengganu.  
TEL. NO. 09-8589486  
FAX NO. 09-8589291
- 2 KUALA TERENGGANU**  
104-A, 104-B,  
Tingkat Bawah dan Tingkat 1  
Jalan Sultan Ismail  
20200 Kuala Terengganu,  
Terengganu.  
TEL. NO. 09-6227844  
FAX NO. 09-6220744
- 3 KUANTAN**  
No. A157 & A159, Sri Dagangan,  
Jalan Tun Ismail,  
25000 Kuantan, Pahang.  
TEL. NO. 09-5157677  
FAX NO. 09-5145060
- 4 KOTA BHARU**  
Ground & 1st Floor,  
PT315, Section 21,  
Jalan Sultan Yahya Petra,  
15200 Kota Bharu, Kelantan.  
TEL. NO. 09-7405999  
FAX NO. 09-7461191

## SABAH REGION

- 1 KOTA KINABALU**  
Lot 11 & 12, Ground Floor,  
Block C, Lintasjaya Uptownship,  
88300 Kota Kinabalu, Sabah.  
TEL. NO. 088-722500  
FAX NO. 088-713503
- 2 SANDAKAN**  
Lot 201, Prima Square,  
Phase 3, Jalan Utara,  
90000 Sandakan, Sabah.  
TEL. NO. 089-223400  
FAX NO. 088-223544
- 3 TAWAU**  
Ground Floor,  
TB 15590, Block B,  
Lot 45, Kubota Square,  
91000 Tawau, Sabah.  
TEL. NO. 089-755400  
FAX NO. 089-749400
- 4 KENINGAU**  
Ground Floor, Lot No. 7,  
Block A, Keningau Plaza,  
89000 Keningau, Sabah.  
TEL. NO. 087-337611  
FAX NO. 087-337617
- 5 KOTA KINABALU MAIN**  
Lot 144, Q6 Block Q,  
Lorong Plaza Permai 1,  
Alamesra-Sulaman Coastal Highway,  
88450 Kota Kinabalu, Sabah.  
TEL. NO. 088-485680  
FAX NO. 088-485620

## SARAWAK REGION

- 1 KUCHING**  
Tingkat Bawah & Satu,  
Bangunan Tunku Muhammad Al-Idrus,  
439, Jalan Kulas Utara 1,  
93400 Kuching, Sarawak.  
TEL. NO. 082-248240  
FAX NO. 082-248611
- 2 MIRI**  
No 1115, Ground Floor,  
Pelita Commercial Centre,  
98000 Miri, Sarawak.  
TEL. NO. 085-424400  
FAX NO. 085-424141
- 3 SIBU**  
Ground Floor, SL 166 Lorong  
Pahlawan 7B3, Jalan Pahlawan,  
96000 Sibu, Sarawak.  
TEL. NO. 084-210703  
FAX NO. 084-210714
- 4 BINTULU**  
No. 1, Ground Floor,  
Jalan Tun Ahmad Zaidi /  
Jalan Kambar Bubin,  
97000 Bintulu, Sarawak.  
TEL. NO. 086-336400  
FAX NO. 086-339400
- 5 MUKAH**  
Ground Floor,  
Sub Lot 77, Lot 927,  
New Mukah Town Centre,  
Jln Green, Block 68,  
96400 Mukah, Sarawak.  
TEL. NO. 084-874262  
FAX NO. 084-874259

## OUR PRODUCTS AND SERVICES

CATEGORIES	Consumer Banking	Business Banking	Trade Financing
Serving	Individual clients	Global, regional, small and medium-sized enterprises ("SMEs"), larger corporations, financial institutions, and public sector institutions	Global, regional, SMEs, larger corporations, financial institutions, and public sector institutions
Products and Services	Personal financing, property financing, fund transfer services, self-service banking, e-wallet, wealth management	Business financing, advisory, deposit, fund transfer services, self-service banking, wealth management	Trade financing, trade advisory, deposit, fund transfer services, self-service banking, wealth management
Market Presence and Performance	RM2.21 billion total financing disbursed to individuals	RM2.37 billion total financing disbursed to SME	More than RM14.0 billion of total trade utilisation

## JOURNEY

Fund Transfer within MBSB Bank  
 JOMPAY  
 DuitNow (Pay to Proxy & Pay to Account)  
 Interbank Giro ("IBG")  
 Foreign Telegraphic Transfer  
 e-Statement  
 Payroll & Bulk Payment  
 Financing Payment  
 Statutory Board (LHDN, EPF & SOCSO)  
 TD-i Placement & Withdrawal  
 Cheque Book Inquiry / Stop Cheque

## FAST

Apply online Personal Financing ("PF-i")  
 Financing eligibility check  
 Self-check for application status  
 24/7 accessibility



Cash deposit  
 Cash withdrawal  
 Check account balance  
 Transfer to Current Account and Savings Account ("CASA")  
 Interbank transfer  
 Cheque book application

## TRADE

Trade Finance Product Info  
 Trade Finance Fees & Charges  
 Trade Facilities Listing Inquiry  
 Product Transaction Listing Inquiry  
 Request Document Pickup Services

## JOURNEY

Fund Transfer within MBSB Bank  
 Interbank GIRO ("IBG")  
 JOMPAY  
 DuitNow (Pay to Proxy & Pay to Account)  
 TD-i Placement & Withdrawal  
 Financing Payment

## FAST

Account Opening:  
 - Current Account  
 - Savings Account



Reload e-wallet  
 Airtime reloads  
 Bill payment  
 Payment via QR

# Our Digital Capabilities

## OUR CORPORATE STRUCTURE



MALAYSIA BUILDING SOCIETY BERHAD  
 Registration No. 197001000172 (9417-K)  
 A Subsidiary of the EPF



**Note:**

\* Currently in Member's Voluntary Winding-up

# Board Of Directors

**Tan Sri Azlan Zainol**

Chairman / Non-Independent Non-Executive Director

**Encik Sazaliza bin Zainuddin**

Non-Independent Executive Director

**Encik Lim Tian Huat**

Non-Independent Non-Executive Director

**Puan Lynette Yeow Su-Yin**

Senior Independent Non-Executive Director

**Ir. Moslim bin Othman**

Independent Non-Executive Director

**Encik Mohamad Abdul Halim bin Ahmad**

Independent Non-Executive Director

**Dr. Loh Leong Hua**

Independent Non-Executive Director

**Datin Hoi Lai Ping**

Independent Non-Executive Director

## Acting Chief Executive Officer

**Datuk Nor Azam M. Taib**

## Company Secretaries

**Koh Ai Hoon**

(MAICSA 7006997)

Practicing Certificate No.:

201908003748

**Tong Lee Mee**

(MAICSA 7053445)

Practicing Certificate No.:

201908001316

## Registrar

Tricor Investor & Issuing House Services Sdn Bhd

Unit 32-01, Level 32, Tower A

Vertical Business Suite

Avenue 3, Bangsar South

No. 8, Jalan Kerinchi

59200 Kuala Lumpur

Tel : 03- 2783 9299

Fax : 03- 2783 9222

## Auditors

PricewaterhouseCoopers PLT

LLP0014401-LCA & AF 1146

(Chartered Accountants)

Level 10, 1 Sentral

Jalan Rakyat, KL Sentral

P O Box 10192

50706 Kuala Lumpur

## Registered Office

Level 25, Menara MBSB Bank

PJ Sentral

Lot 12, Persiaran Barat, Seksyen 52

46200 Petaling Jaya, Selangor

Tel : 03-2096 3000

Fax : 03-7455 5108

Website : [www.mbsb.com.my](http://www.mbsb.com.my)

## Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

(Listed since 14 March 1972)

## AWARDS AND ACCOLADES

UPCOMING BEST RETAIL  
BANK MALAYSIA

ISLAMIC RETAIL BANKING  
AWARDS 2021

CAMBRIDGE IFA

BEST ISLAMIC RETAIL  
BANKING CAMPAIGN 2021  
CASA-I CAMPAIGN

ISLAMIC RETAIL BANKING  
AWARDS 2021

CAMBRIDGE IFA





COMPANY OF THE YEAR  
BANKING AND FINANCIAL  
INSTITUTION

SUSTAINABILITY AND CSR  
MALAYSIA AWARDS 2021



ANUGERAH PEMBAYAR  
CUKAI TERBAIK 2021

SAMBUTAN HARI HASIL  
KE-26 LEMBAGA HASIL  
DALAM NEGERI



GOLD EXCELLENCE AWARDS

COMPANIES WITH RM2 BILLION  
TO RM10 BILLION IN MARKET  
CAPITALISATION

NATIONAL ANNUAL  
CORPORATE REPORT AWARDS  
(NACRA) 2021

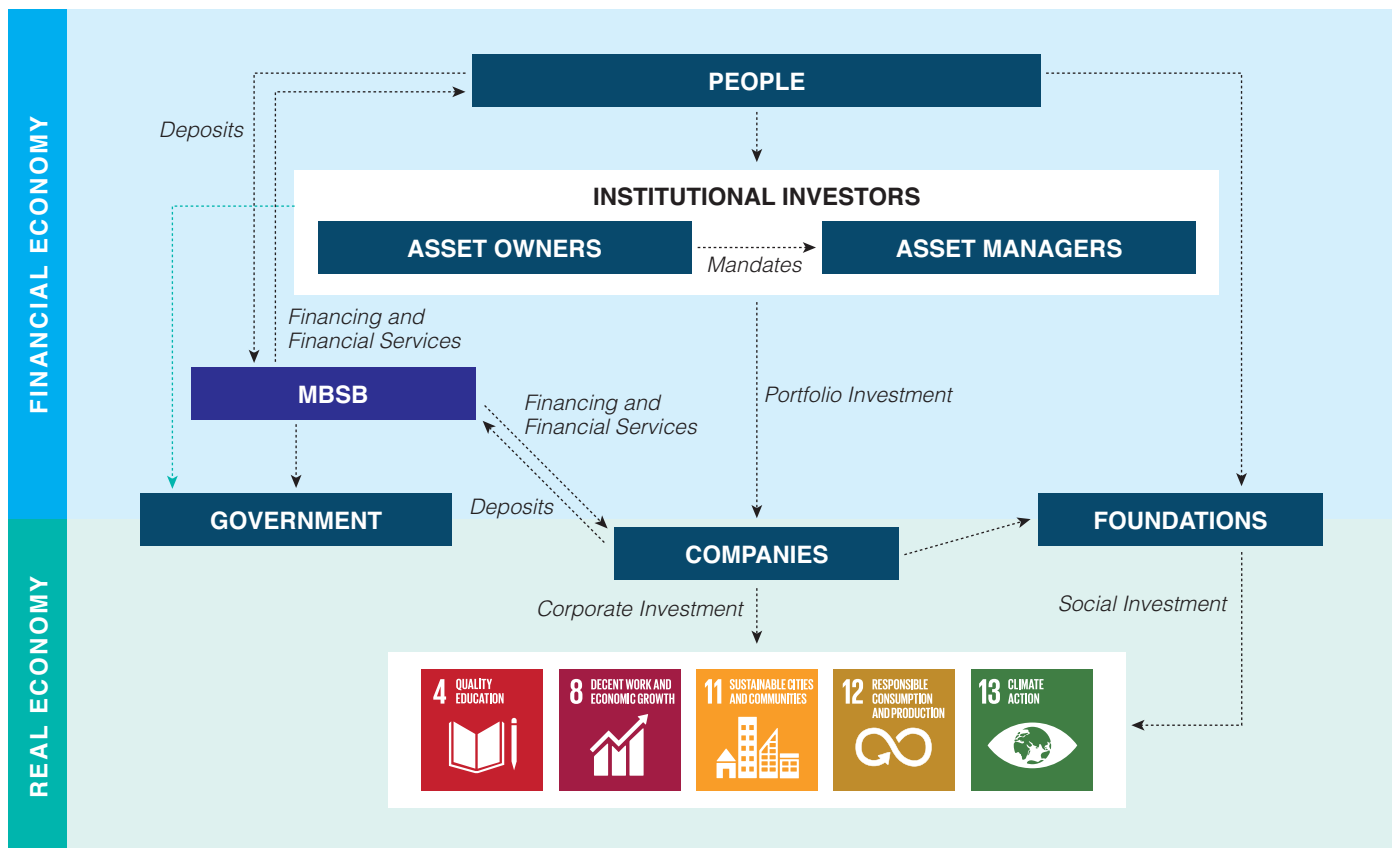


## MBSB'S APPROACH TO SUSTAINABILITY


### Our Approach to Value Creation

We utilize a value-based intermediation approach to ensure our contributions to society transcend beyond just financial value. Our business model is designed to provide a positive and long-term impact on the economy, community, and environment.

Banks serve as financial intermediaries (safe havens for depositors and credit or cashflow providers for individuals, businesses, and governments) and are critical to economic progress. They can have a substantial impact on the way businesses operate. Here at MBSB, we have maintained a focus on nation-building, particularly by offering access to affordable financial services for civil servants, low and middle-income groups, and SMEs. The diagram below provides a summary of our role in the real economy.



We recognise our role in advancing Malaysia's commitment to the 2030 Agenda for Sustainable Development and have incorporated the UN SDGs into our sustainability strategy to support the nation's ambition through our business actions, policies and initiatives. To guarantee that our funding has a beneficial impact and does not harm society or the environment, we are constantly upgrading our internal processes to integrate these considerations, including risk management and financing standards.

 Refer to MBSB SR2021 for more information on our commitment to the UN SDGs

Our value creation model explains how we create value for our key stakeholders by transforming various inputs or capitals through business activities and interactions to produce outputs and outcomes that generate value for our stakeholders over the short, medium, and long term.

## Our six capitals



### Financial

Funds available for use in the provision of services obtained via financing such as equity, debt, or grants, or money generated through business operations or investments.



### Intellectual

Our knowledge-based intangibles include its brand and reputation, management systems and procedures, digital capabilities, and intellectual property.



### Manufactured

An established network of bank branches and touch points across Malaysia in providing excellent services to key stakeholders.



### Social and Relationship

The relationships built within the community and with key stakeholders that allow knowledge exchange to enhance individual and collective well-being.



### Human

Employees' competencies, capabilities, and experience and how they align with and support MBSB's governance framework, risk management approach, and ethical values.



### Natural

All renewable and non-renewable environmental resources used by us to provide services that support the past, current, or future prosperity.

# OUR VALUE CREATION MODEL

## Our Value Creation Model

### OVERARCHING GOVERNANCE

Premised on Shariah Principles, we commit to uphold the highest level of integrity in our everyday decisions and actions, in our efforts to uplift our communities and our nation.

Our Management Committee is chaired by our CEO and consists of top management.

### KEY INPUT

Resources used



#### FINANCIAL

- **RM7.2bil** shareholders' capital
- **RM33.3bil** deposits and placements from customers, banks and other financial institutions
- **RM5.5bil** borrowings



#### MANUFACTURED

- **47** branches across Malaysia
- **54** self-service terminals
- **10,737** number of CASA account opening online applications



#### HUMAN

- **2,105** employees
- **52,704** training hours
- **RM2.10mil** invested in employees' learning and development
- Competitive **benefits**



#### INTELLECTUAL

- Values, principles, standards, and norms of behavior
- Risk management framework, system, process and policies
- **Internet banking** platform
- Invested in **Cyber Security** Enhancement Project
- **62%** of total CAPEX spent on technology improvement and upgrades
- Established **Robotic Process Automation** to optimise operational efficiency



#### SOCIAL & RELATIONSHIP

- Continuous **stakeholder engagement**
- **RM9.38mil** collectively contributed to community investment
- Donated **RM2.73mil** for **COVID-19 relief measures**
- **Responsible financing** policy
- **Data protection and privacy** policies



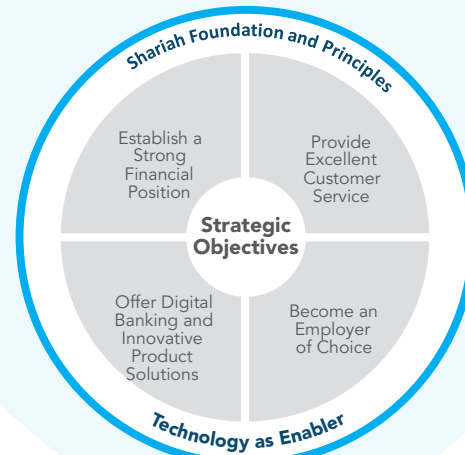
#### NATURAL

- **Green financing** initiatives which include the planned issuance of a sustainability Sukuk to finance green and social projects
- Invested in **green building** as MBSB's new corporate headquarters
- **Energy efficiency** initiatives
- **Waste management** process
- **Digitalisation** efforts and initiatives to reduce environmental footprint

### BUSINESS ACTIVITIES

#### OUR VISION

To Become A Top Progressive Islamic Bank



Consumer Banking | Business Banking | Trade Financing

### OUR STRATEGY



### OUR CORE VALUES



Supported by Policies, Procedures and Systems

Our Shariah Advisory Committee ("SAC") oversees the Bank's compliance our internal Shariah Governance Framework and all regulatory Shariah standards and guidelines issued by Bank Negara Malaysia

We have robust policies and procedures across the Group to ensure our banking services are ethical, transparent and secure

Our Board of Directors is diverse in skills, qualification, and experience. In 2021, 57% of the MBSB Board are independent non-executive directors

## OUTPUT

Value Created



- **RM2.62bil** revenue
- **RM714.10mil** profit before tax and zakat
- **32.8%** cost-to-income ratio
- Gold Excellence Awards - Companies with RM2 Billion to RM10 Billion in Market Capitalisation for National Annual Corporate Report Awards (NACRA) 2021



- **783** customer complaints received from various communication channels
- **RM4.3bil** in total approved financing supporting both retail and corporate customers
- **Diversified portfolio** for business lines by specific region and size



- **2,105** employees
- **285** new hires
- Diverse workforce with **53%** women employees
- **RM259.0mil** total wages and benefits expenses



- **Zero** non-compliance for fines and sanctions
- **RM12.03mil** in advertising and marketing value
- **RM11.09mil** in public relations value



- **8** substantiated complaints concerning breaches of customer privacy
- Essential food items were distributed to flood-affected areas where approximately 100 of our employees were dispatched to help clean up the affected houses.



- **RM525.18mil** cumulative green financing approved and accepted
- **7,126MWh** in energy consumption
- **52,477m³** in water consumption
- **4,018tCO<sub>2</sub>e** in carbon emissions (scope 2)
- **12,753 reams** of paper used

## VALUE FOR STAKEHOLDERS



### Shareholders

- **RM354.7mil** dividend declared/paid
- **RM3.84bil** market capitalisation
- **RM1.08bil** economic value distributed



### Government

- **RM259.0mil** total tax and zakat distributed
- Contributed to the national economy
- Positive impact on society and environment



### Media, Analysts and Asset Managers

- **2.4 million** social media reach
- Enhanced brand quality
- Increased transparency and information reliability



### Regulators

- Complied with regulations and standards
- Improved socio economic welfare



### Customers

- Achieved **81.5%** Customer Satisfaction Index Score
- Enhanced customer experience



### Employees

- **6.6%** employee turnover rate
- **25 training hours** on average provided to each employee



### Board of Directors

- Transparent and accountable leadership
- Reliable management and systems



### Partners and Alliances

- Successful projects and partnerships
- More future collaboration opportunities



### Society

- Provision of COVID-19 and flood relief to the community
- Environmental efficient processes and operations

## ENGAGING OUR STAKEHOLDERS



To preserve rapport and develop confidence in our business processes, we have consistently worked to ensure transparency and responsiveness in all our contacts with our key stakeholders. Our initiatives will continue to focus on key stakeholder groups who are most affected by our company. We undertook a stakeholder assessment process in FY2019 to select stakeholder groups of attention, and upon assessment, our key stakeholders remain the same as those identified in FY2019.

 Refer to SR 2019 for Stakeholders Assessment Process

We encourage two-way communication through internal and external consultation, and these engagements also serve as a platform for management to gather opinion on practises and policies that are important to our stakeholders. Throughout the reporting period, a diverse range of stakeholder engagements were carried out.

**Engagement Frequency**


- Annually
- Quarterly
- As and when required
- Bi-Annually
- Monthly
- Throughout the year

Board of Directors	Shariah Advisory Committee
<b>Our Stakeholders</b>	<b>Our Stakeholders</b>
The Board of Directors play a significant role in creating business strategies and ensuring that the company is moving in the right direction	The Shariah Advisory Committee provides objective and sound Shariah-related advice to the Bank for key business decisions
<b>How do we engage them?</b>	<b>How do we engage them?</b>
Board meetings <span style="color: teal;">●</span>	Meeting <span style="color: teal;">●</span>
Board training and forums <span style="color: purple;">●</span>	Training programmes <span style="color: purple;">●</span>
<b>Key topics discussed in FY2021</b>	<b>Key topics discussed in FY2021</b>
Business performance	Good governance
Growth opportunities	Reputation
Employee welfare, remunerations, and benefits	Shariah risk, audit, and compliance
Good governance	Sustainable financing practices
IT infrastructure and information system	Transparent reporting
Succession planning	
<b>Related material matters</b>	<b>Related material matters</b>
Economic Performance	Business Ethics and Integrity
Green Financing	Regulatory and Shariah Compliance
Innovation	Responsible Financing
Employment	Financial Inclusion
Business Ethics and Integrity	
Cyber Security	
	

Shareholders	Customers	Employees
<b>Our Stakeholders</b>	<b>Our Stakeholders</b>	<b>Our Stakeholders</b>
Shareholders provide the capital and funding necessary for MBSB to continue growing as a rising star in the Islamic bank industry	Our customers play an essential role as users and feedback providers for continuous improvement of our products and services	Employees are the executors of our business plans and strategies, and they are our brand ambassadors
<b>How do we engage them?</b>	<b>How do we engage them?</b>	<b>How do we engage them?</b>
Annual General Meeting ● Extraordinary General Meeting ●	Customer Satisfaction Index Survey ● Product Launch ● Promotions and Campaigns ●	Online meetings and discussions ● Online training ● Employee engagement survey ● Employee engagement activities ●
<b>Key topics discussed in FY2021</b>	<b>Key topics discussed in FY2021</b>	<b>Key topics discussed in FY2021</b>
Business performance and dividend payment Reputation Growth opportunities	Customer experience Shariah compliance Data integrity and security Products and services Affordability and accessibility	Health and safety Employee welfare Career development Equal opportunities
<b>Related material matters</b>	<b>Related material matters</b>	<b>Related material matters</b>
Economic Performance Market Presence Innovation Green Financing	Customer Experience and Satisfaction Regulatory and Shariah Compliance Customer Privacy Innovation Financial Inclusion	Occupational Safety and Health Employment Training and Education Diversity and Equal Opportunities
		

Engagement Frequency

- Annually
- Quarterly
- As and when required
- Bi-Annually
- Monthly
- Throughout the year

Regulators	Media, Analysts and Asset Managers
<b>Our Stakeholders</b>	<b>Our Stakeholders</b>
Regulators provide directions towards sustainable, ethical and best practices	Media, Analysts and Asset Managers provide valuable insight and news of MBSB to investors and the community in an independent and credible manner
<b>How do we engage them?</b>	<b>How do we engage them?</b>
Online briefing ● Internet Banking Task Force (IBTF) ● Industry engagement ●	Analyst briefings ● One-on-one meeting ● Press conference ●
<b>Key topics discussed in FY2021</b>	<b>Key topics discussed in FY2021</b>
Sustainable financing practices Risk management Good governance Transparency Customer relief assistance	Business performance Business strategy and growth Transparency
<b>Related material matters</b>	<b>Related material matters</b>
Responsible Financing Financial Inclusion Business Ethics and Integrity	Economic Performance Market Presence Responsible Financing Green Financing Business Ethics and Integrity
	



Government	Society and Ngos	Partners and Alliances
<b>Our Stakeholders</b>	<b>Our Stakeholders</b>	<b>Our Stakeholders</b>
<p>The government has the authority to provide direction and policies that can impact MBSB's business plan and strategies</p>	<p>Society and NGOs can help us understand how we can play a part in developing society, improving communities, empowering marginalised groups and reducing inequality</p>	<p>Partners and alliances enable us to build strong industry rapport for shared knowledge and expertise</p>
<b>How do we engage them?</b>	<b>How do we engage them?</b>	<b>How do we engage them?</b>
<p>Dialogues ●</p> <p>Conferences ●</p>	<p>Meetings ●</p> <p>Graduate Employability at MBSB (GEM) programme ●</p> <p>CSR initiatives ●</p>	<p>Meetings ●</p> <p>Associations ●</p>
<b>Key topics discussed in FY2021</b>	<b>Key topics discussed in FY2021</b>	<b>Key topics discussed in FY2021</b>
<p>COVID-19 relief and financing measures</p> <p>Affordable housing financing</p> <p>Compliance</p> <p>Green initiatives</p>	<p>CSR activities</p> <p>Green initiatives</p> <p>Financial literacy</p> <p>Accessibility</p>	<p>Partnership for growth</p> <p>Reputation</p> <p>Product innovation</p> <p>IT infrastructure and information system</p>
<b>Related material matters</b>	<b>Related material matters</b>	<b>Related material matters</b>
<p>Responsible Financing</p> <p>Financial Inclusion</p> <p>Business Ethics and Integrity</p> <p>Green Financing</p>	<p>Local Communities</p> <p>Direct Environmental Footprint</p> <p>Responsible Financing</p> <p>Financial Inclusion</p>	<p>Economic Performance</p> <p>Innovation</p> <p>Cyber Security</p>
		

## OUR CONTRIBUTION TO THE UN SDGs

# Our Contribution to the UN SDGs

### Quality Education

#### Our Contribution and Impact:

- Adopted 6 schools through the School Adoption Programme
- Invested RM2.10 million in 52,704 hours of staff training and development programmes



### Decent Work and Economic Growth

#### Our Contribution and Impact:

- Improved job productivity through investments in technical advancements as part of our digital transformation programme
- More than RM 17 million was invested to upgrade and enhance Bank's Cyber Security related systems
- Supported youth employment through our GEM 2.0 programme
- Implemented and enhanced our responsible financing and financial inclusion practices
- Introduced digital financial platforms such as our mobile application and e-wallet to improve accessibility



### Sustainable Cities and Communities

#### Our Contribution and Impact:

- Distributed RM2.37 billion in financing to SMEs
- Provide low-cost home financing options
- Contributed more than RM9.38 million to CSR programmes
- Provided affected customers with COVID-19 special relief



### Responsible Consumption and Production

#### Our Contribution and Impact:

- A 5.4% reduction in the amount of paper used
- Initiated and implemented several workplace sustainability initiatives through our Sustainability@Workplace campaign



### Climate Action

#### Our Contribution and Impact:

- Approved RM99.16 million in green finance applications in FY2021, resulting in a cumulative total of RM525.18 mil in green financing as of 31st December 2021.
- 4,018 tCO2e indirect energy GHG emissions (Scope 2)
- Improved energy efficiency initiatives in our current properties
- New headquarters achieved LEED (Gold) certification

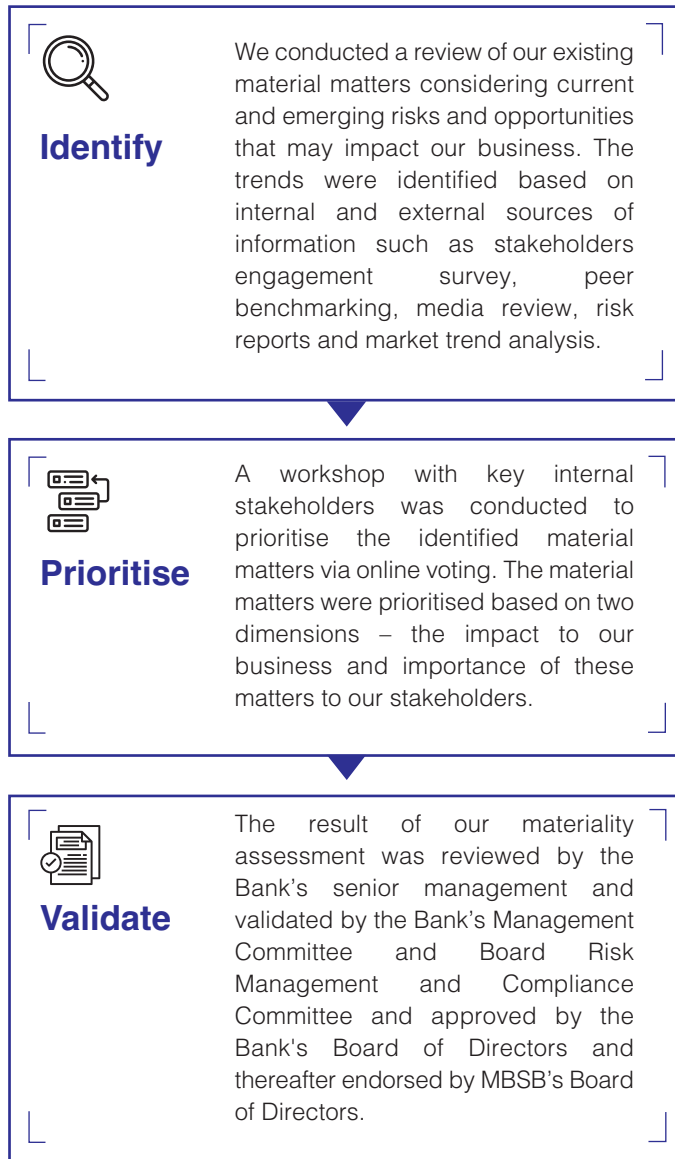


## OUR APPROACH TO MATERIALITY

### Our Approach to Materiality

We conduct a materiality assessment workshop annually with our internal and external stakeholders to stimulate in-depth discussions of our ESG risks and opportunities. We aim to identify the material matters and issues that have the strongest potential to impact our capacity to operate successfully and produce value for our stakeholders. The assessment is then used to inform our strategy, ESG targets, and reporting.

#### Materiality Assessment Process




## MATERIAL RISK AND OPPORTUNITIES

Material matters	Boundary	Importance of managing them	Risks	Opportunities
<b>Business ethics and integrity</b>	MBSB	Business ethics and integrity is the foundation of every banking institution and is of critical interest to regulators, employees and customers alike. This is because we are entrusted to look after our customers' money, and we have a duty to finance that money responsibly.	<ul style="list-style-type: none"> <li>- <b>Reputational risk:</b> Risk of damaging MBSB's brand and losing stakeholders' trust</li> <li>- <b>Operational risk:</b> Increase misconduct and conflict internally</li> </ul>	<ul style="list-style-type: none"> <li>- Cultivate strong ethical culture across MBSB</li> <li>- Promote strong public image</li> </ul>
<b>Regulatory and Shariah compliance</b>	MBSB Bank	Regulatory and Shariah Compliance ensures our license to operate. We are committed to ensure that all reporting or regulatory requirements are fulfilled.	<ul style="list-style-type: none"> <li>- <b>Reputational risk:</b> Non-compliance will result in tarnished reputation</li> <li>- <b>Regulatory risk:</b> Changes in regulations resulting in non-compliance</li> <li>- <b>Financial risk:</b> Increased regulatory fines for non-compliance</li> <li>- <b>Operational risk:</b> Non-compliance may lead to loss of a license to operate</li> </ul>	<ul style="list-style-type: none"> <li>- Growing demand for Shariah-compliant products, particularly in Malaysia and Indonesia</li> <li>- Responsible banking practices</li> </ul>
<b>Employment</b>	MBSB Bank	Our employees are our greatest assets, they are our ambassadors, our front liners and the backbone of our organisation which enable us to achieve our business strategy and to deliver value for all stakeholders.	<ul style="list-style-type: none"> <li>- <b>Operational risk:</b> High turnover may lead to disruption in operations</li> <li>- <b>Operational risk:</b> Low employee engagement may lead to a decline in productivity and team morale</li> <li>- <b>Financial risk:</b> The cost of replacing a departing employee can be high</li> </ul>	<ul style="list-style-type: none"> <li>- Strengthen employer brand</li> <li>- Establish high-performing culture</li> </ul>
<b>Training and education</b>	MBSB Bank	To build a future-ready workforce, we develop our people's skills and competencies to meet the increasing expectations and demand from our stakeholders.	<ul style="list-style-type: none"> <li>- <b>Reputational risk:</b> Lack of training resulting in poor customer service and damage to reputation</li> <li>- <b>Operational risk:</b> Employees not up to date with the latest skills and capabilities</li> <li>- <b>Operational risk:</b> Low productivity and ineffective management due to lack of skills and knowledge</li> </ul>	<ul style="list-style-type: none"> <li>- Maintain competitive advantage</li> <li>- Increase job satisfaction</li> <li>- Higher productivity</li> <li>- Better customer service</li> </ul>

Material matters	Boundary	Importance of managing them	Risks	Opportunities
<b>Occupational safety and health</b>	MBSB Bank	Safe and comfortable working environment protects our employees from harm and improves productivity.	<ul style="list-style-type: none"> <li>- <b>Operational risk:</b> Productivity affected due to lost time injuries or lost days</li> <li>- <b>Reputational risk:</b> Unsafe working environment</li> </ul>	<ul style="list-style-type: none"> <li>- Promote safe environment for MBSB Bank's employees</li> <li>- Increase productivity with healthy employees</li> </ul>
<b>Diversity and equal opportunity</b>	MBSB Bank	We focus on being open-minded and providing equal opportunities for all to embrace the benefits of diversity in terms of culture, background, gender and skills.	<ul style="list-style-type: none"> <li>- <b>Operational risk:</b> Limited perspectives in the workplace</li> </ul>	<ul style="list-style-type: none"> <li>- Boost employer brand</li> <li>- Attract top talent from diverse talent pools</li> </ul>
<b>Customer experience and satisfaction</b>	MBSB Bank	Creating an exceptional customer experience is one of, if not the most important matter for us as a bank. Great customer experience builds brand loyalty and affinity, improves brand image and gives us a competitive advantage for sustainable growth.	<ul style="list-style-type: none"> <li>- <b>Reputational risk:</b> Risk of losing customers</li> <li>- <b>Financial risk:</b> Higher cost to acquire new customers</li> <li>- <b>Operational risk:</b> Increased number of complaints leading to increased manpower to resolve them</li> </ul>	<ul style="list-style-type: none"> <li>- Positive impact on brand image</li> <li>- Increase in recurring customers and referrals</li> </ul>
<b>Market presence</b>	MBSB Bank	Our presence in the market creates awareness on our brand and the products we offer which will allow us to expand our reach to more customers and ensure sustainable growth. Our aim is to make a memorable impression on customers and build loyalty.	<ul style="list-style-type: none"> <li>- <b>Reputational risk:</b> Low brand awareness</li> <li>- <b>Strategic risk:</b> Restrict MBSB Bank's achievement of its strategy and growth</li> <li>- <b>Business risk:</b> Competition risk that threatens MBSB Bank's market position</li> </ul>	<ul style="list-style-type: none"> <li>- Partnership opportunities to improve service delivery</li> <li>- Increase market share</li> <li>- Higher brand awareness</li> </ul>
<b>Customer privacy</b>	MBSB Bank	To create a strong digital relationship with customers based on trust and to prevent customer information from leaks.	<ul style="list-style-type: none"> <li>- <b>Compliance risk:</b> Increased risk of non-compliance with data privacy rules</li> <li>- <b>Financial risk:</b> Increased penalties and fines</li> <li>- <b>Reputational risk:</b> Loss of customers' trusts and tarnished reputation</li> </ul>	<ul style="list-style-type: none"> <li>- Collaborate with regulators and industry working groups to manage data privacy</li> </ul>

Material matters	Boundary	Importance of managing them	Risks	Opportunities
<b>Economic performance</b>	MBSB	To ensure that we are maximising value creation for our shareholders and creating wealth in the economy.	<ul style="list-style-type: none"> <li>- <b>Financial risk:</b> Profitability of business will impact business liquidity and credit ratings</li> <li>- <b>Strategic risk:</b> Poor financial performance lead to inability to achieve strategies and insufficient funds to invest in growth</li> <li>- <b>Reputational risk:</b> Loss of shareholders' confidence in MBSB</li> </ul>	<ul style="list-style-type: none"> <li>- Diversification of revenue streams</li> <li>- Identify new growth areas</li> <li>- Improve liquidity and funds available to finance business growth</li> <li>- Improve share price performance</li> </ul>
<b>Green financing</b>	MBSB Bank	To play our part as a financial institution in supporting actions on mitigating and adapting to climate change, in line with the government's initiative of improving ecosystem resilience and diversify investments.	<ul style="list-style-type: none"> <li>- <b>Operational risk:</b> Not adapting to stakeholders' demand on green and climate-related initiatives</li> <li>- <b>Climate risk:</b> Transition risks for not addressing climate change</li> </ul>	<ul style="list-style-type: none"> <li>- Contribute to the transition to a low carbon economy</li> <li>- New business opportunities</li> </ul>
<b>Innovation</b>	MBSB Bank	Continuous innovation is key to future-proof our business. It unlocks new opportunities and informs better ways of attracting new business and increasing customer loyalty.	<ul style="list-style-type: none"> <li>- <b>Strategic risk:</b> Failure to adapt to stakeholders' needs</li> <li>- <b>Strategic risk:</b> Loss of competitive advantage</li> <li>- <b>Financial risk:</b> Increased inefficiency and operation costs</li> </ul>	<ul style="list-style-type: none"> <li>- More resilient to disruptions</li> <li>- Diversification of revenue streams</li> <li>- Attract new customers especially the younger and tech-savvy population</li> </ul>
<b>Cyber security</b>	MBSB Bank	As we move towards a digitally-enabled future, cybercrime is becoming more serious and common. Cyber security is important as it safeguards and protects sensitive data, customers' information and intellectual property from theft and manipulation.	<ul style="list-style-type: none"> <li>- <b>Operational risk:</b> More susceptible to cyber attacks</li> <li>- <b>Reputational risk:</b> Loss of stakeholders' confidence in MBSB</li> </ul>	<ul style="list-style-type: none"> <li>- Improve information security and business continuity management</li> <li>- Faster recovery in the event of a breach</li> </ul>

Material matters	Boundary	Importance of managing them	Risks	Opportunities
<b>Responsible financing</b>	MBSB Bank	We conduct responsible business by considering the ESG impacts of our financing. This includes ensuring that consumers are only presented with financial products that meet their needs and within their means. This, in addition, will also allow us to manage our credit risks.	<ul style="list-style-type: none"> <li>- <b>Compliance risk:</b> Non-compliance of guidelines on responsible financing</li> <li>- <b>Credit risk:</b> Inadequate suitability and affordability assessment would lead to increased credit risk and losses</li> </ul>	<ul style="list-style-type: none"> <li>- Adapt to greater demand for Shariah and ESG aligned products and services</li> </ul>
<b>Financial inclusion</b>	MBSB Bank	Financial inclusion is a key enabler to reducing poverty and ensuring sustainable growth for the local economy. We strive to improve the accessibility and affordability of our products.	<ul style="list-style-type: none"> <li>- <b>Business risk:</b> Potential of losing business opportunities from the underserved SME segments</li> </ul>	<ul style="list-style-type: none"> <li>- Explore business opportunities from the untapped markets</li> </ul>
<b>Local communities</b>	MBSB Bank	To create positive impact on society while maximising shared value creation for key stakeholders.	<ul style="list-style-type: none"> <li>- <b>Reputational risk:</b> Eligible projects are limited to the budget allocated for corporate social responsibility (CSR)</li> <li>- <b>Strategic risk:</b> CSR programmes may be short-termistic and does not consider longer-term value</li> </ul>	<ul style="list-style-type: none"> <li>- Strengthen business reputation</li> <li>- Improve livelihood of society around MBSB Bank</li> </ul>
<b>Direct environmental impact</b>	MBSB	To manage and reduce the impacts from our operations on the environment.	<ul style="list-style-type: none"> <li>- <b>Climate risk:</b> Susceptible to physical and transition risk due to inadequate management of environmental footprint</li> <li>- <b>Compliance risk:</b> Non-compliance of laws and regulations on environment related matters</li> </ul>	<ul style="list-style-type: none"> <li>- Increase efficiency and reduce cost because of environmental management</li> <li>- Gain certification to recognised standards such as Green Building LEED certifications</li> </ul>


 Refer to MBSB SR2021 for more information on our management approach for each material matter

## FY2021 Performance

Strategies	FY2021 Performance	Discussed further in
<ul style="list-style-type: none"> <li>- Overarching governance</li> <li>- Sustainability approach: Upholding Our Integrity</li> <li>- Material matters: Business Ethics and Integrity Regulatory Shariah and Compliance</li> </ul>	<ul style="list-style-type: none"> <li>- Zero incidents of confirmed corruption</li> <li>- Mandatory for all employees to complete e-learning modules on Integrity and Governance and Banking Secrecy</li> <li>- Zero fines and non-monetary sanctions for non-compliance with laws and regulations</li> <li>- Successfully implemented IABCAP Policy across the Group</li> </ul>	<ul style="list-style-type: none"> <li>- CG Report</li> <li>- SR2021 (Pg 34 - pg 41)</li> </ul>
<ul style="list-style-type: none"> <li>- Strong management to become the employer of choice</li> <li>- Sustainability approach: Nurturing Our People</li> <li>- Material matters:                             <ul style="list-style-type: none"> <li>- Employment</li> <li>- Training and Education</li> <li>- Occupational Safety and Health</li> <li>- Diversity and Equal Opportunity</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- A hiring rate of 13.5% in FY2021</li> <li>- 4 cases of recordable work-related ill health</li> <li>- 52,704 total hours of employee training</li> <li>- Maintained a low turnover rate of 6.6%</li> <li>- 100% of employees are locals</li> <li>- RM2.10 million spent on training and development programmes for staff</li> <li>- Revised OSH committee procedures &amp; guidelines</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic review (Pg 59)</li> <li>- SR2021 (Pg 42 - pg 51)</li> </ul>
<ul style="list-style-type: none"> <li>- Provide excellent customer service</li> <li>- Sustainability approach: Engaging Our Customers</li> <li>- Material matters:                             <ul style="list-style-type: none"> <li>- Customer Experience and Satisfaction</li> <li>- Market Presence</li> <li>- Customer Privacy</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- 81.5% Customer Satisfaction Index</li> <li>- 8 substantiated complaints concerning breaches of customer privacy</li> <li>- Progress initiatives involving the Case Management System, STEP Programme, Customer Satisfaction Survey and Mystery Shopping Programme</li> <li>- Introduced action plan to address customer grievances based on CSS and PTS</li> <li>- Launched MBSB Bank's account on LinkedIn</li> <li>- RM12.03 million expenditure on advertising (online and offline) and marketing which has resulted in over RM215.78 million in ads value return with a PR value of RM11.09 million</li> <li>- Won 5 awards across different categories</li> <li>- Implemented an additional control mechanism to monitor the frequency of viewing customers' information by staff</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic review (Pg 58 - pg 59)</li> <li>- SR2021 (Pg 54 - pg 65)</li> </ul>
<ul style="list-style-type: none"> <li>- Establish a strong financial position</li> <li>- Sustainability Approach: Innovating Our Products</li> <li>- Material Matters:                             <ul style="list-style-type: none"> <li>- Economic Performance</li> <li>- Green Financing</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- RM1.08 bil total economic value distributed</li> <li>- 99% spent on local suppliers</li> <li>- Approved and published Sustainability Sukuk Framework</li> <li>- RM99.16 million disbursed to financing green projects in FY2021, cumulative value of RM525.18 million</li> <li>- 10MW total facilitated clean energy generation</li> <li>- Development of the ESG Risk framework which incorporates environmental risk assessments</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic review (Pg 54 - pg 55)</li> <li>- SR2021 (Pg 66 - pg 69)</li> </ul>



Strategies	FY2021 Performance	Discussed further in
<ul style="list-style-type: none"> <li>- Offering digital banking and innovative product solutions</li> <li>- Sustainability approach: Diversifying Our Technology</li> </ul>	<ul style="list-style-type: none"> <li>- 130 total Tech Headcount to support services and in-house development</li> <li>- 83% customers active on our digital platforms</li> <li>- 62% of total CAPEX spent on technology improvement and upgrades</li> <li>- RM17 million invested in Cyber Security</li> <li>- Launched the Robotic Process Automation (“RPA”)</li> <li>- Improved security surveillance on M Journey platforms</li> <li>- 113% increase of mobile application users</li> <li>- Migrated data centre in Wisma MBSB, Damansara Heights to the new data centre in Cyberjaya</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic review (Pg 56)</li> <li>- SR2021 (Pg 70 - pg 75)</li> </ul>
<ul style="list-style-type: none"> <li>- Supporting and assisting vulnerable groups</li> <li>- Sustainability approach: Safeguarding Our Community</li> <li>- Material Matters                             <ul style="list-style-type: none"> <li>- Responsible Financing</li> <li>- Financial Inclusion</li> <li>- Local Communities</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>- RM9.38 million in community contributions</li> <li>- RM1.15 billion total approved financing for low-income groups</li> <li>- RM2.37 billion total financing disbursed to SMEs</li> <li>- Introduced our ESG Risk Framework for Corporate Financing and Sukuk Issuers</li> <li>- Updated list of general exclusions and industry-specific exclusion list to incorporate detailed social and environmental exclusions</li> <li>- Offer financing services for SMEs to address short-term cash-flow problems</li> <li>- Approved 144,257 applications for repayment assistance for eligible customers facing financial hardships with a total gross balance of RM 18 billion</li> <li>- Introduced the Personal Financing (PF-i) campaign and disbursed over RM670 million to 4,163 eligible accounts</li> </ul>	<ul style="list-style-type: none"> <li>- Strategic review (Pg 57)</li> <li>- SR2021 (Pg 78 - pg 89)</li> </ul>
<ul style="list-style-type: none"> <li>- Reducing our environmental impact</li> <li>- Sustainability approach: Protecting Our Planet</li> <li>- Material matter: Direct environmental footprint</li> </ul>	<ul style="list-style-type: none"> <li>- 4,018 tCO2e indirect energy (scope 2) greenhouse as emitted</li> <li>- 7,126 MWh in electricity consumption</li> <li>- 52,477 m3 in water consumption</li> <li>- 5.4% reduction in paper used in comparison to FY2020</li> <li>- Sustainability Working Group established in September 2021</li> <li>- New headquarters achieved Gold certification by US Green Building Council under its LEED rating system</li> <li>- Sustainability@Workplace initiatives</li> </ul>	<ul style="list-style-type: none"> <li>- SR2021 (Pg 90 - pg 93)</li> </ul>

 Refer to MBSB SR2021 for more information on our management approach for each material matter

A close-up photograph of a person's hands, one holding a pink object, with a white text box overlaid. The background is a textured, light-colored surface, possibly a wall or a piece of paper. The hands are in the foreground, and the pink object is being held in the right hand. The text box is white with a blue border and contains the text "2021: THE YEAR IN REVIEW" in blue, bold, sans-serif font.

# 2021: THE YEAR IN REVIEW



In this section:

- 42 Calendar of Events
- 52 Global and Local Market Landscape
- 54 Strategic Review
- 60 5-Year Financial Highlights

## CALENDAR OF EVENTS



**January 29** 2021 **PCEO Wins CEO of The Year Award**

Allahyarham President and Chief Executive Officer YBhg Datuk Seri Ahmad Zaini Othman received CEO Of The Year award from Cambridge IFA



**February 02** 2021 **Welcoming of New Chief Financial and Chief Technology Officers**

MBSB Bank appointed Encik Ramanathan Rajoo as the new Chief Financial Officer and Encik Amran Abdul Latip as the new Chief Technology Officer



**February 04** 2021 **MBSB Bank Contributes to Flood Relief Centres**

MBSB Bank contributed RM500,000 worth of basic food items to Jabatan Kebajikan Masyarakat (JKM) to be distributed to flood victims



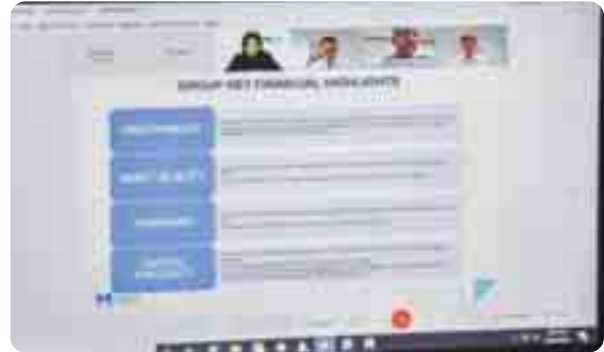
**February 06** 2021 **Retirement of Chairman**

YBhg Tan Sri Abdul Halim Ali retired as the Chairman of MBSB after 20 years at the helm



**February 15** 2021 **Opening of MBSB Bank Kota Bharu branch**

As the bank expands, a new branch was introduced in Kelantan making it the 47th branch



**February 25** 2021 **FYE20 Analyst Briefing**

Deputy Chief Executive Officer Datuk Nor Azam M Taib and Chief Financial Officer Encik Ramanathan Rajoo presented the year ended 31 December 2020 financial results to analysts via webex



**March 01** 2021 **Appointment of New Chairman**

YBhg Tan Sri Azlan Zainol was appointed as the new Chairman



**March 17** 2021 **Commencement of operations at Menara MBSB Bank**

MBSB Bank is the first bank to be head quartered in Selangor. Menara MBSB Bank is also Leadership in Energy and Environmental Design (LEED) certified



**March 30**  
2021 **MBSB Bank Virtual Run**

MBSB Bank employees participated in a virtual race where they were could run at any location, at their own pace, outdoors or on a treadmill, alone or with a group of friends



**April 19**  
2021 **Appointment of New Chief People Officer**

Encik Farid Basir was appointed as MBSB Bank's new Chief People Officer



**April 22**  
2021 **Love Your Planet**

An Instagram contest where employees share photos of them participating in environmental saving activities



**May 01**  
2021 **Appointment of Chief Strategy Officer**

MBSB Bank appointed Dato' Azlan Shahrim as the Chief Strategy Officer



**May 27**  
2021 **1Q21 Analyst Briefing**

An online analyst briefing was conducted and Deputy Chief Executive Officer, Datuk Nor Azam and Chief Financial Officer, Encik Ramanathan Rajoo presented financial results



**May 29**  
2021 **Vaccination Campaign**

To encourage its customers to get the Covid-19 vaccination, MBSB Bank conducted a campaign where vaccinated customers received special merchandise



**June 17**  
2021 **Annual General Meeting**

MBSB held an online annual general meeting where financial statements and moving forward plans were presented and shareholders voted



**June 18**  
2021 **Know Your Team Members**

Employees were encouraged to share their hobbies and hidden talents by posting a video on Instagram and the top three were given cash prize



**June 22** 2021 **Ultimate Corporate Lady Challenge**

Especially organised for the female employees, a webinar on image and personal branding was shared via Instagram and a photo contest was also conducted



**July 01** 2021 **Appointment of New Director**

Encik Ho Kwong Hoong was appointed as an Independent, Non-Executive Director of MBSB Bank



**July 15** 2021 **MBSB Bank Contributes to NADMA**

In an effort to reduce the plight of flood victims, MBSB Bank with partnership with Natural Disaster Management Agency (NADMA) contributed food packs worth RM500,000



**August 15** 2021 **Demise of President and Chief Executive Officer**

YBhg Datuk Seri Ahmad Zaini Othman passed away due to Covid-19 complications





**August 16** 2021 **Appointment of Acting Chief Executive Officer**

YBhg Datuk Nor Azam M Taib was appointed as the Acting Chief Executive Officer



**September 16** 2021 **MBSB Bank Multicultural Virtual Team Hunt**

In conjunction with Malaysia Day, MBSB Bank organised a virtual treasure hunt for its employees to participate



**September 28** 2021 **MBSB Bank Box Of Care**

250 of MBSB Bank Box Of Care were distributed to the residents of PPR Kerinchi, Kuala Lumpur



**October 05** 2021 **MBSB Bank Box Of Care**

MBSB Bank Chief Corporate Officer, Puan Azlina Rashad presented MBSB Bank Box Of Care to residents of Rumah Panjang Cheras, Kuala Lumpur. A total of 200 boxes were distributed



**October 2021 13** Turn Up The Pink Campaign

To raise awareness on Breast Cancer, MBSB Bank organised a campaign where pink ribbons were given to employees and a webinar on breast cancer was initiated



**October 2021 15** MBSB Bank Box Of Care

MBSB Bank delivered 200 boxes of basic food items to the B40 community in Muar, Johor



**October 2021 15** MBSB Bank Soup Kitchen

Employees from Human Resource Division including Chief People Officer, Encik Farid Basir volunteered to prepare 350 food packs that were given to the B40 community



**October 2021 22** MBSB Bank Box Of Care

MBSB Bank delivered 200 boxes of basic food items to the B40 community in Kelantan



**November 09**  
2021 **MBSB Bank Box Of Care**

MBSB Bank delivered 200 boxes of basic food items to the B40 community at Apartment Abdullah Hukum, Kuala Lumpur



**November 18**  
2021 **MBSB Bank Soup Kitchen**

MBSB Bank employees volunteered to prepare 400 food packs that were given to the B40 community



**November 19**  
2021 **MBSB Bank Tree Planting at Gerik Kedah**

MBSB Bank's employees volunteered to 100 plant trees in Gerik Kedah to conserve the environmental biodiversity



**November 25**  
2021 **MBSB Bank Box Of Care**

MBSB Bank delivered 250 boxes of basic food items to the B40 community at Kg Malaysia, Kuala Lumpur



**November 27** 2021 **Tree Planting at Kuala Selangor**

Committed in creating an environmental impact, MBSB Bank's employees volunteered to plant 100 trees in the area



**November 29** 2021 **Sustainability & CSR Malaysia Award**

MBSB Bank was recognised for its efforts in executing consistent CSR activities at Sustainability & CSR Malaysia Awards 2021



**December 03** 2021 **MBSB Bank's Mangrove Rehabilitation**

The rehabilitation programme in Penang was participated by MBSB Bank staff from Northern Region



**December 10** 2021 **MBSB Bank Soup Kitchen**

Employees from Corporate Services Division volunteered to prepare 250 food packs that were given to the B40 community



**December 2021 12** Back To School Programme

In order to prepare for the new school session, MBSB Bank contributed school items to underprivileged students in Klang



**December 2021 20-24** MBSB Bank Flood Relief

MBSB Bank provided cash assistance to its employees who were affected by the flood while 100 of its employees helped in cleaning flood prone areas.

The Bank also contributed more than 4000 packs of basic food items to several flood relief centres.

## Global and Local Market Landscape

Following the pandemic-related collapse of the economy in the first half of 2020, the global economy showed signs of recovery in the second half and continued to recover in the first half of 2021. This was largely tied to the deployment of vaccines despite the rise of new variants. The global market also accelerated by approximately 5.5% in 2021, mainly due to strong rebounds from a few major economies.

With the increased vaccination rate globally, a steady upward trend and output growth was seen throughout 2021, as shown in Figure 1. However, many emerging markets and developing economies continue to struggle with the COVID-19 pandemic and its aftermath. The COVID-19 pandemic disproportionately impacted the poor and vulnerable, resulting in an uneven economic recovery, unequal access to vaccines, growing income losses, and a widened education gap.

Global trade was also significantly affected during the pandemic. Nonetheless, its strong resurgence in the past year aided economic recovery through sustained foreign demand for exports and availability of imported intermediate items and services as illustrated in Figure 2.

In the Malaysian context, Malaysia's GDP fell by 0.5% in the first quarter of 2021, recovering from a 3.4% drop in the fourth quarter of 2020. The rise of the manufacturing sector and the recovery of the agriculture sector aided the economy's recovery during this period. It then further climbed by 16.1% in the second quarter of 2021. However, this substantial rise was partially attributed to the low base reported in the second quarter of 2020. By the third quarter, it then declined once again by 4.5% followed by a recovery of 3.6% in the last quarter of 2021.

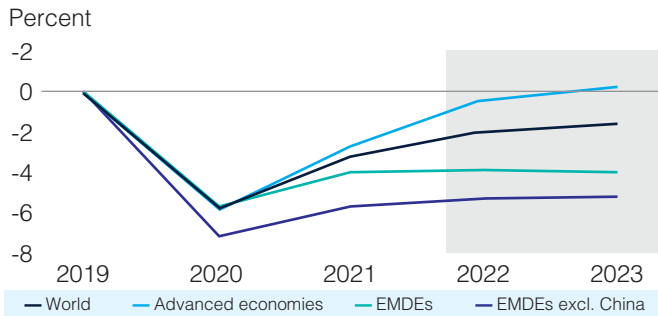


Figure 1: Output growths of advanced companies and emerging market and developing economics (EMDEs), Source: World Bank

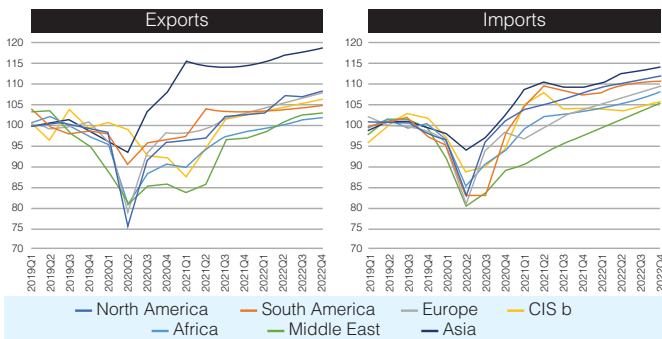


Figure 2: Merchandise exports and imports by region, 2019Q1-2022Q4, Source: World Bank

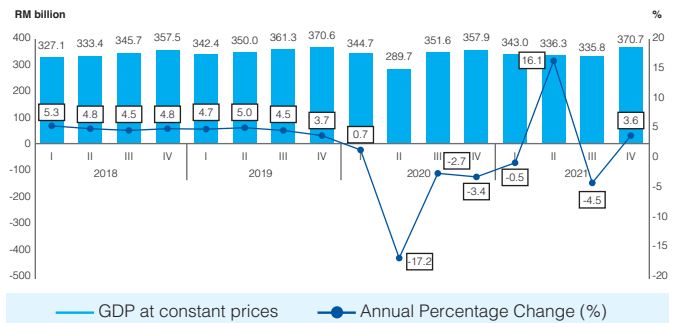


Figure 3: Malaysia's GDP, Source: Department of Statistics Malaysia

### Domestic demand

In the first quarter of the year, the improvement in domestic demand aided in growth performance. Nevertheless, economic activity was hampered by the imposition of the Second Movement Control Order ("MCO 2.0"), as well as the prolonged closure of international borders and limitations on inter-state travel. As MCO 2.0 restrictions were lifted, economic activity briefly picked up in the second quarter, however the nation soon faced yet another round of containment measures under Phase 1 of the Movement Control Order ("FMCO"), which resulted in a decline in economic activity after the second quarter. Overall, a majority of economic sectors improved in the second quarter, particularly manufacturing, but declined thereafter.

During the third quarter of 2021, the Malaysian economy encountered new demand and supply shocks as a result of Phase 1 of the National Recovery Plan (“NRP”), which imposed rigorous containment measures. Phase 1 of the NRP had a particularly negative impact on economic activity, but it rebounded as more states shifted to Phase 2 with less stringent containment measures. Mobility constraints, predominantly for inter-district and inter-state travel, negatively weighed on consumption and investment activities, although a consistent increase in government spending supported the overall GDP.

**Domestic trade**

Gross exports increased by 29.2% by the end of 2021 (3Q 2021: 32.4%), which demonstrated ongoing strength across Malaysia’s export products. The rise in exports was mainly attributed to the manufacturing sector, which grew strongly by 9.1%, contributed primarily by electrical, electronic and optical products (16.4%), followed by petroleum, chemical, rubber and plastic products (6.5%).

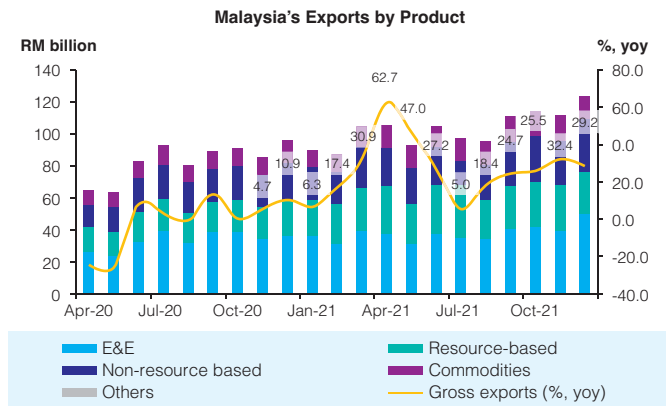


Figure 4: Malaysia's Exports By Products, Source: Department of Statistics Malaysia, MATRADE

**Financial sector**

In 2021, it was yet again demonstrated that banks are well-capitalized to withstand stress and support the economy's credit growth as previously tested in a multi-year solvency test exercise conducted by BNM. The banking system excess capital buffers is set aside by 1.9% of total banking system loans as of December 2021.

Net financing to the private sector expanded by 4.8% in Q4 2021, with higher loan disbursements and repayments in the business segment. As of the end of 2021, there was an increase of 5.0% on outstanding loan growth whereby new loans disbursed were primarily for consumption credits, purchases of residential properties and passenger cars.

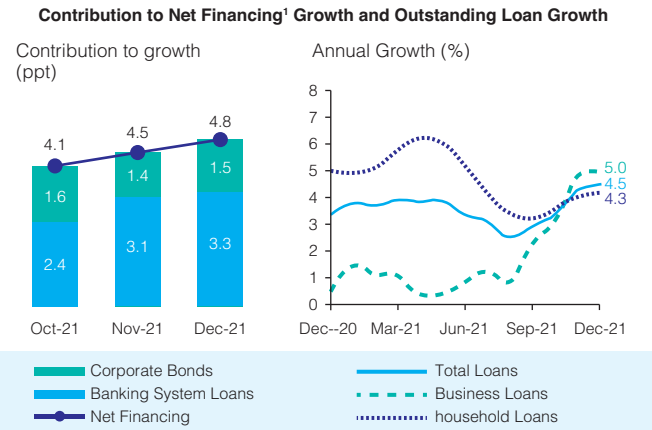


Figure 5: Malaysia's Exports By Products, Source: Department of Statistics Malaysia, MATRADE

Domestically, market sentiments were driven by optimism about the outlook for domestic growth following the relaxation of inter-state and international travel restrictions towards the end of 2021. As a result, the FTSE Bursa Malaysia KLCI (“FBM KLCI”) increased by 1.6%, including improvements in economic activity, continued progress in COVID-19 booster vaccinations and higher global energy prices.

**Labour market**

In the COVID-19-driven environment, Malaysia's labour market saw a moderate rise in 2021, as factors such as the vaccination programme and government support for businesses expedited the country's labour market recovery. A downward trend is shown in the unemployment rate of 4.2% as compared to 2020, which edged down by 0.6%.

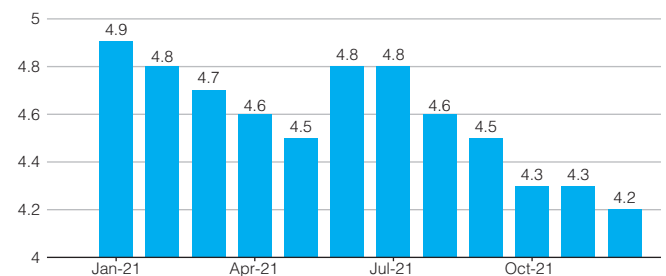


Figure 6: Malaysia's 2021 Unemployment Rate (%), Source: Department of Statistics Malaysia

Source: Information and data extracted from World Bank, World Trade Organisation, International Monetary Fund, Digital Banking Report, Ministry of Finance Malaysia, Department of Statistics Malaysia, and Bank Negara Malaysia

## Strategic Review

### Revenue

RM2.6 billion, decreased by 16.6%

### Profit After Tax ("PAT")

RM438.7 million, increased by 62.9%

### Gross Financing

RM36.2 billion, Increased by 1.3%

### Net Profit Margin

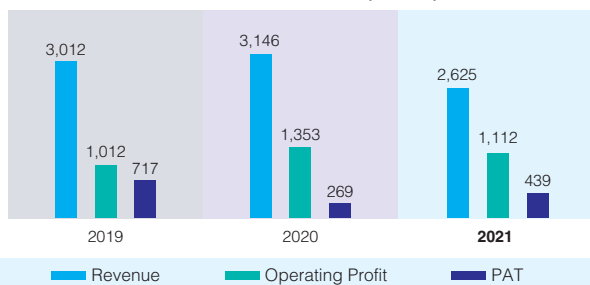
3.24%, decreased by 5 basis points ("bps")

### Strategic objective 1: Establishing a Strong Financial Position

#### Overall profitability

MBSB Group's Profit after Tax (PAT) for FY2021 was recorded at RM438.7 million, an increase of 62.9% which is an equivalent of RM169.4 million from FY2020 which is the result of lower impairment following an improvement of customer staging. The Group continued to recognise modification loss as a result of the ongoing moratorium imposed by government programmes such as the PEMULIH programme.

MBSB EARNING TREND (RM'MIL)



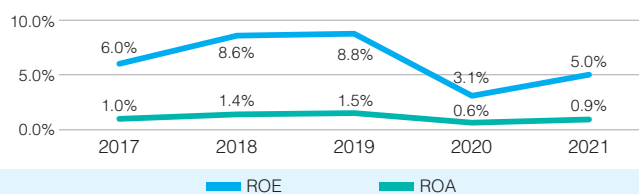
#### Revenue

In the strained economy faced by financial institutions globally, MBSB Group recorded a total revenue of RM2.6 billion, a reduction of 16.6% in the same period last year. This is mainly contributed by the decline in financing and investment income due to the full year impact of overnight policy rate ("OPR") cuts in 2020 and a decline in gains from sale of financial investments during the year. The overall net income before impairment increased slightly by 3.9% or RM50 million at RM1.34 billion in FY2021 against RM1.29 billion in FY2020 as modification loss is lower.

#### Cost-to-income ratio ("CIR")

The Group's CIR increased by 8.3% to 32.8% in FY2021 compared to 24.5% in the same period last year due to an increase in operating expenses from technology investments, while the Group's Return on Equity (ROE) improved to 5.0% in FY2021 compared to 3.1% in FY2020 due to higher PAT.

MBSB ROE AND ROA

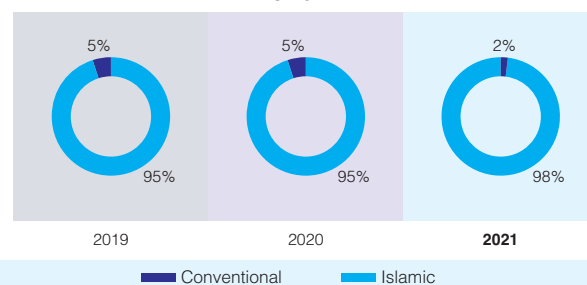


#### Financial position

MBSB Group's total assets has increased by 4.6% in 2021, to RM50.7 billion at the end of the year. This is mostly due to a growth in financial investments as well as an increase in net loans, financing, and advances. Deposits declined slightly in FY2021, to RM33.3 billion from RM33.9 billion in FY2020.

We continued to maintain our asset quality and have converted a portion of conventional mortgage to Islamic property financing. In addition, property financing disbursement was maintained which has resulted in the growth of home financing asset base.

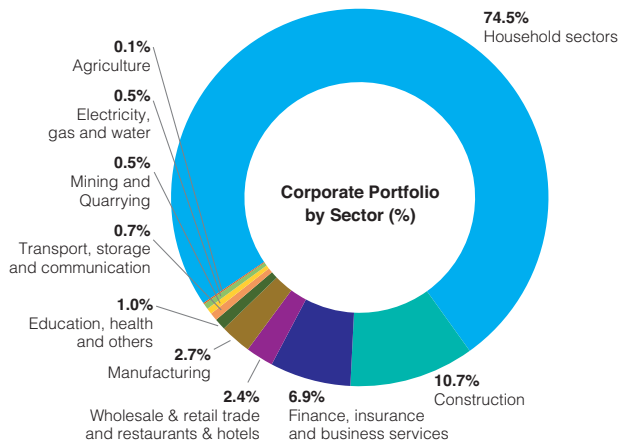
FINANCING BY TYPE



Refer to Note 11 to the financial statements for more information on the breakdown on the loans, financing and advances (pg 197 to 206)

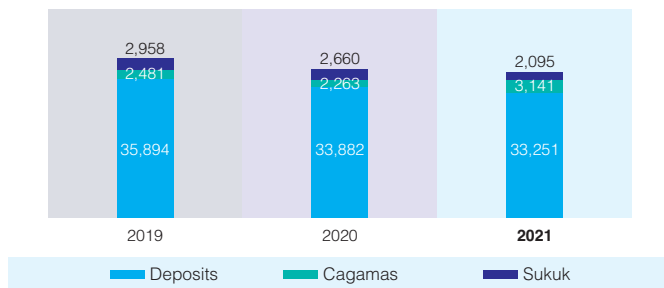


In terms of financing by sector, the household sector remained the largest contributor to the Group's total financing, accounting for 74.5% of total financing, followed by construction at 10.7% and finance, insurance and business services at 6.9%. Our corporate portfolio has reduced by 0.7% with Corporate:Retail composition moved from 26:74 to 25:75.



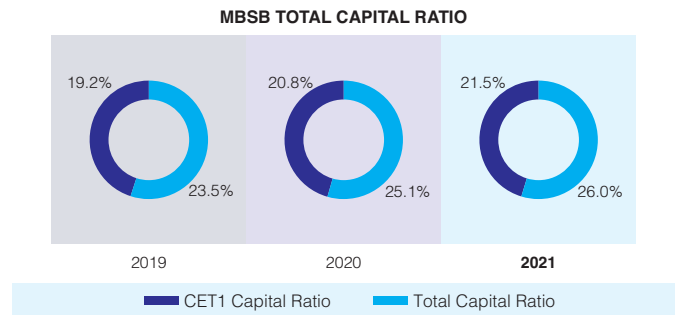
**Source of funds**

We use effective balance sheet management to fund the financing of both corporate and retail asset growth. Customers' deposits, which fell by 1.9% to RM33.3 billion as of 31 December 2021 from RM33.9 billion the previous year, are the Group's principal source of finances.



Liquidity and capital strength

The Group has announced 21.5% Common Equity Tier 1 ("CET1") Capital Ratio and 26.0% Total Capital Ratio, that was made possible through good capital management. MBSB has kept a healthy liquidity coverage ratio of 234.7%, an increase from 203.1% last year.



Overall, the Bank has made significant investments in technology in 2021. This is mainly to strengthen cyber security, improve efficiency, and enable new business capabilities. As MBSB Bank is committed to sustainability, a RM5 billion Sustainability Sukuk Wakalah Programme has been announced, where proceeds raised will be utilized to finance companies that are pursuing the green economy and adopting ESG practices in their operations.

In addition, our strategy to enhance return on equity and stakeholder value will be key areas of focus as outlined in the 2022-2023 Strategic Roadmap. New businesses are being identified in order to diversify revenue streams, and we will continue to develop existing businesses in order to improve competitiveness and fulfill market expectations.

## Strategic objective 2: Offer Digital Banking and Innovative Product Solutions

### Innovation

The evolving digital world is constantly changing the way technology interacts with businesses and consumers. Here at MBSB, we strive to ensure that our customers' banking experience is straightforward, convenient, and digitally enabled, in line with technological advancements. In order to grow demand for our products and services and improve our competitive presence moving forward, we have launched new products and services as well as initiated enhancement efforts for our existing digital products and services.

### M Trade Mobile

M Trade Mobile is one of our newly launched platform this year which enables business owners to keep track of their transactions efficiently by staying informed on our product information, fees and charges as well their transaction status. M Trade Mobile also offers digitalised finance inquiry feature, including trade document pick-up service.

### M Journey

This year, we introduced a new security enhancement to the M Journey Internet Banking platforms. This enhancement will provide M Journey users with an improved security surveillance to safeguard the account. Additionally, this security enhancement was also extended to our M Journey Mobile Application. In FY2021, we have registered a total of 37,302 M Journey Individual users with over 400,000 transactions performed, valued at more than RM930 million. M Journey Corporate on the other hand registered 584 companies with over 250,000 transactions performed, amounting to a total of over RM3.7 billion.

### E-Wallet

Our e-wallet was the First Shariah "Concept" electronic money service via mobile application. As of December 2021, there were 109 merchants and 4,117 outlets across the country that are enabled for payment transactions under this mobile application. Additionally, there was an increase in registered users from 3,612 in FY2020 to 7,406 in FY2021. A total of 8,805 transactions were performed on our e-wallet, amounting to more than RM620,000 in value. We have plans to include additional merchants and features to this application in 2022.

## Mobile Banking Application

Since the launch of our mobile banking application, we have seen a 113% increase of our users from 7,743 in FY2020 to 16,507 in FY2021. A total of 253,095 transactions were performed with a total transaction value of RM270 million. However, due to the severity of pandemic in 2021 and its resulting restrictions, a few enhancement projects were delayed. As such we plan to implement this initiative in the FY2022. Among them include application for CASA and PF-i, TD-i placement, e-statement download and live chat or chat bot.



For more information on our innovation initiatives, please refer to MBSB Sustainability Report 2021

### Green Financing

Cumulatively, the Board has approved a total of RM 525.18 million of green financing as of year end. In FY2021, we approved RM99.16 million in green financing and disbursed RM 7.87 million to eligible projects, with a clean energy generation capacity of 10 MW. We are working towards diversifying our green financing portfolio by incorporating other renewable energy generation projects.

## Sustainability Sukuk Framework

In 2021, we approved and published our Sustainability Sukuk Framework ("SSF"), which aims to facilitate the issuance of Sustainability Sukuk, where net proceeds from the Sustainability Sukuk issued under the SSF will be used to finance and re-finance new and existing businesses or projects that are Shariah-compliant and provide clear environmental or social benefits. The SSF will come into effect in the first quarter of 2022 as planned.



For more information on our green financing initiatives, please refer to MBSB Sustainability Report 2021

### Responsible Financing

#### **ESG Risk Framework for Corporate Financing and Sukuk Issuers**

This year, we introduced our ESG Risk Framework for Corporate Financing and Sukuk Issuers, which incorporates additional and comprehensive social and environmental considerations in our corporate financing and sukuk issuance. This risk framework was prepared in accordance to Bank Negara Malaysia's Climate Change and Principle-based Taxonomy ("CCPT"), which outlines financing guidelines based on impact of economic activities to the environment, specifically with regards to emissions. In light of the growing impacts of climate change, we acknowledge that it is our duty as corporate citizens to integrate climate change considerations in all aspects of our business strategies and operations including human capital and compensation, risk management processes and public disclosures.

#### **Empowering Society through Responsible Financing**

We believe in creating positive social impact by offering a broad range of financial products and services. As the COVID-19 pandemic continues to inflict hardships on our communities, we continue to offer products and services that aim to empower individuals, businesses, and communities. Some of our prominent initiatives this year are the CAKNA SME Scheme, RM 1 Billion Cashline-i, Takaful Solution Campaign and the Financial Management and Resilience Program (URUS).



*For more information on our responsible financing initiatives, please refer to MBSB Sustainability Report 2021*

### Financial Inclusion

We promote diversity and equitable participation at MBSB Bank by providing financial services to small enterprises, low-income organisations, and underprivileged communities while also empowering these populations through financial literacy programmes.

#### **Assisting Low-income Groups**

We continue to offer the My First Home Scheme-i – First Time House Buyer (Lower Income Group) which aims to provide 100% financing for first time house buyers from the lower-income (B40) group. Through this scheme, first time house buyers earning less than RM5,000 have access to affordable house ownership without incurring any ancillary costs for houses valued RM500,000 and below

#### **Cultivating Entrepreneurial Growth**

This year, as a part of BNM's initiatives, we introduced the Targeted Relief and Recovery Facility ("TRRF") which aims to support financing for SME's that have been impacted by the COVID-19 pandemic.

#### **Supporting the Most Vulnerable Groups**

This year, we approved 144,257 applications for repayment assistance under a three or six-month moratorium and reduced monthly payments for eligible customers facing financial hardships due to loss or reduction of income with a total gross balance of RM 18 billion. We have also provided options for customers to restructure or reschedule their financing by extending the tenor, so customers need not defer their loan repayments. Additionally, we approved 50% reduction in monthly loan repayments over six months for three corporate customers registered in the Bantuan Prihatin Nasional ("BPN") database under our Flexibility Payment Assistance initiative, which was carried forward from last year.



*For more information on our financial inclusion, please refer to MBSB Sustainability Report 2021*

Cyber security

With the increasing integration of technology in our business operations, products, and services, we inherently become more vulnerable to a plethora of cyber threats such as phishing, social engineering, and ransomware. We are aware of our responsibility to manage information entrusted to us as well as cyber security dangers, and we are constantly developing ways to maintain the resilience of our operations against cyber threats.

**Data Centre Migration**

In FY2021, we successfully migrated our old data centre in Wisma MBSB, Damansara Heights to the new data centre in Cyberjaya. The Data centre provides us with the opportunity to remediate product obsolescence and carry out a technological refresh on outdated software and systems. The new state of the art centre complies with BNM’s Risk Management in Technology (“RMiT”) and Tier III Data Centre Requirements. Therefore, the system is available 99.95% of the time, ensuring that customers can enjoy seamless use of the bank’s digital platforms and services.

 For more information on our cyber security initiatives, please refer to MBSB Sustainability Report 2021

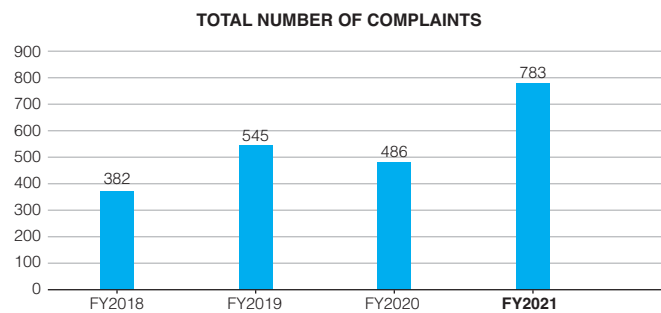
**Strategic objective 3: Provide Excellent Customer Service**

Customer experience and satisfaction

Client satisfaction is the foundation of MBSB’s operational success since it leads to customer loyalty, retention, positive word of mouth, and an improved brand image. To improve our customers’ high-level service delivery opportunities, we aim to boost customer satisfaction through good customer interactions via our multichannel touchpoints.

**Case Management System**

Overall, we received 783 complaints from various communication channels this year. There was an increase in number of complaints compared to FY2020 mainly due to the processes involved in attaining and approving the moratorium for eligible customers.

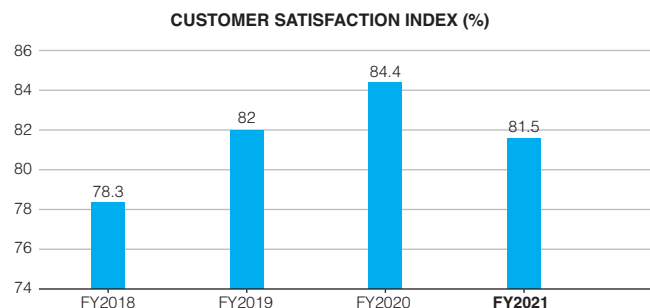


**Effective Customer Handling (“Excel CH”) Programme**

The Excel CH programme was initiated for frontline employees that engage customers physically or online and head office stakeholders (including Retail Credit Management, Collection and Recovery, Branch Network and Customer Service Centre) to collate and share findings on customer feedback. One session was held this year involving 115 participants from different branches and departments (Retail Disbursement Unit, Sales Support, Regional Business Department, Branch Monitoring & Supervision, Customer Service Centre, Retail Credit Management Department and Collection Recovery Department).

**Customer Satisfaction Survey (“CSS”)**

The Customer Satisfaction Survey (“CSS”) is conducted annually to assess if our products and services meet client expectations. Our CSS measures customer satisfaction across two touchpoints, which are our branches and the Customer Service Centre (General Line). This year we received an overall customer satisfaction score of 81.5%, which is a slight decline from the previous year. We have initiated response measures to investigate and address this decline in customer satisfaction.



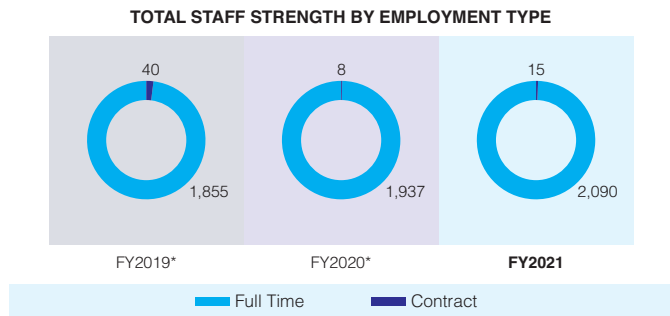
### Post Transaction Survey ("PTS")

We continue to utilise the PTS tool to obtain immediate customer feedback for specific experiences that require interaction with a MBSB representative. Since its launch in 2020, PTS was mainly focused on our retail products, namely personal and property financing products, and over-the-counter transactions such as opening of an account, deposit placement and remittance. This year, two new products were added to the PTS, Personal Accident and Motor Takaful coverage.

*For more information on our customer experience and satisfaction initiatives, please refer to MBSB Sustainability Report 2021*

### Strategic objective 4: Become an Employer of Choice

To ensure we have the required competencies to meet our business goals, we have expanded our workforce size to 2,105 employees across Malaysia as of December 31, 2021. We also believe that creating an inclusive environment that values diversity is critical to our success and increases our competitive edge in becoming an employer of choice.



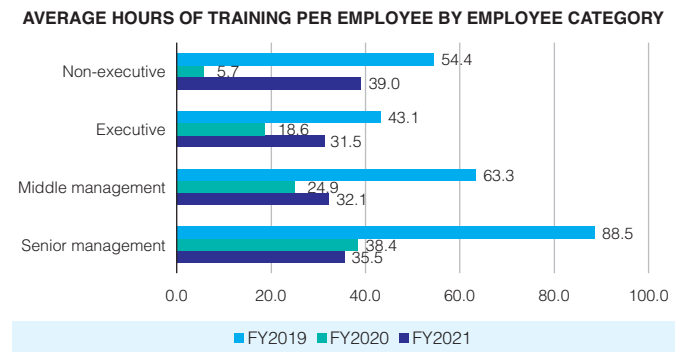
### Remuneration and Well-being

All our full-time employees at the Bank receive attractive salary packages, as well as a variety of benefits to help them support their personal and professional life. This includes:



### Training and Education

In FY2021, MBSB Bank has spent RM2.10 million on training and development programmes for our staff, which is doubled in comparison to last year's expenditure. We have conducted a total of 52,704 hours of employee training throughout the year, averaging 25 hours per employee.



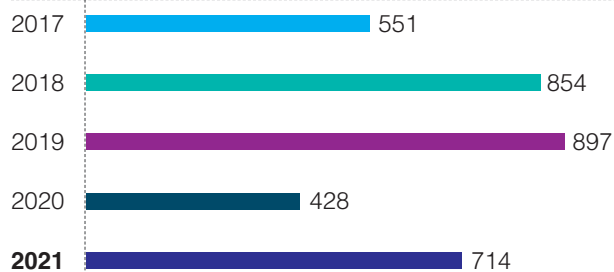
*For more information on our employee management and training development initiatives, please refer to MBSB Sustainability Report 2021*

## 5-YEAR FINANCIAL HIGHLIGHTS

### MBSB Group Revenue (RM'mil)



### MBSB Group Profit Before Tax (RM'mil)



### MBSB Group Total Assets (RM'mil)



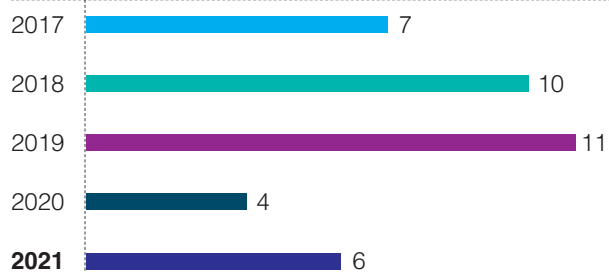
### MBSB Group Shareholders' Equity (RM'mil)



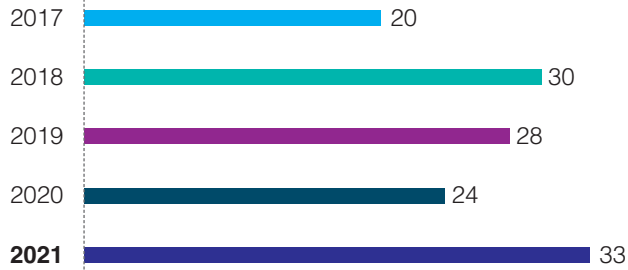
### MBSB Group Net Assets Per Share (sen)



### MBSB Group Basic Earning Per Share (sen)



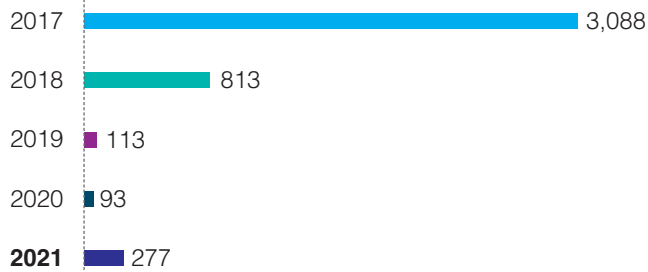
**MBSB Group Cost-To-Income Ratio (%)**



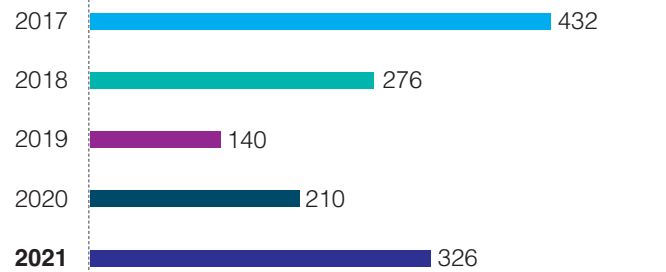
**MBSB Group Deposit (RM'mil)**



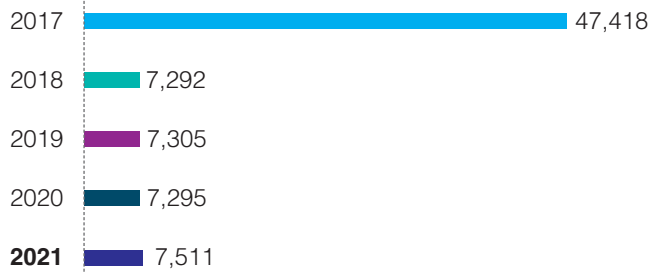
**MBSB Revenue (RM'mil)**



**MBSB Profit Before Tax (RM'mil)**



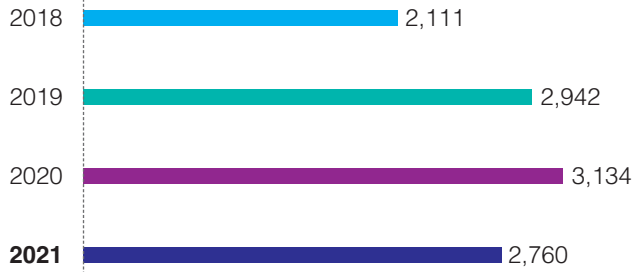
**MBSB Total Assets (RM'mil)**



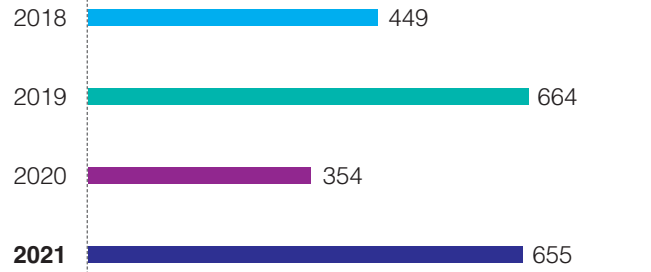
**MBSB Shareholders' Equity**



**MBSB Bank Revenue (RM'mil)**



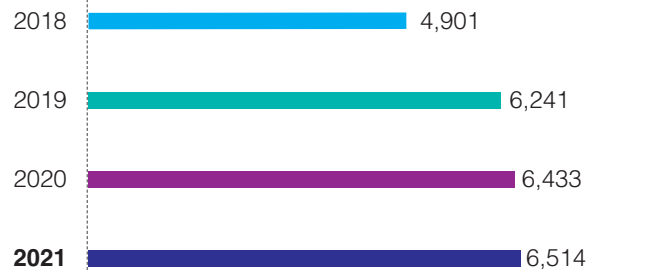
**MBSB Bank Profit Before Tax (RM'mil)**



**MBSB Bank Total Assets (RM'mil)**



**MBSB Bank Shareholders' Equity (RM'mil)**



**MBSB Bank Cost-To-Income Ratio (%)**



**MBSB Bank Deposit (RM'mil)**







# MOVING FORWARD

In this section:

- 64 Key Trends and Market Outlook
- 68 Our Strategy

## KEY TRENDS AND MARKET OUTLOOK



# Global Outlook

The global economy is predicted to be weaker than originally anticipated in 2022, as countries have reimposed mobility restrictions due to the new, highly infectious Omicron COVID-19 variant. The growth is predicted to slow from 5.9% in 2021 to 4.4%, owing to projection revisions for the two largest economies, the United States and China.

As the impacts of climate change gains traction across the globe, the world stands to lose close to 10% of total economic value by mid-century if climate change stays on the currently anticipated trajectory, and the Paris Agreement and 2050 net-zero emissions targets are not met. With current likely temperature-rise trajectories, the global GDP would be 11–14% less than in a world without climate change impacts.

### Malaysia outlook

Despite the uncertainty, the government believes that the economy of the nation can withstand any potential headwinds because of its strong foundations. Greater reopening of economic and social sectors, as well as increasing external demand from major trade partners, are expected to drive GDP growth between 5.5% and 6.5% in 2022. Higher commodity prices, improving labour market conditions, rapid digitalisation efforts, and the completion of infrastructure projects with a large multiplier effect are among the other growth drivers.

Headline inflation is expected to remain moderate in 2022. Core inflation is expected to trend upwards as economic activity normalises but remain benign as a result of continued spare capacity in the economy and slack in the labour market. However, Malaysia's outlook remains vulnerable to global commodity price fluctuations and the risk of prolonged supply disruptions.

The 2022 Budget, released on 29 October 2021, will promote policies that accelerate economic recovery, strengthen the nation's resilience, catalyse nationwide reforms, and improve public service delivery. The Budget's programmes and projects are in line with the 12th Malaysia Plan, 2021-2025 ("12MP") and Shared Prosperity Vision 2030 ("SPV 2030") priorities, as they promote the country's ambition to achieve the goal of becoming a successful, inclusive, and sustainable nation.

Climate change also poses a significant risk to the Malaysian economy. In the baseline 2–2.6°C temperature-rise scenario, Malaysia could lose 33-36% of GDP by 2048 due to higher severity of unknown physical outcomes of rising temperatures over time. In the event the more severe 3.2°C temperature scenario occurs; the potential output loss of Malaysia could increase up to 45% of the GDP.

## Overall banking sector outlook



### *Retail banking*

In the last year, consumers have become more connected with their bank or credit union through several channels, dealing with various touch points before establishing an account, expanding a relationship, or simply performing a simple transaction. The most successful organisations have a holistic data and technology strategy that could individualise at scale, with real-time customer journey capabilities and intelligent decisioning to automate the self-reinforcing cycle of customised experiences. Financial institutions must shift away from using data and analytics to create great internal reports and toward leveraging data, analytics, and content to create exceptional experiences for customers.

Within financial institutions, a link between digital transformation maturity, innovation maturity, and data maturity reportedly exists. In essence, when an organisation's leadership and culture demonstrated a commitment to digital maturity, all aspects of digital transformation improved. This signals that investments in digital banking transformation must continue to rise. A great digital banking transformation strategy may become self-funding, and in turn, lowers costs through efficiency, and leads to outstanding customer experiences driven by innovation, personalization, employee satisfaction, and growth.



### *Corporate banking*

Fintech firms will most likely continue to receive huge sums of capital in 2022, allowing them to compete strongly for new businesses, as they did in 2021. As industries continue to march toward digitalisation, lending as a service, including digital loan origination and management, is becoming increasingly digitalised. Faster processing times, higher-quality decision-making, improved customer service, and significant cost savings are all benefits of digital lending.

Banking as a Service (BaaS), embedded finance, and integrated platforms are all gaining traction, especially in the wake of banks' ongoing effort for digitalisation. Because of its scalability, outstanding customer experience, broad consumer reach, access to massive volumes of client data, and lower acquisition costs, BaaS models are gaining popularity. From 2022, more banks will diversify their offers and sources of revenue by utilising these opportunities.

With a greater emphasis on climate change mitigation and social responsibility, most banks have begun to divert financial flows to green projects. This demand is also motivated by the need to meet regulatory requirements as well as any planned ESG stress testing. Continued product innovation, such as sustainability-linked derivatives and target-linked bonds, are expected in the future.



### *Trade banking*

A significant growth in international trade is predicted to continue in 2022 after it rebounded substantially in 2021, as the growth trajectory is only set to advance with forecasts of a more than 50% rise in the industry revenue pool by 2030. Banks will need to accelerate their digitalisation efforts and innovate their products and business models if they are to capitalise on this opportunity as competition from nontraditional providers intensifies.

Unfortunately, trade finance relies significantly on paperwork at every level, and the burden of document preparation is only worsened by the requirement to verify and process documents along the way. The COVID-19 pandemic has thrown the global supply chain into the spotlight, highlighting grievances in current systems and processes. As the world looks at how to resolve supply problems, global trade finance players have the opportunity to revisit their processes and how they can facilitate international trade.

As with many other industries, the clear answer is automation and digitalisation. As competition from non-traditional providers grows, banks will need to accelerate their digitalisation efforts and innovate their products and operational models.

Review of overall outlook and strategies

<p>Outlook</p> <p><b>Challenging market conditions</b></p>	<p>Outlook</p> <p><b>Increased regulatory oversight and stakeholder scrutiny</b></p>
<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Increased credit risks from non-performing financing due to the direct and indirect impacts of the coronavirus outbreak</li> <li>• Increased pressure on profit margins from the OPR cut</li> <li>• Decreased gross financing growth</li> </ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Increased regulatory expectations lead to higher compliance cost</li> <li>• Increased compliance risk and exposure to legal penalties</li> <li>• Increased reputational risks from not meeting stakeholders' expectations</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• New approaches to deliver innovative products and services to our customers, together with efficient allocation of capital and resources to generate returns to shareholders</li> <li>• Identify new growth areas</li> </ul>	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Build trust by transparently working with, and partnering with, government, regulators and NGOs to deliver improved stakeholder outcomes</li> <li>• Enable us to improve internal processes for greater efficiency and productivity</li> <li>• Safeguard the interest of our stakeholders</li> </ul>
<p><b>Actions moving forward</b></p> <ul style="list-style-type: none"> <li>• Focus on new niche areas for growth through expansion of trade finance in local and regional market</li> <li>• Diversify financing portfolio to reduce concentration risk</li> <li>• Manage performing and non-performing accounts</li> <li>• Improve external ratings</li> <li>• Maintain strong capital reserves and healthy liquidity coverage ratio</li> </ul>	<p><b>Actions moving forward</b></p> <ul style="list-style-type: none"> <li>• Engage frequently with stakeholders including regulators to stay abreast of latest developments</li> <li>• Collapse all the conventional assets to obtain a full Shariah compliant certification</li> <li>• Review policies and processes timely to ensure relevance</li> <li>• Implement automation to improve operational efficiency</li> <li>• Further investment in IT infrastructure to comply with regulatory requirements on security enhancement</li> </ul>

<p>Outlook</p> <p><b>Digital advancement and technological change</b></p>	<p>Outlook</p> <p><b>Environment and climate change</b></p>
<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Increased competition from digital banks</li> <li>• Increased cyber security risk from adoption of technology and digital platforms</li> </ul>	<p><b>Risks</b></p> <ul style="list-style-type: none"> <li>• Increased credit risk on portfolios exposed to climate change</li> <li>• Increased reputational risk if we fail to raise standards across all our activities and take customer and societal impacts into consideration when making business decision</li> </ul>
<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• By improving our digital capabilities and investing in cyber security, we can serve our customers in new and innovative ways, meeting their needs for safe and secure digital banking solutions.</li> </ul>	<p><b>Opportunities</b></p> <ul style="list-style-type: none"> <li>• Enhancement in risk management approach to incorporate climate risk assessment when providing financing could safeguard MBSB's value</li> <li>• New revenue streams from financing opportunities for the transition to a low carbon economy</li> </ul>
<p><b>Actions moving forward</b></p> <ul style="list-style-type: none"> <li>• Introduce Cash Management System (CAMS) for corporate clients</li> <li>• Introduce e-KYC to reduce customer waiting time during onboarding</li> <li>• Introduce additional capabilities with technology</li> <li>• Improve security of IT systems through upgrading of hardware and updating of system software</li> <li>• Routine maintenance of IT infrastructure</li> </ul>	<p><b>Actions moving forward</b></p> <ul style="list-style-type: none"> <li>• Expand green financing portfolio beyond solar projects</li> <li>• Extend our solar financing facility to individual customers who wish to generate solar energy from their homes' rooftop</li> <li>• Implement ESG Risk Framework and Sustainability Sukuk Framework</li> </ul>

## OUR STRATEGY

### Our Strategic Focus towards Journey 2025

As we move towards our goal of becoming the top progressive Islamic bank in Malaysia, we are assured that our rigorous risk assessment processes will enable us to mitigate economic impacts arising from the pandemic and climate change alike. We will continue to focus our businesses on the following identified sectors:

- Government
- Government-linked companies ("GLC")
- Financial institutions
- Essential services

As local regulators place more emphasis on climate change, we will take all necessary action to ensure our processes and systems adhere to these requirements as we work towards minimising our exposure risk to climate change impacts. We have identified several high growth potential and less vulnerable business sectors:

### Our core strategies

- e-Commerce (SMEs)
- Halal Trade
- Renewable Energy
- Manufacturing
- Construction & Infrastructure
- Takaful

In the short-term, our focus is to strengthen our competitiveness and meet the evolving market demands by looking into enhancing our existing businesses while pursuing new businesses to achieve our desired growth. Our 2022-2023 business strategy is guided by these three principles:

## GUIDING PRINCIPLES



### Differentiation

To provide a unique value proposition to differentiate MBSB from other banks and capture the targeted market segment



### Demand-led

To match the demands of the market by leveraging on data and research







### Sustainable

To create value for our stakeholders and integrate sustainability elements to meet increasing demands for ESG-based products

CORE STRATEGY

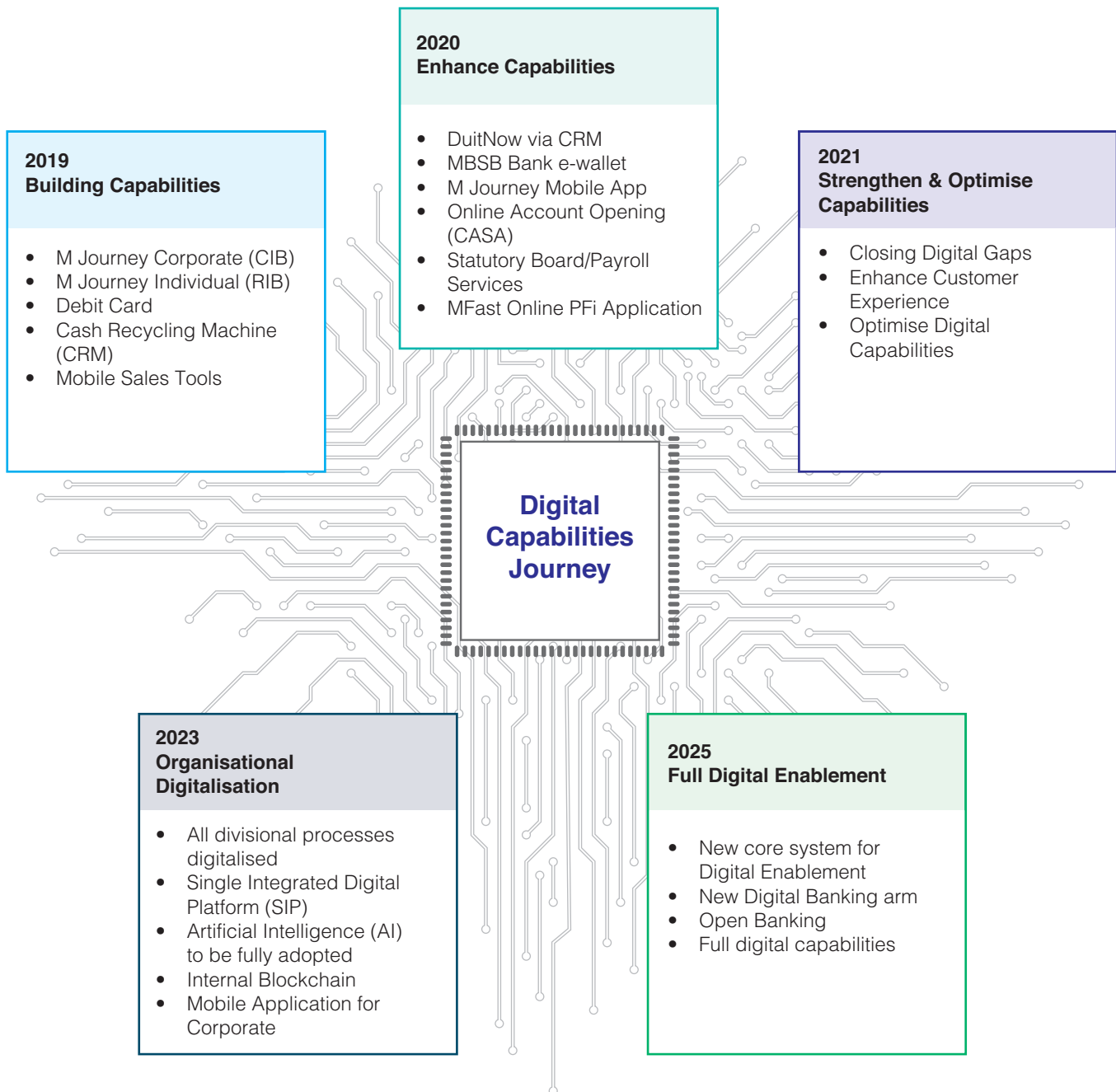
Our two-pronged business strategy, guided by 3 principles, ensures we achieve continuous growth, meet customers' demand, scale the business and penetrate niche market segments

Guiding Principles	Strategy	Initiatives
<p><b>Differentiation</b> Our products should provide a unique value proposition to differentiate ourselves from other banks and capture the targeted market segments.</p>	<p><b>New Businesses</b> Generation of new revenue streams to scale the business and penetrate niche market segments by providing unique value proposition</p>	<p><b>Number of Initiatives</b></p> <ul style="list-style-type: none"> <li><b>1</b>  <b>Digital</b></li> <li><b>3</b>  <b>Corporate Banking</b></li> <li><b>2</b>  <b>Retail Banking</b></li> <li><b>2</b>  <b>Treasury</b></li> </ul>
<p><b>Demand-led</b> Our products must match the demands of the market by leveraging on data and research. The demands should be sizeable and show good growth potential.</p>		<p><b>Enhancement of Existing Businesses</b> Enhance existing business capabilities and processes to drive continuous growth and meet targeted customers' demands</p>
<p><b>Sustainable</b> Our products must be able to create value for our stakeholders and integrate sustainability elements for us to take advantage of the increasing demands in ESG-based products.</p>		

Note: The implementation of these initiatives are in progress and approach may be attuned to suit changes in business and requirements

**Our digital transformation**

As the banking landscape has been reshaped due to the pandemic, financial institutions are increasingly focused on improving digital capabilities. We want our customers and our employees to use technology to access information, be creative, innovative, solve problems, communicate, participate, learn and be supported in digital spaces. Since 2019, we have made notable progress through digitalisation and technological adoption, across MBSB’s business models, communication channels and touchpoints.





Journey 25

# JOURNEY25

to our customers

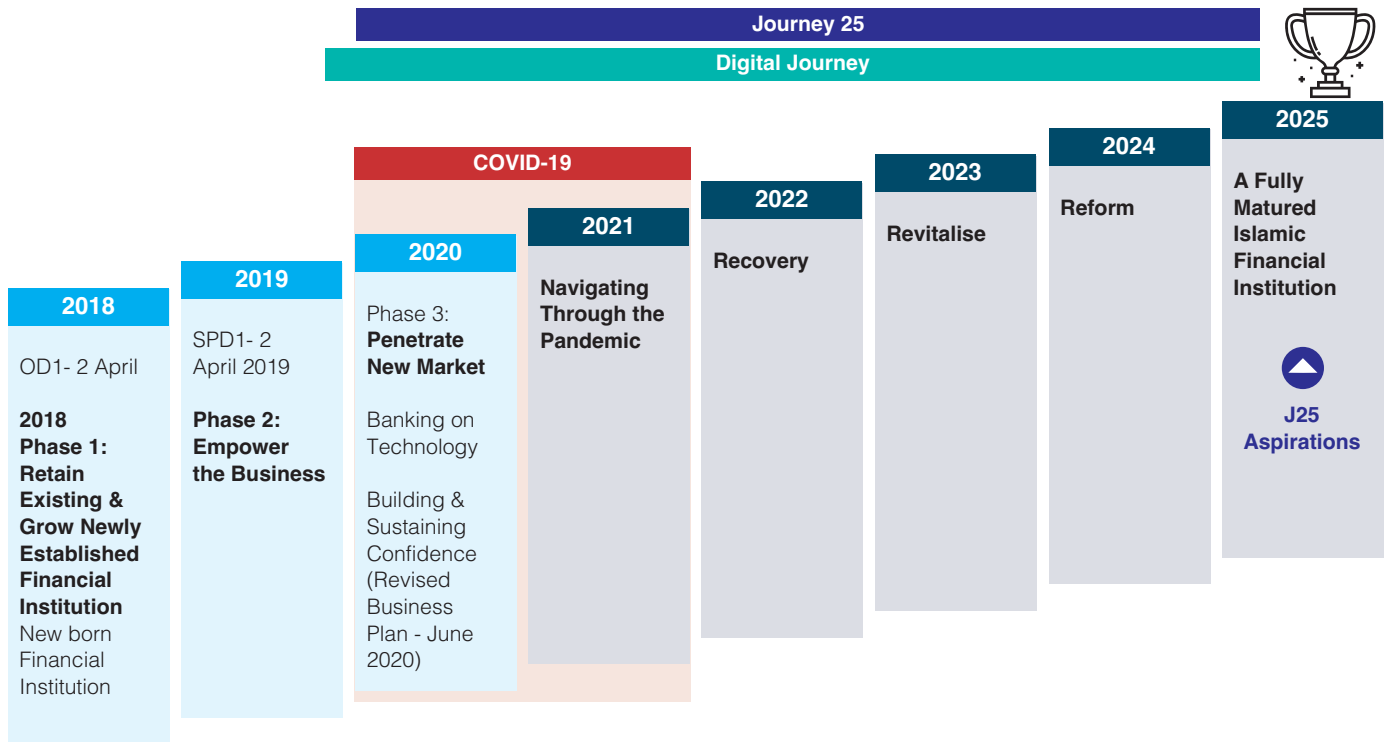
Communicating the meaning of our Journey 25 aspirations to our customers

A Bank that cares, offering holistic solutions beyond banking and benefitting society's well-being based on the Muamalah principles of being inclusive, fair, and transparent

Our Journey 25 Roadmap ("J25") is our long-term business strategy in achieving our company's vision. It outlines our plans and initiatives, with the goal of being a fully matured Islamic financial institution by 2025. The J25 plan is being implemented utilising an "integrated thinking" approach, which is in line with MBSB's adoption of the Integrated Reporting <IR> Framework.

Supported by Digital Enablement	
Continued Strategies	Key Targets
<p><b>Business</b></p> <ul style="list-style-type: none"> <li>• Deliverables (tech), virtual bank</li> <li>• New business streams</li> <li>• Market/new frontiers</li> <li>• Trade finance focus</li> </ul> <p><b>Operations</b></p> <ul style="list-style-type: none"> <li>• Regimented cost management</li> <li>• Efficiency</li> <li>• Process improvements</li> </ul> <p><b>Management/Staff</b></p> <ul style="list-style-type: none"> <li>• Corporate culture/professionalism</li> <li>• Spirit of ownership/togetherness</li> <li>• Quality staff</li> </ul>	<p><b>Return on Equity (Roe)</b></p> <ul style="list-style-type: none"> <li>• Higher ROE</li> </ul> <p><b>Business</b></p> <ul style="list-style-type: none"> <li>• Regional player in trade finance with turnover between RM14.0 billion and RM16.0 billion</li> <li>• Frontier to Middle East and North African countries</li> <li>• New business streams:                         <ul style="list-style-type: none"> <li>- Key Islamic Bank for Halal industry players</li> <li>- Preferred Musharakah Partner</li> <li>- Sustainable Financing</li> </ul> </li> </ul> <p><b>External Rating</b></p> <ul style="list-style-type: none"> <li>• Improve rating to AA</li> </ul>








Milestones of Journey 25



FY2021 Achievements	FY2025 Targets
<ul style="list-style-type: none"> <li>External rating of A+ as of 31 December 2021</li> <li>ROE of 5.0%</li> <li>Optimised digital capabilities such as introducing the virtual branch, e-wallet and mobile application</li> <li>Corporate-retail portfolio mix of 25:75</li> </ul>	<ul style="list-style-type: none"> <li>External rating of AA2</li> <li>Higher ROE</li> <li>Corporate-retail portfolio of 40:60</li> </ul>

**SUSTAINABILITY AS MBSB'S COMPETITIVE EDGE**

Our sustainability strategy continues to be centered on making the everyday Malaysian and local companies more financially robust. The value-based sustainability approach adopted by MBSB Bank incorporates holistic environmental, social, and governance ("ESG") issues into our decision-making. It presents the most important concerns and opportunities for our business and stakeholders, indicating the areas in which MBSB can have the most influence by:

 Upholding core values	 Maximising outreach and experience
 Bridging social gaps	 Growing capacity and capabilities
 Financing sustainable growth	 Helping the environment
 Harnessing the power of technology	

Climate change, social inequality, human capital development, inclusive economic growth, accessibility, and affordability of financing are some of the most critical sustainability concerns that MBSB Bank recognises as part of our responsibilities. We are also determined to strengthen our ESG portfolio through green financing disbursement by helping our customers in their transition towards a better performance in ESG and issuing our Sustainability Sukuk by funding sustainable projects. This is part of our response to the increased demand for sustainable finance products.

## GREEN FINANCING

Solar rooftop financing for affordable homes

▼

**Affordable Homes Developer Partner**

**Affordable Home Buyer/Owners**





**Energy**



**Transport**



**Water**



**Building & Township**



**Waste**




**Manufacturing**

Our Sustainability Sukuk Framework ("SSF"), which will come into effect in the second quarter of 2022, demonstrates the Bank's efforts to have a good and sustainable influence on the economy, community, and environment, as well as contribute to 12 out of 17 of the UN SDGs as listed below.



The SSF strictly adheres to the regulatory guidelines and standards of the Securities Commission Malaysia's Sustainable and Responsible Investment Sukuk Framework, as well as the ASEAN Sustainability Bond Standards, ASEAN Green Bond Standards, and ASEAN Social Bond Standards issued by the ASEAN Capital Markets Forum ("ACMF").


Refer to our website for more information for on our Sustainability Sukuk Framework

# OUR LEADERSHIP



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MBSB



## BOARD OF DIRECTORS

*from left to right*

**Encik Lim Tian Huat**

Non-Independent Non-Executive Director

**Encik Mohamad Abdul Halim bin Ahmad**

Independent Non-Executive Director

**Dr Loh Leong Hua**

Independent Non-Executive Director

**Datin Hoi Lai Ping**

Independent Non-Executive Director

**Encik Sazaliza bin Zainuddin**

Non-Independent Executive Director

**Tan Sri Azlan Zainol**

Chairman, Non-Independent Non-Executive Director

**Puan Lynette Yeow Su-Yin**

Senior Independent Non-Executive Director

**Ir. Moslim bin Othman**

Independent Non-Executive Director



## MBSB BANK



*from left to right*

**Datuk Azrulnizam bin Abdul Aziz**

Independent Non-Executive Director

**Encik Szaliza bin Zainuddin**

Non-Independent Executive Director

**Tan Sri Azlan Zainol**

Chairman, Non-Independent Non-Executive Director

**Encik Aw Hong Boo**

Senior Independent Non-Executive Director

**Datuk Johar bin Che Mat**

Independent Non-Executive Director

**Encik Kamarulzaman bin Ahmad**

Independent Non-Executive Director

**Encik Arul Sothy Mylvaganam**

Independent Non-Executive Director

**Encik Ho Kwong Hoong**

Independent Non-Executive Director

## PROFILE OF BOARD OF DIRECTORS: MBSB



### Tan Sri Azlan Zainol

Aged 72, Malaysian, Male  
Chairman, Non-Independent Non-Executive Director

#### Date of Appointment

1 March 2021

#### Academic / Professional Qualification(s)

- Fellow, Institute of Chartered Accountants in England & Wales (ICAEW)
- Fellow, Chartered Banker of Asian Institute of Chartered Bankers (AICB)
- Member, Malaysian Institute of Certified Public Accountants (MICPA)
- Member, Malaysian Institute of Accountants (MIA)

#### Working Experience and Occupation

##### Present Directorship(s)

###### Other listed entities:

- Chairman, Malaysian Resources Corporation Berhad
- Chairman, Eco World International Berhad
- Director, Kuala Lumpur Kepong Berhad

###### Other public companies:

- Chairman, MBSB Bank Berhad
- Chairman, YX Precious Metals Berhad
- Chairman/Trustee, Yayasan Astro Kasih
- Chairman, Amanat Lebuhraya Rakyat Berhad
- Trustee, OSK Foundation
- Director, Rashid Hussain Berhad (In Member's Voluntary Liquidation)

##### Past Directorship(s) and/or Appointment(s)

- Chairman, Financial Reporting Foundation (2015 - 2021)
- Chairman, RHB Bank Berhad (2005 - 2021)
- Chairman, RHB Investment Bank Berhad (2016 - 2021)
- Director, RHB Securities Singapore Pte Ltd (2014 - 2020)
- President of the Board of Commissioners, PT RHB Sekuritas Indonesia (2018 - 2020)
- Chief Executive Officer, Employees Provident Fund Board, Malaysia (2001 - 2013)
- Managing Director, AmBank Berhad, Malaysia (1994 - 2001)
- Managing Director, AmFinance Berhad, Malaysia (1982 - 1994)
- Partner, BDO Binder, Malaysia (1980 - 1982)

##### Current Membership of Board Committee(s) in MBSB

Nil

##### Attendance in 2021

- 19 out of 19 Board Meetings held after the appointment date

#### Declaration:

Nominee of Employees Provident Fund Board (EPF).



### Encik Szalza bin Zainuddin

Aged 49, Malaysian, Male  
Non-Independent Executive Director \*

#### Date of Appointment

10 May 2021

#### Academic / Professional Qualification(s)

- ACCA (UK)
- BA Hons in Accounting & Finance, Southbank University, United Kingdom
- Diploma in Accountancy, UITM

#### Working Experience and Occupation

##### Present Directorship(s)

###### Other listed entities:

Nil

###### Other public companies:

- MBSB Bank Berhad

##### Present Appointments(s)

- Chief Operation Officer of the Employees Provident Fund

##### Past Directorship(s) and/or Appointment(s)

- Chief Financial Officer of the Employees Provident Fund (2017 - 2021)
- Director, MBSB Bank Berhad (2018 - 2021)
- Director, Malaysia Building Society Berhad (2017-2018)
- Director, HSBC Amanah Takaful (Malaysia) Berhad (2013-2017)
- Senior Manager (Assurance), PricewaterhouseCoopers (1997-2006)

##### Current Membership of Board Committee(s) in MBSB

- Member, Restructuring Committee

##### Attendance in 2021

- 15 out of 16 Board Meetings held after the appointment date

#### \* Note:

Encik Szalza bin Zainuddin does not hold any executive position in MBSB and does not have any management responsibilities in MBSB. His designation as Non-Independent Executive Director of MBSB is pursuant to the definition of "Executive Director" in BNM's Guidelines on Corporate Governance, which defines "Executive Director" as a director of a financial institution who has management responsibilities in the financial institution or any of its affiliates. EPF is an affiliate of MBSB, and Encik Szalza bin Zainuddin has management responsibilities in EPF.

#### Declaration:

Nominee of Employees Provident Fund Board (EPF).





### Encik Lim Tian Huat

Aged 67, Malaysian, Male  
Non-Independent Non-Executive  
Director

#### Date of Appointment

4 April 2011

#### Academic / Professional Qualification(s)

- Fellow, Association of Chartered Certified Accountants (ACCA)
- Member, Insolvency Practitioners Association of Malaysia (IPAM)
- Member, Malaysian Institute of Accountants (MIA)
- Member, Malaysia Institute of Certified Public Accountant (MICPA)
- Degree in BA (Honours) in Economics

#### Working Experience and Occupation

#### Present Directorship(s)

##### Other listed entities:

- Majuperak Holdings Berhad

##### Other public companies:

- PLUS Malaysia Berhad
- Pacific & Orient Insurance Co. Berhad

##### Foreign companies:

- Anglo-Eastern Plantation PLC (Listed in London Stock Exchange)
- DUET Acquisition Corp (Listed in NASDAQ)

#### Present Appointments(s)

- Managing Director of Andersen Corporate Restructuring Sdn Bhd
- Managing Partner of Rodgers Reidy & Co

#### Past Directorship(s) and/or Appointment(s)

- Director, UEM Sunrise Berhad (2012-2020)
- Director, Bank of Yingkou, China (2011-2017)
- Director, Perbadanan Insurans Deposit Malaysia (2010-2016)
- Founding President, Insolvency Practitioners Association of Malaysia (IPAM) (2010-2013)
- Partner, Ernst & Young (2002- 2009)
- Partner, Arthur Andersen & Co. (1990- 2001)
- Commissioner, United Nations Compensations Commission (1998-2002)
- Member, Corporate Law Reform Committee (CLRC) under the purview of the Companies Commission of Malaysia.

#### Current Membership of Board Committee(s) in MBSB

- Chairman, Restructuring Committee
- Member, Nominating & Remuneration Committee

#### Attendance in 2021

- All 24 Board Meetings held in the financial year.



### Puan Lynette Yeow Su-Yin

Aged 52, Malaysian, Female  
Senior Independent Non-Executive  
Director

#### Date of Appointment

22 March 2017

#### Academic/Professional Qualification(s)

- Member, Malaysian Bar
- Master of Arts, University of Cambridge
- Bachelor of Arts (Hons), University of Cambridge

#### Working Experience and Occupation

#### Present Directorship(s)

##### Other listed entities:

- CTOS Digital Berhad

##### Other public companies:

Nil

#### Present Appointments(s)

- Board member, the Securities Commission, Malaysia
- Director, CTOS Data Systems Sdn Bhd
- Director, SC Shekar Photography Sdn Bhd
- Director, Beagle Books Sdn Bhd
- Consultant, Sanjay Mohan, Advocates & Solicitors
- Trustee, The Datai Pledge

#### Past Directorship(s) and/or Appointment(s)

- Director, MBSB Bank Berhad (2018 - 2021)
- Director, Themed Attractions Resorts and Hotels Sdn Bhd (2015-2020)
- Panel of Mediators, Securities Industry Dispute Resolution Center (SIDREC) (2015-2019)
- Partner, Chua Associates, Advocates & Solicitors (2015-2018)
- Partner, Kadir Andri & Partners (2011–2015)
- Partner, Zaid Ibrahim & Co (2002– 2011)
- Partner, Raslan Loong (2000-2002)

#### Current Membership of Board Committee(s) in MBSB

- Member, Nominating and Remuneration Committee
- Member, Restructuring Committee

#### Attendance in 2021

- 23 out of 24 Board Meetings held in the financial year.



**Ir. Moslim bin Othman**

Aged 67, Malaysian, Male  
Independent Non-Executive  
Director

**Date of Appointment**

21 September 2015

**Academic/Professional Qualification(s)**

- Bachelor of Engineering (Civil), University of Melbourne
- Master of Science (Building Services), Brunel University, London
- Professional Engineer with Practising Certificate, Board of Engineers Malaysia
- Member, Institution of Engineers Malaysia

**Working Experience and Occupation**

**Present Directorship(s)**

Other listed entities:

Nil

Other public companies:

Nil

**Present Appointments(s)**

- Sole proprietor of Sejagat Consultant
- Executive Director, Haluan Fokus Sdn Bhd

**Past Directorship(s) and/or Appointment(s)**

- Chief Operating Officer, Infra Desa Johor Sdn Bhd, an associate company of Bumi Hiway (1999-2000)
- Chief Operating Officer, Bumi Hiway Group of Companies (now known as Selia Group) (1996 - 1999)
- Civil engineer with Public Works Department, Malaysia (PWD/JKR) (1978 - 1995)

**Current Membership of Board Committee(s) in MBSB**

- Chairman, Nominating & Remuneration Committee
- Member, Risk Management Committee

**Attendance in 2021**

- All 24 Board Meetings held in the financial year.



**Encik Mohamad Abdul Halim bin Ahmad**

Aged 61, Malaysian, Male  
Independent Non-Executive  
Director

**Date of Appointment**

2 March 2020

**Academic/Professional Qualification(s)**

- Bachelor of Science of Civil Engineering (First Class Honour), Imperial College, University of London
- Associate member, Institute of Chartered Accountants England and Wales (ICAEW)
- Member, Malaysian Institute of Accountants (MIA)

**Working Experience and Occupation**

**Present Directorship(s)**

Other listed entities:

Nil

Other public companies:

Nil

**Present Appointments(s)**

- Nil

**Past Directorship(s) and/or Appointment(s)**

- Director, Perbadanan Insurans Deposit Berhad (2012–2018)
- Director, Sime Darby Utilities Sdn Bhd (2011–2017)
- Director, TMD Berhad (2004–2008)
- Managing Director, Saujana Consolidated Berhad (1996–2017)
- Managing Director, Saujana Resort (M) Berhad (1996–2014)
- Director, Shangri-La Hotel (M) Berhad (1996–2005)
- Managing Director, Landmarks Berhad (1996–2005)
- Group Chief Executive, Peremba (Malaysia) Sdn Bhd (1994–2014)
- Director, Rashid Hussain Berhad (1994-2003)
- General Manager of Finance, Landmarks Berhad (1988-1993)
- Senior Manager of Finance, Amanah Merchant Bank Berhad (1987-1988)
- Audit Senior, Arthur Andersen & Co (KL) (1986-1987)
- Audit Trainee/Senior, Arthur Andersen & Co. (London) (1982-1985)

**Current Membership of Board Committee(s) in MBSB**

- Chairman, Audit Committee
- Member, Restructuring Committee

**Attendance in 2021**

- All 24 Board Meetings held in the financial year.



### Dr. Loh Leong Hua

Aged 64, Malaysian, Male  
Independent Non-Executive  
Director

**Date of Appointment**  
10 May 2021

#### Academic / Professional Qualification(s)

- PhD in Management Studies, Universiti Kebangsaan Malaysia (UKM)
- Advanced Management Program (AMP) Graduate, The Wharton School of University of Pennsylvania, USA
- International Banking Summer School (IBSS) Programme, Sorrento, Italy

#### Working Experience and occupation

##### Present Directorship(s)

Other listed entities:

- WTK Holdings Berhad

Other public companies:

- Pacific & Orient Insurance Co. Berhad

##### Present Appointments(s)

- Chairman, Rating Committee, Malaysian Rating Corporation Berhad

##### Past Directorship(s) and/or Appointment(s)

- Director, MBSB Bank Berhad (2018-2021)
- Director, Transnational Insurance Brokers (M) Sdn Bhd (2012-2019)
- Director, Asian Finance Bank Berhad (2017-2018)
- Director, WTK Holdings Berhad (2014-2018)
- Member, Board Risk Committee, Sarawak Economic Development Corporation [SEDC] (2013- 2017)
- Director, YKGI Holdings Berhad (2015-2017)
- Director, YFG Berhad (2012-2015)
- Senior Director, Kenanga Investment Bank Berhad (2006-2011)
- Senior Vice President, Affin Merchant Bank Berhad (2006)
- Head, Commercial Banking, Eon Bank Berhad (2002-2005)
- Head, Sarawak & Sabah Region, Eon Bank Berhad (1996-2002)

##### Current Membership of Board Committee(s) in MBSB

- Chairman, Risk Management Committee
- Member, Audit Committee

##### Attendance in 2021

16 out of 16 Board Meetings held after the appointment date



### Datin Hoi Lai Ping

Aged 60, Malaysian, Female  
Independent Non-Executive  
Director

**Date of Appointment**  
1 March 2022

#### Academic/Professional Qualification(s)

- Fellow, CPA Australia
- Member, Malaysia Institute of Accountant (MIA)
- Bachelor of Economics (Major in Accounting), Monash University, Australia

#### Working Experience and Occupation

##### Present Directorship(s)

Other listed entities:

Nil

Other public companies:

- Zurich Life Insurance Malaysia Berhad
- Zurich General Takaful Malaysia Berhad

##### Present Appointment(s)

- Director, General Rewards Sdn Bhd

##### Past Directorship(s) and/or Appointment(s)

- FGV Holdings Berhad (2018 - 2021)
- Mentor, leadership development programme by ICAEW and TalentCorp Malaysia (2013 - 2018)
- Partner, Accenture (1994 - 2009)
- Manager, Commonwealth Bank of Australia (1988 - 1994)
- Loan Executive, Hong Leong Finance Berhad (1983 - 1987)

##### Current Membership of Board Committees in MBSB

- Member, Audit Committee
- Member, Risk Management Committee

##### Attendance in 2021

Not Applicable

#### Declaration:

All directors of MBSB has:

- No family relationship with any director and major shareholders of MBSB.
- No conflict of interest with MBSB.
- Not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2021.

## PROFILE OF BOARD OF DIRECTORS: MBSB BANK



### Tan Sri Azlan Zainol

Chairman, Non-Independent Non-Executive Director

#### Date of Appointment

1 March 2021

#### Current Membership of Board Committee(s) in MBSB Bank Berhad

Nil

#### Declaration:

Nominee of Employees Provident Fund Board (EPF).

### Encik Sazaliza bin Zainuddin

Non-Independent Executive Director

#### Date of Appointment

3 May 2021

#### Current Membership of Board Committee(s) in MBSB Bank Berhad

Member, Board Investment and Credit Committee

#### Declaration:

Nominee of Employees Provident Fund Board (EPF).



### Encik Aw Hong Boo

Senior Independent Non-Executive Director

#### Nationality / Age / Gender

Malaysian / 72 / Male

#### Date of Appointment

7 February 2018

#### Academic / Professional Qualification(s)

- Member, Malaysian Institute of Accountants (MIA)
- Member, Malaysian Institute of Certified Public Accountant (MICPA)
- Fellow, Institute of Chartered Accountants in England & Wales (ICAEW)

#### Working Experience and Occupation

#### Past Directorship(s) and/or Appointment(s)

- Director, Malaysia Building Society Berhad (2005-2018)
- Director, Quill Capita Management Sdn Bhd (2006-2015)
- Corporate Advisor, Quill Group of Companies (2004-2010)
- Director, KP Keningau Berhad (2000-2006)
- Director, RHB Finance Berhad (1995-1999),

- Director, RHB Leasing Sdn Bhd (1990-1999)
- Director, RHB Nominees Sdn Bhd (1983-1999)
- Senior General Manager, Branch Network / Risk Management, RHB Bank Berhad (1978-1999)
- Audit Senior / Manager, Ernst & Whinney (1974-1977)

#### Current Membership of Board Committee(s) in MBSB Bank Berhad

- Chairman, Board Audit Committee
- Member, Board Nominating & Remuneration Committee



**Datuk Johar bin Che Mat**  
Independent Non-Executive Director

**Nationality / Age / Gender**  
Malaysian / 69 / Male

**Date of Appointment**  
19 December 2017

**Academic/Professional Qualification(s)**

- Bachelor of Economics, University of Malaya

**Working Experience and Occupation**

**Present Directorship(s) and/or Appointment(s)**

- Chairman, MNRB Holdings Berhad
- Chairman, Takaful Ikhlas Family Berhad
- Chairman, Takaful Ikhlas General Berhad
- Director, Dagang NeXchange Berhad
- Director, Motordata Research Consortium Sdn Bhd
- Chairman, Malaysian Re (Dubai) Ltd
- Director, Ping Petroleum Ltd

**Past Directorship(s) and/or Appointment(s)**

- Director, Rural Capital Berhad (2014 - 2021)

- Director, Malaysia Building Society Berhad (2017-2018)
- Director, Bank Pertanian Malaysia Berhad (Agro Bank) (2010–2016)
- Director, Amanah Raya Group (2010–2016)
- Director, Aseambankers (2000–2002)
- Director, Etiqa Insurance (2004–2010)
- Director, Maybank Trustee Berhad (2007–2010)
- Director, Maybank Islamic Berhad (2006–2010)
- Various Senior positions in Maybank Group (1976–2010)

**Current Membership of Board Committee(s) in MBSB Bank Berhad**

- Chairman, Board Investment & Credit Committee
- Chairman, Board Nominating & Remuneration Committee

**Nationality / Age / Gender**  
Malaysian / 52 / Male

**Date of Appointment**  
1 March 2017

**Academic/Professional Qualification(s)**

- Chartered Professional in Islamic Finance
- Executive Education - Driving Digital Strategy, Harvard Business School, USA
- Leadership Programme, Oxford University, UK
- MBA, International Business, University of Hartford, Connecticut, USA
- BBA Marketing, Wichita State University, USA
- Diploma in Business Studies, UiTM Malaysia

**Working Experience and occupation**

**Present Directorship(s) and/or Appointment(s)**

- Director, Thriven Global Berhad
- Independent Director, AmMetlife Takaful Berhad

- Executive Director, CR FinaCapital Sdn Bhd
- Director, Petrowangsa Sdn Bhd

**Past Directorship(s) and/or Appointment(s)**

- Chairman, Pelaburan MARA Berhad (2020 - November 2021)
- Director, Dagong PMB Holdings Berhad (2018-2019)
- Group Strategic Financial Advisor, Syarikat Perumahan Negara Berhad (SPNB) (2018-2019)
- Director, Bintai KA Development Sdn Bhd (2017-2019)
- Executive Director, OCR Group Berhad (2016-2018)
- Chief Executive Officer, Al Rajhi Banking & Investment Corporation Malaysia Berhad (2012-2014)
- Chief Executive Officer, Standard Chartered Sa'adiq Berhad (2008–2011)
- Director & Head of Islamic Banking Division, Standard Chartered Bank Malaysia Berhad (2005-2008)
- Vice President, Citibank Malaysia Berhad (1996-2005)



**Datuk Azrulnizam bin Abdul Aziz**  
Independent Non-Executive Director

**Current Membership of Board Committee(s) in MBSB Bank Berhad**

- Member, Board Investment and Credit Committee
- Member, Board Information Technology Oversight Committee
- Member, Board Nominating & Remuneration Committee



**Encik Kamarulzaman bin Ahmad**

Independent Non-Executive Director

**Nationality / Age / Gender**

Malaysian / 47 / Male

**Date of Appointment**

1 October 2019

**Academic / Professional Qualification(s)**

- British A-Levels, New College Cardiff, United Kingdom
- BEng (Hons) Electrical and Electronics Engineering, Imperial College of Science & Technology, London, United Kingdom

**Working Experience and occupation**

**Present Directorship(s) and/or Appointment(s)**

- Head of Corporate Ventures, Tenaga Nasional Berhad
- Managing Director, LCTAsia Sdn Bhd

**Past Directorship(s) and/or Appointment(s)**

- Managing Director of a Military Cybersecurity Company (2014 – 2017)
- Managing Director, Endeavor Malaysia (2013 – 2014)

- CEO, CaterhamJet Malaysia (2013)
- Director, Asian Aviation Centre of Excellence (2011 – 2013)
- Regional Head of Customer Experience, AirAsia (2011 – 2013)
- Regional Head of Strategy and Planning, AirAsia (2010 – 2011)
- Various senior positions in PETRONAS Group (2006 – 2010)
- Formula 1 Electronics Engineer (2000 - 2005)

**Current Membership of Board Committee(s) in MBSB Bank Berhad**

- Chairman, Board Information Technology Oversight Committee
- Member, Board Risk Management & Compliance Committee

**Nationality / Age / Gender**

Malaysian / 65 / Male

**Date of Appointment**

5 May 2020

**Academic / Professional Qualification(s)**

- Fellow, Association of Chartered Certified Accountants, UK (ACCA)
- Fellow, Certified Public Accountants, Australia (CPA)
- Member, Malaysian Institute of Accountants (MIA)
- Certified Financial Planner

**Working Experience and occupation**

**Present Directorship(s) and/or Appointment(s)**

- Director, Takaful Ikhlas General Berhad

- Director, Agensi Pekerjaan Hays (Malaysia) Sdn Bhd
- Director, APJV Holdings Sdn Bhd
- Principal, Myles Advisory

**Past Directorship(s) and/or Appointment(s)**

- Director, Hays Specialist Recruitment Sdn Bhd (2012-2020)
- Director, MNRB Holdings Berhad (2017 – 2019)
- Director, Malaysia National Reinsurance Berhad (2016-2019)
- Group Chief Operating Officer, PNB Commercial Sdn Bhd (2009 - 2011)
- General Manager/ CFO, Syarikat Perumahan Pegawai Kerajaan Sdn Bhd (1995 – 2009)
- Senior Manager – Audit, Ernst & Young Kuala Lumpur (1987 – 1994)
- Accountant, North American Travel, London, UK (1986 – 1987)
- Articleship, Simmons Cohen Fine & Partners, London, UK (1978 – 1985)



**Encik Arul Sothy Mylvaganam**

Independent Non-Executive Director

**Current Membership of Board Committee(s) in MBSB Bank Berhad**

- Member, Board Audit Committee
- Member, Board Risk Management & Compliance Committee



### Encik Ho Kwong Hoong

Independent Non-Executive Director

#### Nationality / Age / Gender

Malaysian / 63 / Male

#### Date of Appointment

1 July 2021

#### Academic/Professional Qualification(s)

- Chartered Banker of Asian Institute of Chartered Bankers (AICB)

- Malaysia Futures and Options Registered Representative Certificate, Malaysia Monetary Exchange Bhd
- MBA (Finance) with Distinction, The University of Hull
- B. Sc (Hons) Actuarial Science, The City University

#### Working Experience and Occupation

##### Present Directorship(s) and/or Appointment(s)

- Director, RHB Excel Sdn Bhd (Under Voluntary Winding Up)

##### Past Directorship(s) and/or Appointment(s)

- Non-Independent Non-Executive Director, RHB Bank (Labuan) LTD (2016 - 2020)
- Independent Non-Executive Director & Chairman of Audit Committee, Financial Park (Labuan) Sdn Bhd (2016 - 2020)
- Director/Shareholder, Ho Shih Khim & Sons Holdings Sdn Bhd
- Group Chief Risk Officer, RHB Banking Group (2010 - 2020)

- Head, Central Operations, Senior Vice President, RHB Banking Group (2007 - 2009)
- Chief Operating Officer, RHB Investment Bank Berhad (July 2007 – October 2007)
- Head, Group Risk Management, RHB Sakura Merchant Bankers Berhad (1998 – June 2007)
- General Manager, Treasury Department, RHB Sakura Merchant Bankers Berhad (1984 - 1998)
- Officer, United Asian Bank Berhad (1983 - 1984)

##### Current Membership of Board Committee(s) in MBSB Bank Berhad

- Chairman, Board Risk Management and Compliance Committee
- Member, Board Audit Committee
- Member, Board Information Technology Oversight Committee

#### Declaration:

All directors of MBSB Bank has:

- No family relationship with any director and major shareholders of MBSB and MBSB Bank.
- No conflict of interest with MBSB Bank.
- Not been convicted for any offences within the past 5 years and has not been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2021.

## PROFILE OF SHARIAH ADVISORY COMMITTEE (SAC)



En. Mohd Bahroddin Badri is a Shariah Consultant at ISRA Consulting Sdn Bhd (IC) and Researcher at the International Shariah Research Academy for Islamic Finance (ISRA). Prior to joining ISRA, he served as a lecturer at the International Islamic University Malaysia (IIUM). He was the Deputy Chairman of the Shariah Committee of Citibank Malaysia and a Shariah Committee Member of Citibank Labuan. Currently, he is the Chairman of

the Shariah Advisory Committee of MBSB Bank Berhad, a Shariah Committee Member of SwissRe (Retakaful) and Shariah Committee Member of KOPSYA. He is also an EXCO member of Association of Shariah Advisors for Islamic Finance (ASAS).

He completed his tertiary education and graduated with a Master's in Shariah (Economics) from University of Malaya and Bachelor of Islamic Revealed Knowledge and Heritage (Fiqh and Usul al-Fiqh) from the IIUM. He is a Certified Shariah Adviser and Auditor (CSAA) of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), the Bahrain-based international standard-setting body. Currently, he is pursuing his doctoral study in Business at the International University Malaya-Wales (IUMW). His significant contribution to the Islamic finance industry includes involvement in

developing Shariah-related Policy Guidelines (Shariah Standards) and Shariah-compliant Schemes issued by the Malaysian regulators. He is one of the authors of the textbooks *Islamic Financial System: Principles & Operations* (2nd ed.) and *Sukuk: Principles and Practices*.

As Shariah Consultant at IC, he brings with him vast experience in Shariah and Islamic finance through various advisory services and consultancy projects for international clients and strategic alliances from the UK, Germany, Brazil, Bahrain, Australia, Maldives, Nigeria, Brunei Darussalam, and others. He has also produced research papers and articles on Shariah and Islamic finance, presented papers and participated in international conferences in Istanbul, Turkey; Toronto, Canada; Casablanca, Morocco; Salalah, Oman; Brunei; Singapore; and Jakarta, Indonesia to spur global awareness in Islamic finance.



En. Nasrun bin Mohamad Ghazali is a lecturer in Muamalat, Islamic Finance and Economic cum Head, Muamalat Research and Training at Academy of Contemporary Islamic Studies, Universiti Teknologi MARA. He is also an independent Shariah consultant in the said field. Began his

banking career with Malayan Banking Berhad in 2001, he then served Ambank (M) Berhad in 2010, Al Rajhi Banking & Investment Corporation (Malaysia) Berhad in 2011 and MUFG Bank (Malaysia) Berhad in 2013. During his 18 years' career in the banking industry, he held various functional and management positions covering various domains and sections, and the last being the Head of Shariah at MUFG Bank (Malaysia) Berhad. He also used to serve as a senior consultant at Infopro Sdn. Bhd., a financial solution provider, in 2009, and waqf manager at UiTM in 2019. Currently, he is the Deputy Chairman of the Shariah Advisory Committee of MBSB Bank Berhad.

Specializing in Islamic finance and economics, he holds double Master's Degree in Shariah and Information Technology from the University of Malaya and the National University of Malaysia, respectively, and double Bachelor's Degree in Islamic Sciences of al-Hadith and Accounting from al-Madinah International University and the National University of Malaysia, respectively. In addition, he also obtained a Diploma in Shariah and several certificates in Islamic finance from various institutions. He has also been involved in conducting training, writing and reviewing article/research relating to the topic of Islamic finance and Mu'amalat. Currently, En. Nasrun is pursuing his doctoral degree in Fiqh and Usul al-Fiqh at the International Islamic University Malaysia.





**Sohibus Samahah  
Datuk Dr.  
Luqman bin  
Hj. Abdullah**

Sohibus Samahah Datuk Dr. Luqman bin Hj. Abdullah, is currently the Federal

Territories Mufti and a senior lecturer at the Department of Fiqh and Usul al-Fiqh, Academy of Islamic Studies, the University of Malaya. He obtained his Ph.D in Islamic Law from the University of Edinburgh, Scotland (2005) and Bachelor of Arts (Honours) in Shariah, the University of Malaya (1993). His areas of specialization are Islamic Law of Mu'amalat, Islamic Jurisprudence, Islamic Legal Theory and Islamic Legal Textual Studies. Apart from being a Member of the Shariah Advisory Committee of MBSB Bank Berhad, he also serves as a Member of the Shariah

and Fatwa Committee at various financial institutions, including Takaful Ikhlas Malaysia Berhad, Amanah Raya Berhad and Department of Islamic Development Malaysia (Jabatan Kemajuan Islam Malaysia). He has been involved in various professional membership and trainings on Islamic finance apart from being actively involved in writing books and articles, as well as presenting papers in various conferences at both international and national levels.



**En. Mohd Nasiruddin  
bin Mohd  
Kamaruddin**

En. Mohd Nasiruddin bin Mohd Kamaruddin, a seasoned banker, began his banking career with Chung Khiaw Bank Limited in 1987. He then served

Standard Chartered Bank Malaysia Berhad from 1989 until his retirement in January, 2018. During his twenty-eight (28) years' career with the Bank, he held various management positions, the last being the Head of Shariah and Chief Operating Officer of the Bank's Islamic Banking subsidiary. He joined the Islamic Banking Division in 1999 and was responsible for the setting up of the Islamic Banking subsidiary in 2008 and was also responsible for building the infrastructure to prepare the Bank to fully comply with BNM's Shariah Governance Framework and the operational requirements laid down in Islamic Financial Services Act (IFSA) 2013.

He is an expert in Islamic banking products and operational requirements. He holds a B.Sc. Finance and MBA (Finance), both from California State University Fresno, USA. In addition, he also obtained a Certificate in Islamic Law from the International Islamic University Malaysia (IIUM), in 2009 and is a Certified Shariah Practitioner (CSP), a professional certification conferred by the Association of Shariah Advisors in Islamic Finance (ASAS). He has been appointed as a member of MBSB Bank's Shariah Advisory Committee since February 2018.



**Dr. Ahmad Faizol bin Ismail**

Dr. Ahmad Faizol bin Ismail is a Senior Lecturer and Head of Shariah Department, Faculty of Islamic Contemporary Studies at Universiti Sultan Zainal Abidin (UniSZA).

Before that, he was the Post-Graduate Coordinator at the Faculty of Islamic Contemporary Studies, UniSZA. Dr. Ahmad Faizol obtained his Ph.D. in Law from School of Law, University of Leeds, United Kingdom, and Masters of Shariah from the University of Malaya (UM). He also holds a degree in Shariah from Al-Azhar University and Diploma in Islamic Studies (Shariah) from Kolej Ugama Sultan Zainal Abidin (KUSZA).

*shar'iyah* which are also his research interests.

He has conducted several types of research in social sciences and humanities, accumulating more than RM1 million research grants in value. He managed multiple international conferences and seminars, as well as other institutional academic activities in his previous institutions.

He specializes in Islamic financial system, Shariah governance, and corporate governance. He teaches various subjects such as *fiqh al-mua`malat*, *usul al-fiqh*, *al-qawaid al-fiqhiyyah* and *al-siyasah al-*

After finishing his Ph.D. in 2019, he has been active as an editor for several academic journals, especially in Islamic finance.

## MANAGEMENT TEAM: MBSB BANK



*from left to right*

**Hj Asrul Hazli bin Salleh** | Chief Treasurer and Capital Markets Officer, Financial Markets Division

**Aniza binti Zakaria** | Chief Internal Auditor, Internal Audit Division

**Ramanathan a/l Rajoo** | Chief Financial Officer, Finance Division

**Datuk Nor Azam Bin M. Taib** | Acting Chief Executive Officer

**Laurence Ong Wooi Keat** | Chief Risk Officer, Risk Management Division

**Jesleigh bin Johari** | Chief Operating Officer, Operations Division



*from left to right*

**Tengku Khalizul bin Tengku Khalid** | Chief Compliance Officer, Compliance Division

**Azlina binti Mohd Rashad** | Chief Corporate Officer, Corporate Services Division

**Amran bin Abdul Latip** | Chief Technology Officer, Technology Division

**Dato' Azlan bin Shahrin** | Chief Strategy Officer, Corporate Strategic Planning Division

**Mohd Farid Shah bin Mohd Basir** | Chief People Officer, Human Resource Division

## PROFILE OF MANAGEMENT TEAM: MBSB BANK



### Datuk Nor Azam bin M. Taib

Acting Chief Executive Officer (ACEO)

Nationality / Age / Gender	Appointment to Current Position
Malaysian / 55 / Male	16 August 2021

#### Qualifications

- Master of Business Administration, Charles Sturt University, Australia
- Bachelor of Science in Accounting, University of Wyoming, USA
- American Associate Degree, Indiana University, Bloomington, USA
- Certified Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (CQIF)
- Intermediate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (IQIF)
- Associate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (AQIF)

#### Skills and Experience

Datuk Nor Azam has more than 26 years of extensive experience in the banking and finance sector in the areas of auditing, structured lending, business banking and corporate business. Prior to MBSB, he was Head of Business Banking in Bank Islam (M) Berhad. Since joining MBSB on 8 November 2010, Datuk Nor Azam has been at the vanguard of the Bank's Corporate Business Division and rose to be appointed as Chief Business Officer (CBO) of MBSB Bank in April 2018 where he championed the overall strategic direction of the bank through the development of the Business Plan and its' implementation phase.

In this role, he enhanced the business strategies of the Bank, developed, guided, motivated and directed the implementation of specific plans and programs for the different types of banking and overall performance. He leads the team in overall management of sales strategies; maintains effective relationships with regulatory, governmental, industry, financial and community groups so as to enhance financial performance and business effectiveness. Datuk Azam was subsequently appointed as the Acting Chief Executive Officer effective 16 August 2021 with an expanded role.



### Ramanathan a/l Rajoo

Chief Financial Officer, Finance Division

Nationality / Age / Gender	Appointment to Current Position
Malaysian / 59 / Male	2 February 2021

#### Qualifications

- Bachelor degree of Accounting (Hons) - UKM (1987)
- Master in Business Administration - UPM (1998)
- FCPA Australia (2017)
- Malaysian Institute of Accountants (MIA)
- Certified Credit Professional (AICB)

#### Skills and experience

Ramanathan joined MBSB Bank on the 2nd February 2021 as Chief Financial Officer (CFO). As CFO, he oversees all financial functions for the Holding company, Bank and its subsidiaries. Before joining the Bank, he was the CFO of a local Bank. He began his career in 1988 as an audit trainee with the big 4 auditing firm before joining the banking industry in 1991 as an Executive in Finance Division.

With an extensive experience of over 31 years ranging from auditing, financial accounting, financial management, capital management, regulatory reporting and recovery, Rama serves as a strategic Business Partner to the Senior Management to achieve the overall objective of the Bank. He is a Fellow member of CPA Australia, a member of the Malaysian Institute of Accountants and a certified Credit Professional from Asian Institute of Chartered Bankers. He has also completed the Summer School Programme at Judge Business School, University Of Cambridge, Global Banking Leaders Programme at CASS Business School, University of London and Asian International Executive Programme with INSEAD.



### Jesleigh bin Johari

Chief Operating Officer, Operations Division

Nationality / Age / Gender	Appointment to Current Position
Malaysian / 39 / Male	1 January 2022

#### Qualifications

- Bachelor of Economics (B.Ec) majoring in Economic Policy (University of Tasmania, Australia) 2004

#### Skills and experience

Jesleigh joined us from Standard Chartered Bank Malaysia (SCB) where he spent the last 16 years of his career with stints across Malaysia, Singapore and Standard Chartered's Global Business Services. His experience spans over Banking Operations, Trade Finance, Governance, Process and Strategic Operations with multiple achievements throughout his time with SCB. Most recently, he was Director and Head of Client Delivery for the Corporate, Commercial and Institutional Banking business.

Jesleigh manages all operational activities for the Bank and ensures the delivery of reliable, quality and timely services to customers and stakeholders while ensuring compliance with bank policies and procedures. He is accountable and responsible in overseeing eight (8) departments namely Branch Operations & Support, Payment Operations, Retail Credit Management Department, Corporate Credit Management & Disbursement, Collection & Recovery, Trade Finance Operations, Legal Advisory, and Property and Project Monitoring Department. As Chief Operating Officer, Jesleigh is responsible to design and implement business strategies for the Bank's overall operational matters and set comprehensive goals to drive performance and growth.



### Dato' Azlan bin Shahrim

Chief Strategy Officer, Corporate Strategic Planning Division

Nationality / Age / Gender	Appointment to Current Position
Malaysian / 53 / Male	1 May 2021

#### Qualifications

- Master's Degree in International Business Law, University of Exeter, UK
- Utter Barrister, Gray's Inn, UK
- Bachelor's Degree in Law, University of Kent, UK
- Advanced Management Program, Wharton School, University of Pennsylvania, USA

#### Skills and Experience

Dato' Azlan joined MBSB Bank as the Chief Strategy Officer on May 1, 2021. Dato' Azlan is a strategic and operations leader with extensive experience steering large companies through transformation. As the CSO of MBSB Bank, he collaborates with the ACEO to establish growth and valuation initiatives for stakeholders. He is responsible for leading the Bank's transformation agenda and oversees strategic reviews and the execution of these strategies.

He began his career as a corporate and commercial lawyer and has since held senior management positions in a variety of businesses for over 20 years. He was the Deputy CEO of Tanjung Pelepas Port, Malaysia's largest container terminal. Under his leadership, profitability doubled and efficiency improved to be among the best in the region. As Group Director, Corporate Strategy & Transformation, he led DRB-HICOM's turnaround and transformation efforts in the automotive, property, and services industries. He also served as Group Chief Operating Officer of Pos Malaysia, where he redesigned and revived the national postal operator's transformation programme, directing the organisation towards sustainability.



### Hj Asrul Hazli bin Salleh

Chief Treasurer and Capital Markets Officer,  
Financial Market Division

Nationality / Age / Gender	Appointment to Current Position
Malaysian / 44 / Male	1 January 2022

#### Qualifications

- Bachelor of Business Administration (Hons) Finance, University of Technology MARA (UiTM)
- American Degree Program (ADP) Centre of Preparatory Education, University Technology MARA (UiTM)
- Persatuan Kewangan Malaysia Certificate (PKMC), ACI-Financial Markets Association of Malaysia (ACI- FMAM) and Asian Institute of Chartered Bankers (AICB)
- Intermediate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (IBFIM)
- Associate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (IBFIM)

#### Skills and Experience

Hj Asrul Hazli joined MBSB on 1 October 2010 as the Assistant General Manager of Treasury Division bringing with him years of experience and knowledge on treasury and capital markets, specializing in liquidity, asset and liability and balance sheet management from several financial institutions. Prior to joining MBSB, Hj Asrul Hazli was the Senior Dealer and Head of Asset Liability Management (ALM) & Funding Desk of Treasury and Capital Markets Department at Bank Muamalat Malaysia Berhad.

Hj Asrul Hazli was appointed as Chief Operations Officer of MBSB Bank in 2018. He is responsible for providing strategic direction for the Bank's overall operational matters and execution of the day-to-day activities for all the departments under his purview. On 3 January 2022 Hj Asrul Hazli is appointed as Chief Treasurer and Capital Markets Officer. He is accountable for the Bank's funding/liquidity, trading treasury sales and asset/liabilities management activities. Hj Asrul Hazli is also a member of ACI- Financial Markets Association of Malaysia (ACI-FMAM) since 2001.



### Amran bin Abdul Latip

Chief Technology Officer, Technology Division

Nationality / Age / Gender	Appointment to Current Position
Malaysian / 58 / Male	2 February 2021

#### Qualifications

- B.Sc in Computer Science - Bishop's University, Canada (1987)
- Certificate in Islamic Finance - INCEIF

#### Skills and experience

Amran joined MBSB Bank on 2nd February 2021 as Chief Technology Officer (CTO). He began his career in 1987 with Fujitsu Business Systems for 3 years as a Systems Engineer. In 1990 he joined Bursa Malaysia as Head of IT Operations managing one of the country's most critical data center in Malaysia and was one of the pioneer staffs who developed Central Depository System (CDS) in 1990.

Subsequently, he joined Maybank in 1998 for 7 years managing e- Channels Division, working on two established Maybank brand names, namely Maybank2U on internet banking and Mobile Financial Services for mobile banking. He was the Head of eChannels in Maybank and the pioneer in setting up the Maybank Internet Banking project as well as the Maybank Group Call Center. He has built up the Maybank2U business, acquiring over 600 payee corporations with an increase in revenue from below RM100K in the first year to over RM10 million in 3 years. A seasoned IT professional, Amran's over 30 years of working experience ranges from software development to managing IT teams within Financial Institutions. Amongst his notable positions includes Chief Information Technology (CIO) of Kuwait Finance House Malaysia for 6 years, CIO at RHB Bank, Director of Technology at Al-Rajhi Bank, General Manager IT at Lembaga Tabung Haji and as CIO at Bank Simpanan Malaysia



### Azlina binti Mohd Rashad

Chief Corporate Officer, Corporate Services Division

Nationality / Age / Gender	Appointment to Current Position
Malaysian / 50 / Female	7 February 2018

#### Qualifications

- Bachelor in Accountancy (Hons), University of Northumbria, Newcastle, England
- Diploma in Accountancy, University of Technology MARA (UiTM)
- Certified Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (CQIF)
- Intermediate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (IQIF)
- Associate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (AQIF)
- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals (CPIF)

#### Skills and Experience

Azlina joined MBSB on 6 April 2009 as Senior Manager, Transformation Management Office, CEO's Office. Amongst her major responsibilities were to assist the CEO in planning and ensuring the successful implementation of all strategic business and operational initiatives being undertaken by the business and support divisions. She has a wealth of experience in the financial sector, spanning over 21 years, with previous employment at Amlslamic Bank, undertaking the Business Management function. Azlina also plays a primary role in establishing MBSB's and MBSB Bank's brand names as key players in the financial industry.

In 2018, she was appointed as the Chief Corporate Officer of MBSB Bank. In assuming this position, she oversees the Corporate Services Division and currently tasked to direct Strategic Communication, Customer Experience Management, KPI & Performance Management, Product Development & Management, Strategic Business Planning as well as administering Shariah Secretariat & Advisory. Azlina was ranked 40th in the top 300 Most Influential Women in Islamic Business and Finance in 2019 by WOMANi. WOMANi is a part of the women empowerment programme by Cambridge IFA, a UK-based financial intelligence house, to highlight enormously important roles that exceptionally talented women are playing in Islamic business and finance.



### Mohd Farid Shah bin Mohd Basir

Chief People Officer, Human Resource Division

Nationality / Age / Gender	Appointment to Current Position
Malaysian / 52 / Male	19 April 2021

#### Qualifications

- Bachelor in Business Studies (Human Resource Management)
- SHRM – Senior Certified Professional (SHRM-SCP)
- Human Resource Professional – International Human Resource Certification Institute (IHRCI)
- Global Human Resource Professional – International Human Resource Certification Institute (IHRCI)
- Global Remuneration Professional

#### Skills and Experience

Farid Basir, aged 52, joins MBSB Bank as Chief People Officer on 19 April 2021. Farid brings a wealth of professional insights to MBSB, having had career exposures abroad in Switzerland, South Africa and the Philippines. Whilst he was with Nestle, his experience in Human Resource discipline spans over two decades within various industries ranging from Telecommunications, FMCG, Banking and Insurance. He began his career in 1994 with Telekom Malaysia Berhad (TM), covering most areas within HR spectrum from HR restructuring, training, succession planning, total rewards, organizational development and policies and procedures. He had a short stint with Malaysia National Insurance Berhad (MNI), focused on performance and rewards management.

Upon his return to Malaysia under the Talent Returning Expert Program (REP), Farid was appointed as Chief Human Capital Officer in Bank Rakyat in 2016 before moving on to assume the post of Chief Human Capital Officer in Telekom Malaysia Berhad until December 2020. Farid accomplished several business and leadership programmes conducted by Cambridge Judge Business School, Said Business School at University of Oxford INSEAD and the Institute for Management Development (IMD) in Switzerland. He took centre stage internationally when he was awarded the "Upcoming Personality in Islamic Finance 2017" at the Global Islamic Finance Awards (GIFA) 2017, held in Kazakhstan and the "CHRO of the Year" at the World HRD Congress 2018 in India. A strong advocate of leadership excellence initiatives for the younger generation of workforce, Farid is presently the Vice-President of Malaysian Employer Federation (MEF).



**Laurence Ong Wooi Keat**

Chief Risk Officer, Risk Management Division

Nationality / Age / Gender	Appointment to Current Position
Malaysian / 51 / Male	15 March 2022

**Qualifications**

- Bachelor's Degree in Accounting , University of Malaya
- Chartered Bankers (UK)
- Professional Member of Institute of Operational Risk (UK)
- Chartered Accountant (Malaysia)

**Skills and Experience**

Laurence comes with extensive experience from the banking and finance industry for the last 27 years. He was the CRO for RHB Singapore Operations prior to joining our bank. He joined RHB Bank in 2014 as the Head of IGNITE, Risk Initiatives, responsible for the transformation of the Group Risk Division, which focused on strengthening new value propositions and differentiation for multiple risk segments.

Laurence was also responsible for improving regional capabilities, especially in driving a risk culture change initiative. Subsequently, he was named as the Head of Group Operational and Technology Risk Management, where he managed operational risk, technology risk, business continuity management, and reputational risk. Prior to RHB, Laurence was the General Manager of AmBank (M) Berhad. His other work experiences include Bursa Malaysia and Bank Negara Malaysia as well.



**Tengku Khalizul bin Tengku Khalid**

Chief Compliance Officer, Compliance Division

Nationality / Age / Gender	Appointment to Current Position
Malaysian / 48 / Male	7 February 2018

**Qualifications**

- Bachelor of Science in Business Administration (Finance), Northern Arizona University, USA
- Certificate in Internal Auditing for Financial Institutions (CIAFIN), Asian Institute of Chartered Bankers (AICB)
- Certificate in Regulatory Compliance, Asian Institute of Chartered Bankers (AICB)
- Associate Qualification in Islamic Finance, Islamic Banking and Finance Institute Malaysia (AQIF)
- Certificate in Shariah Audit, Universiti Sains Islam Malaysia
- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals (CPIF)

**Skills and Experience**

Tengku Khalizul joined MBSB on 5 May 2014. Heading the Compliance Division, he is responsible for coordinating the identification and management of compliance risk in the organisation.

In 2018, Tengku Khalizul was appointed as Chief Compliance Officer of MBSB Bank where he leads and manages the Bank's Compliance function and acts as the focal point for all compliance related matters and Anti Money Laundering and CTF (Counter Terrorism Financing) related matters. Tengku Khalizul's statutory responsibilities in the Bank include AML/CFT Compliance Officer, FATCA Officer and PDPA Officer. He has more than 20 years of working experience in audit, operational risk management and compliance.





## Aniza binti Zakaria

Chief Internal Auditor, Internal Audit Division

Nationality / Age / Gender	Appointment to Current Position
Malaysian / 49 / Female	1 January 2017

### Qualifications

- Bachelor of Science in Finance & Management, University of Oregon, USA
- Professional Certificate in Islamic Banking, INCEIF – The Global University of Islamic Finance
- Shariah Audit Certificate – Universiti Sains Islam Malaysia (USIM)
- Certificate in Internal Auditing for Financial Institutions – Asian Institute of Chartered Bankers
- Certification for Bank Auditors – Asian Institute of Chartered Bankers
- Masters in Islamic Finance Practice, INCEIF – The Global University of Islamic Finance
- Chartered Banker, Asian Institute of Chartered Banker

### Skills and Experience

Aniza began her employment at MBSB on 13 August 2014 as Assistant Vice President, Internal Audit Division, after acquiring over 21 years of industry experience from several banking institutions in Malaysia.

On 1 January 2017, she was appointed as Chief Internal Auditor for MBSB. Her major responsibilities are to formulate strategies and execution of an independent, cost effective and efficient audit and examination function for MBSB Bank's operations and provide independent and objective assessments of control and risk levels in the bank entities. Prior to joining MBSB, Aniza was with Kuwait Finance House Malaysia Berhad's Internal Audit Division. Aniza is also a Chartered Banker, AICB and Senior Associate Member of Chartered Institute of Islamic Finance Professionals. She is a member of the Development Committee for Certified Professional Shariah Auditor, by IBFIM and Universiti Sains Islam Malaysia.

### Declaration:

Save as disclosed above, none of the Management Team:

- has any other directorship in public companies and listed issuers.
- has any family relationship with any director and major shareholders of MBSB and its subsidiaries.
- has any conflict of interest with MBSB and its subsidiaries.
- has been convicted for any offences within the past 5 years or has been imposed of any public sanction or penalty by the relevant regulatory bodies during the financial year ended 31 December 2021.

## KEY PERSONNEL: MBSB BANK

*from left to right*

**Koh Ai Hoon** | Company Secretary

**Noor Hanim binti Ahmad Kushairi** | Head of Corporate Banking

**Mohamed Marwan bin Mohamed@Alias** | Head of Shariah Secretariat & Advisory

**Sheela Thaver** | Head of Legal



## PROFILE OF KEY PERSONNEL: MBSB BANK

**Koh Ai Hoon**

Company Secretary



Koh Ai Hoon has more than 30 years of relevant experience in company secretarial matters with some experience in legal matters. She joined MBSB as Company Secretary on 2 May 2008, heading the Company Secretarial Department which was involved in managing all company secretarial, compliance and statutory related matters for MBSB and its subsidiaries. Her primary areas of responsibility include advocate, advice and assist the Board on matters relating to the affairs of the Group, including issues pertaining to compliance, corporate governance and best practices, directors' duties and responsibilities, overseeing matters related to Board/ Board Committees/ Management Committees and other corporate secretarial matters. Prior to joining MBSB, she was the Head of Legal & Secretarial/ Company Secretary of Dataprep Holdings Berhad. She is an Associate Member of the Malaysian Association of Chartered Secretaries & Administrators (MAICSA). She also holds a Bachelor of Law from University of London and has Associate Qualification in Islamic Finance from Islamic Banking and Finance Institute Malaysia (AQIF).

**Noor Hanim binti Ahmad Kushairi**

Head of Corporate Banking



Noor Hanim Ahmad Kushairi is the Head of Corporate Banking Division. She is responsible for the development, execution and management of corporate banking strategy and business plan, taking into account the market opportunity, growth potential, competitor activity, existing capabilities and risk appetite. Under her purview are Wholesales Banking, Trade Business, Commercial Banking, Industrial Hire Purchase, Client Coverage, Business Support, Business Development, Early Care as well as Digital Cash Management. She began her career in 1992. She has over 20 years of regional banking experience encompassing wholesale and retail banking at large local banks. Prior to joining MBSB, she was Chief Credit Officer of EXIM Bank Berhad. She is a qualified Chartered Banker and Certified Credit Professional. She holds a MBA (Finance) from University of Hull, UK and BSc in Business Administration from University of West Virginia.

**Mohamed Marwan bin Mohamed @ Alias**

Head of Shariah Secretariat &amp; Advisory



Mohamed Marwan bin Mohamed @ Alias is the Head of Shariah Secretariat and Advisory Department. He began his career in the banking & finance industry in 2009 and joined MBSB in 2012. He was involved in the Shariah aspect during the merger and acquisition process between Asian Finance Bank and MBSB in 2017. He was also one of the Shariah advisor during the establishment of MBSB's Integrated Core Banking System (MICOB). He graduated from Darul Uloom Zakariyya of South Africa in 2006 with a Syhadah `Alimiyah degree and his academic knowledge covers advanced Islamic studies in the fields of Shariah, Usul al-Fiqh, Tafsir, Hadith & Arabic Eloquence. He is a member of Association of Shariah Advisors in Islamic Finance (M) and also a holder of Tauliah mengajar & berceramah by Majlis Agama Islam Selangor (MAIS).

**Sheela Thaver**

Head of Legal



Ms. Sheela Thaver heads the Legal Advisory Department and is responsible for controlling, managing and directing the activities of Legal Advisory which includes and is not limited to providing professional and strategic advice both legal and general in nature in all matters pertaining to MBSB and its subsidiaries. She joined MBSB in 2009. Prior to joining MBSB, she was in general legal practice with experience in both litigation and conveyance matters with emphasis in corporate banking. Ms. Sheela holds a Bachelor of Laws LLB (Hons) and Certificate in Legal Practice (CLP). She also has the Certified Qualification in Islamic Finance (CQIF) : Banking. She is a member of the Disciplinary Committee and the Initial Alert Committee of the Bank.

A close-up photograph of a person's face, showing their eyes and mouth. The person has a white box covering their eyes. The text 'OUR GOVERNANCE' is written in blue, bold, uppercase letters across the white box.

# OUR GOVERNANCE



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## CORPORATE GOVERNANCE OVERVIEW STATEMENT

Corporate governance is crucial to enable effective and prudent management of our organisation in delivering sustainable value for all our stakeholders. The objectives of our corporate governance are clear – to ensure that our business is conducted in a transparent, ethical, fair and responsible manner, in compliance with all relevant laws and regulations.

The Board of Directors (the “Board”) of MBSB firmly believes in the importance of good corporate governance in realising our vision for MBSB Bank to become a top progressive Islamic bank, MBSB is fully committed in ensuring the highest standards of corporate governance and integrity are applied throughout our organisation via our values, structures, policies and procedures.

We adopt the principles and best practices of corporate governance as prescribed by the Malaysian Code of Corporate Governance (“MCCG”), Companies Act 2016 and those outlined by other regulatory bodies such as Bank Negara Malaysia’s policy document on Corporate Governance and Bursa Malaysia Securities Berhad (“Bursa Malaysia”)’s Main Market Listing Requirements (“MMLR”). MBSB is also a member of the Federation of Public Listed Companies Berhad.

The Board is pleased to present our Corporate Governance (“CG”) Overview Statement, which outlines our approach to governance in practice and the key Board activities in 2021. This CG Overview Statement focuses on the following three (3) key CG principles of MCCG:

- A. Board Leadership and Effectiveness
- B. Effective audit and risk management
- C. Integrity in corporate reporting and meaningful relationship with stakeholders

The CG Overview Statement will also outline MBSB’s key focus area and future priorities in relation to CG practices.

This CG Overview Statement is prepared in compliance with Bursa Malaysia’s MMLR. It is to be read together with the Corporate Governance Report (“CG Report”) 2021 which is available on MBSB’s website at <https://www.mbsb.com.my/ar.html>.

In the latest MSWG-ASEAN CG Awards 2020, MBSB ranked 19th amongst the Top 100 Malaysian public listed companies (“PLCs”) for corporate governance disclosure, out of the 851 PLCs assessed. Our continuous efforts to improve our CG disclosures and practices were recognised as MBSB was named as one of the MSWG-ASEAN CG 2020 Award Winners. MBSB received the Industry Excellence Award for Financial Services.

We are also a constituent of FTSE4Good Bursa Malaysia Index (“F4GBM”) since 2016. Our FTSE4Good ESG rating as at 20 December 2021 stood at 3.2, which was higher than the previous’ year rating of 2.9 and higher than the industry average (Financials) of 2.4. The Boards will continue to address the gaps in Sustainability Report 2021, CG Report 2021 and Integrated Annual Report 2021.

### A. BOARD LEADERSHIP AND EFFECTIVENESS

#### Board Responsibilities

The Boards of MBSB and MBSB Bank Berhad (“MBSB Bank”) (together, the “Boards”) set the tone from the top and is collectively responsible for overseeing the conduct of the Group’s business as well as the Management’s implementation of the Group’s strategic objectives, including its performance to ensure the sustainability of the Group and its ability to create long-term value, not only for our shareholders but also for our broader stakeholders.

The Boards are guided by their respective Board Charters, which clearly identifies the respective Board’s role, duties and responsibilities. Each of the Board Charters also outlines the processes and procedures to ensure the effectiveness and efficiency of the Boards and their Committees.

The Boards are supported by various Board Committees and Management-led Committees (together identified as the “Committees”). The roles and responsibilities of the respective Committees are clearly outlined in their Terms of Reference (“TOR”) and Approving Authority Manual (“AA Manual”), which require regular review and approval by the Boards from time to time. Any decisions which are not within the Committees’ authority would be escalated to the respective Boards with the Committees’ recommendation.

The Boards have entrusted its Committees with specific responsibilities to oversee the Group's affairs in accordance with their respective TOR and remain responsible and keep abreast with the key issues and decisions made by the respective Committees through the reports escalated to the Boards as well as the minutes of meetings that capture the detailed deliberations and which were subsequently tabled to the Boards for notation.

The matters reserved for the Boards include reviewing and adopting the strategies on promoting sustainability through appropriate environmental, social and governance ("ESG") consideration in the Group's businesses, including development and implementation of sustainability strategies, priorities and targets. The complete list of matters reserved for the Boards can be found at their respective Board Charters.



*The Board Charters for MBSB and MBSB Bank are available online at [https://www.mbsb.com.my/Board\\_Charter.pdf](https://www.mbsb.com.my/Board_Charter.pdf) and [https://www.mbsbbank.com/Board\\_Charter.pdf](https://www.mbsbbank.com/Board_Charter.pdf), respectively*

Since the acquisition of Asian Finance Bank Berhad ("AFB") in 2018 and the subsequent change of name to MBSB Bank Berhad in the same year, the Group has since undertaken a rebranding exercise to revitalise MBSB Bank's corporate identity and its brand outlook as a progressive full-fledged Islamic bank which enhances the brand's positioning and corporate image in the market, in line with MBSB's new strategic business direction.

The Board of MBSB, in consultation with the Board of MBSB Bank, determines the strategic direction of the Group to ensure that the Group achieves its initiatives as set out in the Business Plan and Journey 25 Roadmap.



*Refer to the "2021: The Year in Review" and "Moving Forward" section of this Integrated Annual Report for more information on the Business Plan*

## Board Activities

During the year, the Boards convene for Board meetings regularly to review the overall performance of the Group. This include the progress of the Business Plan, the progress of the Group reorganisation, Digital and Technology Strategy, ESG Strategy, short and long-term budget of the Group, succession planning and the future growth for the Group. The Boards review and set the annual performance scorecard of the Group as well as targets for the Group President and Chief Executive Officer ("Group PCEO")/ Acting Chief Executive Officer ("ACEO").

The Boards are also responsible for ensuring that the Group is responsive to changes in the business and economic environment when pursuing and achieving the planned goal and objectives. The Boards monitor MBSB Bank's performance from time to time through the presentation of the various reports submitted by the Finance, Risk Management, Compliance and Internal Audit Division. The Boards also monitored the scorecard achievement and progress of Business Plan initiatives through the monthly business performance report and financial report presented to the Board.

Succession planning was deliberated in detail in 2021. An outcome from the deliberation was a structured training programme to develop transformational leaders who are able to introduce sound strategies and realise MBSB Bank's vision in becoming the top progressive Islamic Bank.

During the year, the Bank continued to grow its CASA base and launched a new Wakalah unrestricted investment account. The Boards also recommended measures to increase investment in technology mainly in the area of IT Security.

The Boards also discussed extensively on the impact of the prolonged COVID-19 pandemic on the Group. On the Group's performance, appropriate measures were taken to mitigate and reduce the impact of the modification loss recognised in 2021 due to the moratorium programme.

The Boards provide oversight on the management of sustainability matters at MBSB and MBSB Bank to ensure ESG considerations are incorporated in business plans. In 2021, the Group performed a comprehensive materiality assessment to identify matters or issues that reflect the Group's significant economic, environmental and social impacts. Interests and concerns for both internal and external stakeholders are reviewed through surveys and focus group discussions. The outcome from the assessment was prioritised and presented in the Materiality Matrix, which was validated and endorsed by the Boards during the year. The materiality assessment process and Materiality Matrix are disclosed in MBSB Integrated Annual Report 2021.

The Boards have reviewed its current state of ESG Practices in the Group and the Group is in the midst of developing a roadmap for full adoption by financial year 2022.

An ESG Committee has been established to lead the Group’s ESG initiatives and a designated person has been identified to manage Sustainability strategically. An ESG Risk Framework has also been approved by the Boards in September 2021.

In 2021, the Board of MBSB and MBSB Bank reviewed and enhanced its Board Charter to incorporate the requirements for reappointment of Non-Executive Director.

The TOR of the Board Committees and Management-led Committees, policies and procedures were reviewed and revised during the year to reflect the necessary changes in the internal process and regulatory requirement for better operational efficiency and readiness.

Among the topics and strategies reviewed, deliberated and approved by the Boards during the financial year 2021 are as follows:-

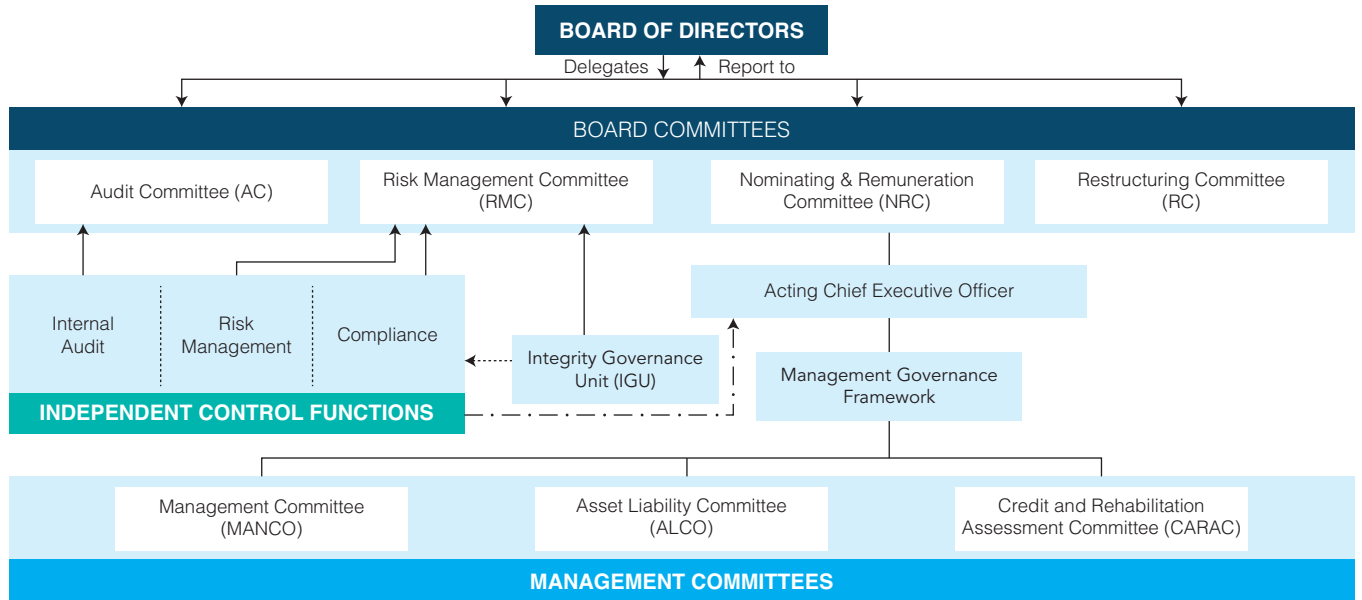
Areas	Key topics/ strategies
<b>Strategy</b>	<ul style="list-style-type: none"> <li>• Budget, business plan initiatives and KPI for year 2021 for MBSB Group</li> <li>• Assessment on Covid-19 impact to the Group and the strategies to mitigate the impact</li> <li>• Assessment on the impact of moratorium on financing</li> <li>• MBSB Bank’s Digital and Technology Strategy</li> <li>• Group Capital Strategy</li> <li>• MBSB Group restructuring and disposal of non-core assets</li> <li>• Budget and Business Plan for 2022 for MBSB Group</li> <li>• Environmental, Social and Governance (“ESG”) Strategy</li> <li>• Monthly Strategy &amp; Business Performance</li> <li>• Monthly Financial Performance</li> <li>• Declaration of Dividend</li> </ul>
<b>Risk, Compliance, Oversight</b>	<ul style="list-style-type: none"> <li>• Composite Risk Rating findings</li> <li>• Annual Plan for 2021 for Risk, Compliance, Internal Audit and Integrity and Governance Unit (IGU).</li> <li>• Transfer Pricing Policy</li> <li>• Integrity and Anti-Bribery, Corruption &amp; Abuse of Power Policy</li> <li>• Quarterly Risk Management Report</li> <li>• Quarterly Regulatory Compliance Report on Anti-Money Laundering/ Counter Financing of Terrorism (AML/CFT)</li> <li>• Quarterly Internal Audit Report</li> <li>• Revision of Board Charter</li> <li>• Revision of Investor Relation Policy</li> <li>• Quarterly IGU Report</li> <li>• Review Dividend Policy</li> </ul>
<b>Governance</b>	<ul style="list-style-type: none"> <li>• Succession Planning for Key Management Personnel</li> <li>• Succession Planning for Board</li> <li>• Board remuneration, composition and gender diversity</li> <li>• Performance assessment and rewards for Key Management Personnel in 2020.</li> <li>• Board Effectiveness Assessment and Fit and Proper Assessment</li> <li>• MBSB Corporate Governance Report 2020</li> </ul>



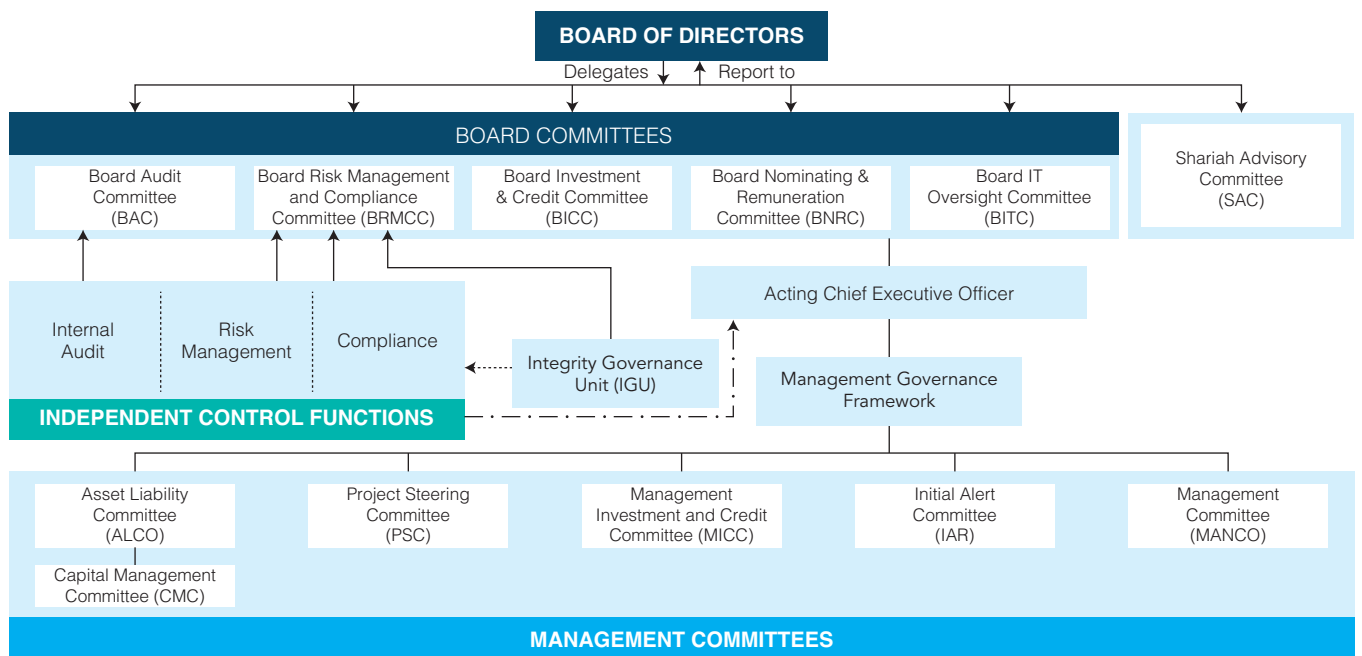
### Leadership and Governance Structure

The governance structure of MBSB and MBSB Bank are as follows:

#### GOVERNANCE MODEL & FRAMEWORK: MBSB



#### GOVERNANCE MODEL & FRAMEWORK: MBSB BANK



- ..... Report to Chief Compliance Officer for day-to-day administration
- - - - Report to Acting Chief Executive Officer for day-to-day administration

The governance structure of the Group is supported by the AA Manual, which delineates relevant matters and approving authority limits, including those reserved for the Board's approval and those which the Boards may delegate to the relevant Board Committees, the Group PCEO/ACEO and Management. The governance structure, Board Charter, TOR and the AA Manual is reviewed at least once every two years or as required, to ensure an optimum structure for efficient and effective decision-making in the organisation.

### **Ethical Business Conduct**

The Boards have established the Code of Ethics for Directors in line with the practices with the MCCG. The Directors observe the Code of Ethics in performing their duties and are fully subscribed to highly ethical standards considering all stakeholders' interest.

The Code of Ethics for Directors has also been enhanced to incorporate the recommendations from the Securities Commission's Guidelines on Conduct of Directors of Listed Corporations and their Subsidiaries and Code of Ethics recommended by Financial Services Professional Board.

The Boards have established a Directors' Conflict of Interest Policy to provide a systematic mechanism for the directors to disclose potential and actual conflict of interest. A Director who is interested in certain transactions is required to abstain from any reporting, discussion or vote on issues that give rise to the conflict. The interested Director is required to be absent from the meeting during such deliberations. The Company Secretary shall record each Director's conflict of interest disclosed at the meeting in the minutes of the said meeting. The Directors' Conflict of Interest Policy is reviewed every two years or as and when required. The Directors' Conflict of Interest Policy was last reviewed in 2020.

The Group has also established the Code of Ethics and Conduct ("COEC") for employees, the Complaint Handling Management Policies and Procedures, as well as the Whistleblowing Policies and Procedures, to set the standards of behaviour expected of the employees and to encourage employees to report on suspected fraud, misconduct and/or violations of the Code of Conduct and Ethics as well as any other directives or policies issued by the Group from time to time. This supports the Group's values in upholding the highest standard of personal and professional integrity, ensure employees can raise concerns without fear of reprisal, and to provide a transparent and confidential process for dealing with genuine concerns pertaining to safeguarding the interests of the Group.

To ensure adherence to the guidelines, the Management of MBSB and MBSB Bank has taken steps to establish an effective monitoring process. All staff are required to observe the principles and uphold the corresponding conduct to achieve a high standard of professionalism and ethics in the conduct of the MBSB Bank's business and professional activities. The COEC is divided into two (2) areas:

1. Code of Ethics which outlines MBSB Bank's set of principles that guides decision making.
2. Code of Conduct which outlines specific behaviours and conduct required or prohibited within the MBSB Bank as a condition of ongoing employment and the expected conduct in the Bank's interaction with our various key stakeholders.

Adherence to the COEC is a condition of employment with MBSB Bank. Each employee must execute a declaration signifying their agreement to comply with the terms and requirements of the COEC by signing the "Employee Declaration of Compliance".

The COEC is to be reviewed on an annual basis or as and when required. The COEC was reviewed in 2021 with no change required.

MBSB Group adopted Integrity and Anti-Bribery, Corruption & Abuse of Power Policy for the Group, which complies with the 'Guideline for the Management of Integrity & Governance Unit' issued by the Malaysian Anti-Corruption Commission (MACC) and 'Guidelines on Adequate Procedures' issued by the Prime Minister's Department. It also defines the scope and roles of Integrity Governance Unit ("IGU") and other relevant functions within the Group in carrying out their duties to prevent, detect and correct all instances of bribery, corruption and abuse of power as part of implementing adequate measures to enhance and uphold a high integrity culture.

MBSB has established an IGU for MBSB Group. The main purpose of IGU is to ensure honest work culture amongst the employees, including members of Senior Management and the Boards and to combat bribery, corruption and abuse of power. The Head of IGU reports directly to the Boards on matters regarding integrity issues and activities carried out in relation to adequate procedures within the Group. The IGU Officer reports to Chief Compliance Officer for day-to-day administration.

The MBSB Group does not tolerate any form of bribery, corruption and abuse of power. The Fraud and Corruption Control Policies and Procedures are implemented to manage the risk of fraud and corruption within the MBSB Group. The Fraud and Corruption Control Policies and Procedures should be read together with the Complaint Handling and Management Policies and Procedures as well as the Whistleblowing Policies and Procedures.

All employees are entrusted with the responsibility to stay alert for preventing and detecting defalcations, misappropriations and other irregularities. The policy sets out the specific roles of employees in the prevention and detection of fraud and fraud discovery reporting and the procedures and processes MBSB Bank will take in respect of employees involved in fraudulent acts. The Fraud and Corruption Control Policies and Procedures are accessible to all employees via the intranet, and the employees had been notified on how to access it.

The Whistleblowing Policies and Procedures was last reviewed on April 2021 and changes were made to enhance the following:-

1. Scope of Whistleblowing Policy;
2. Definitions and examples of fraud, bribery & corruption, conflict of interest, and theft/embezzlement;
3. Exception on the protection to the whistleblower;
4. Refining reporting channels; and
5. Inclusion of whistleblowing report in relation to integrity, bribery & corruption, and abuse of power.

All directors and employees of MBSB Group are required to complete the Integrity, Anti-Bribery, Corruption and Abuse of Power Pledge. All newly appointed external service providers or those who renewed their services with MBSB Group are required to complete the Integrity, Anti-Bribery, Corruption and Abuse of Power Pledge as well.

On-boarding due diligence are conducted for new directors, employees, customers applying for financing facilities and appointed/ renewed external service providers. On-going due diligence are conducted for existing directors and employees at least once every two years prior to renewal of contract with existing external service providers.

The Group has also established the Anti-Money Laundering and Counter Financing of Terrorism (“AML/CFT”) Framework, which is part of the Compliance policy for the Group. The Group is committed to fully cooperating with the relevant local and international competent authorities and law enforcement agencies to combat money laundering and financing of terrorism. Appropriate internal controls and procedures for money laundering prevention are in place. The Group’s Compliance Division carries out regular checks and training to ensure that the employees are fully aware and committed to discharge their obligations. The AML/CFT Policies & Procedures was reviewed in April 2021 to enhance MBSB Bank’s ongoing due diligence practice for Non-Malaysia customers.

The Group has also established the Related Party Transactions Policy that outlines the roles and responsibilities expected of the Management and the Boards, as well as other relevant divisions or departments within the Group. It provides the guidance on transactions that involve related parties and ensures that such transactions are conducted at arm’s length basis and in accordance with good governance, as well as with appropriate disclosures.



*Refer to MBSB CG Report 2021 and Sustainability Report (“Business Ethics and Integrity” section) for more information on our ethical business conduct*

### Roles and Responsibilities of the Chairman and PCEO/ACEO

In February 2021, Tan Sri Abdul Halim bin Ali had stepped down as Chairman of MBSB and MBSB Bank after 20 years of service in MBSB and 3 years in MBSB Bank. Tan Sri Azlan Zainol (“Tan Sri Azlan”) was appointed as Chairman of MBSB and MBSB Bank with effect from 1 March 2021. Tan Sri Azlan has more than 30 years of experience in the financial sector. Tan Sri Azlan also represents the Employees Provident Fund Board.

Following the demise of Datuk Seri Ahmad Zaini Othman on 15 August 2021, the Boards appointed Datuk Nor Azam M Taib, the Deputy Chief Executive Officer as the Acting Chief Executive Officer (“ACEO”) of MBSB Group.

The Chairman and the Group PCEO/ACEO are held by different individuals with clear division of responsibilities between the Chairman and Group PCEO/ACEO to ensure balance of power and authority and to promote check and balance.

The Chairman is focused on board leadership whereas the Group PCEO/ACEO is focused on the business, strategy, operations and organisational issues and implementing Board’s decision. The roles of Chairman and Group PCEO/ACEO are formally documented in the Board Charters.

### Company Secretary

All the Board members have full access to two (2) Company Secretaries who are qualified to act as Company Secretary under Section 235 of the Companies Act, 2016. They are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators (“MAICSA”) and holding a valid Practising Certificate of Secretary issued by the Companies Commission of Malaysia.

The Company Secretaries demonstrate ongoing support in advising and assisting the Boards on matters relating to the affairs of the Group, including issues pertaining to compliance, corporate governance and best practices, boardroom effectiveness and Directors’ duties and responsibilities including disclosure of their interest in securities, disclosure of conflict of interest in transactions, prohibition on dealing in securities and restrictions on disclosure of price-sensitive information. The Company Secretaries are also responsible for facilitating new Directors’ induction and assisting in the Director’s training and development.

During the year, the Boards were updated with the revision on the Malaysia Code on Corporate Governance in 2021 and corresponding changes in Listing Requirements.

In 2021, the Company Secretaries have also assisted the Boards, Nominating and Remuneration Committee (“NRC”) and Board Nominating and Remuneration Committee (“BNRC”) in succession planning of the Board as well as key management positions in MBSB Group, re-election of directors and Board remuneration review.

The Company Secretaries also facilitated the Board Effectiveness Assessment for year 2021.

### Board Composition

As at 31 December 2021, the Board of MBSB consists of seven (7) Directors:

- Four (4) Independent Non-Executive Directors
- Two (2) Non-Independent Non-Executive Director
- One (1) Non-Independent Executive Director

As at 31 December 2021, the Board of MBSB Bank consists of eight (8) Directors:

- Six (6) Independent Non-Executive Directors
- One (1) Non-Independent Non-Executive Directors
- One (1) Non-Independent Executive Director

There were two (2) common directors in MBSB and MBSB Bank.

The respective Boards recognise the benefits of having a diverse Board to ensure that the Board can perform effectively by providing the necessary range of perspectives, experience and expertise. The Boards are committed to Board diversity and at the same time will ensure that all appointments to the respective Boards will be made based on merits while considering the Group's needs and circumstances, the present size of the Board, suitability for the role, skills, experience, knowledge, experience and diversity.

The Boards have adopted the Boardroom Diversity Policy, which covers diversity in terms of professional experience, skills, knowledge, education and background, age, ethnicity, culture and gender. The diversity of skill, experience and knowledge of its members in various disciplines and profession allows the Board to address and/or resolve the various issues effectively and efficiently.

The Boards, through MBSB's NRC and MBSB Bank's BNRC, review the Board composition annually or as required to enable effective oversight and delegation of responsibilities.

A Board Skills Matrix is used to understand the capabilities and personal attributes of the existing Board members and is used as a guideline for appointment of new Directors. MBSB's NRC and the Bank's BNRC, have carried out the fit and proper assessment on the candidates prior to recommendation to the respective Board's for approval.

The Boards through NRC and BNRC reviewed the succession planning for the Chairman of the Boards. On 1 March 2021, Tan Sri Azlan was appointed as Chairman/ Non-Independent Non-Executive Director of MBSB and MBSB Bank. Tan Sri Azlan has more than 30 years of experience in the financial sector. Tan Sri Azlan also represents the Employees Provident Fund Board.

Following the board composition review in 2020 which highlighted the need to appoint a director who possesses IT or Banking experiences, MBSB has appointed Dr Loh Leong Hua as an Independent Non-Executive Director on 10 May 2021. Dr Loh Leong Hua was previously an Independent Non-Executive Director of MBSB Bank and has experiences in banking and insurance.

At the Bank level, the Board appointed Encik Ho Kwong Hoong on 1 July 2021 as an Independent Non-Executive Director of MBSB Bank. Encik Ho Kwong Hoong has more than 37 years of experience in banking, investment banking, risk management and centralised operations.

In 2021, the NRC has reviewed the Board and Board Committees composition and has identified the selection criteria for the new appointment i.e. director with accounting/ finance and banking background. The NRC then sourced or potential candidates based on the selection criteria and also considered gender diversity for the Board of MBSB. NRC had evaluated several candidates and proposed Datin Hoi Lai Ping ("Datin Hoi") to be appointed as Independent Non-Executive Director of MBSB. Datin Hoi is a Fellow of CPA Australia and a Member of Malaysian Institute of Accountants ("MIA").

Datin Hoi was appointed as Independent Non-Executive Director of MBSB effective 1 March 2022 after MBSB secured the necessary approval from the regulators.



*Refer to the "Profile of the Board of Directors" section for more information on the background of each Director*

The Boards have adopted a Fit and Proper Policy and Procedure which outlined the following criteria for the assessment of the suitability of the candidates for directorship, annual assessment for directors, re-election of directors and appointment/renewal of contracts for the Group PCEO/ ACEO, key senior management with "C" Suites position and the Company Secretary:

- Probity, personal integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence, independence of mind and fairness.
- Competence and capability – the person must have the necessary skills, experience, ability and commitment to carry out the role.
- Financial integrity – the person must manage his debts or financial affairs prudently.

In addition, background screening was conducted by independent party as part of the Fit & Proper Assessment. The background screening covers the following areas:-

- a. Identification check
- b. Malaysia Anti-Corruption Commission (“MACC”) check
- c. Malaysia / International Security check
- d. Insolvency search
- e. Global Integrity check
- f. Global Internet & Media search
- g. Industrial Courts Record check
- h. Educational loan check
- i. Professional Association Verification
- j. Malaysia Regulatory check
- k. Directorship check
- l. Civil Records check
- m. Unethical Financing & Money Laundering search
- n. Academic verification

The “C” Suites include the Deputy Chief Executive Officer, the Chief Financial Officer, the Chief Compliance Officer, the Chief Internal Auditor, the Chief Risk Officer, the Chief People Officer, the Chief Operating Officer, the Chief Technology Officer, the Chief Corporate Officer and the Chief Strategy Officer.

The BNRC of the Bank is also responsible for reviewing the appointment, removal of the members of the Shariah Advisory Committee (“SAC”). The BNRC of the Bank also reviews the remuneration package of the SAC.

### **Board Evaluation**

Each of the Boards through NRC and the BNRC has conducted the annual assessment on the effectiveness of the Board, Board Committees, individual Directors and independence of Independent Directors.

In 2021, the Board Effectiveness Evaluation was conducted in-house and the evaluation method adopts the assessment format proposed by FIDE FORUM in 2020. The evaluation covers the following key areas:-

#### Board and Board Committee effectiveness

- a. Overall Board Effectiveness
- b. Board Responsibilities
- c. Board Composition
- d. Board Remuneration
- e. Board Committees
- f. Board Culture
- g. Chairman
- i. Board Administration and Process
- j. Board Education

#### Directors’ Self and Peer Effectiveness

- a. Board Dynamics and Participation
- b. Leadership, Integrity and Objectivity
- c. Knowledge and Expertise

The approaches of the assessment are as follows:-

- Customised questionnaire based on principles and good governance practices set out in MCCG, Bursa Corporate Governance Guide, BNM Corporate Governance Policy Document and Code of Ethics for the Financial Services Industry recommended by Financial Services Professional Board to assess Board's, Board Committees' and individual Directors' effectiveness, including leadership qualities
- Key evaluation parameters have considered matters specific to Islamic Finance and includes critical areas for Board's oversight such as Crisis Management and Business Continuity, Digitalisation/Technology and Non-Financial Reporting.
- The questionnaire was developed to meet the broad objectives of the corporate governance codes and guidelines.

The Board Effectiveness Evaluation Report indicated that the Boards are able to fulfill all responsibilities in providing oversight of MBSB and MBSB Bank as demonstrated through effective contribution and commitment by individual Directors. The Boards also have common shared values and purpose i.e. independence and integrity, objectivity and transparency, and value creation in the best interest of all stakeholders.

The Board Effectiveness Evaluation Report also indicates that the Board Committees provides satisfactory support and value to the Board and able to discharge their functions and duties effectively.

The Boards also conducted an annual assessment on Independent Directors in 2021 and are satisfied that all Independent Directors are independent of management and free of any interest, position, association, or other relationships that might materially influence the Independent Directors' capacity to provide independent judgment and act in the best interests of the Group and its stakeholders.

The NRC and BNRC have also assessed the performance of Directors who are subject to re-election at the forthcoming Annual General Meeting ("AGM"). The recommendations have been submitted to the respective Boards for decision on the proposed re-election of the Director concerned for shareholders' approval at the forthcoming AGM.

The fit and proper assessments were also conducted annually for each Director to ensure that the Directors fulfill the fit and proper criteria at all times.

The Board of MBSB Bank through the BNRC also conducts an annual assessment on the performance and effectiveness of the SAC and every member of the SAC, in line with the Shariah Governance Framework issued on 20 September 2019.

As per the Board Charter, the Independent Directors' tenure shall not exceed a cumulative period of nine (9) years except under exceptional circumstances or as part of transitional arrangement towards full implementation of succession plans subject to BNM approval.

During the year in review, Encik Lim Tian Huat who has served his tenure as Independent Director for more than nine (9) years has been redesignated as Non-Independent Non-Executive Director effective from 7 February 2021 to be in line with the recommendation in Practice 5.3 of MCCG and the Board Charter. Refer to MBSB CG Report 2021 for further details on activities carried by NRC and BNRC in 2021.

### **Board Remuneration**

The Boards have established a Directors Remuneration Framework which is tailored to support the strategies and long-term vision of the Group as well as provide adequate motivational incentive for Directors to pursue long-term growth and success of the Group. The NRC and BNRC are responsible to review the Directors' remuneration on an annual basis prior to making its recommendations to the Boards for approval.

Both the NRC and the BNRC are responsible for ensuring that the Directors' remuneration for MBSB and MBSB Bank is competitive and aligned with industry practices. The NRC and the BNRC will determine and recommend remuneration for the respective Boards after due consideration to factors including the Directors fiduciary duties, time commitments expected of the Directors, company's performance, market conditions as well as the compensation level for comparable positions among other similar Malaysian public listed companies and similar sized financial institutions.

With the Companies Act, 2016, MCCG and MMLR in place, the duties and responsibilities of Boards have become more onerous and the expectations of the Board Committees have increased. The Board Committees of MBSB and MBSB Bank are also carrying out the oversight responsibilities, particularly in ensuring that the Group complies with BNM guidelines to ensure that the current remuneration structure commensurates with the respective Directors' responsibilities. The NRC had appointed an external consultant in 2019 to review the remuneration structure of Directors for both MBSB and MBSB Bank.

Although, the external consultant had recommended an adjustment to align the remuneration of Directors, the Boards, given the COVID-19 pandemic which had severely affected the Group, the financial sectors and the broader economy, had decided not to recommend any increase in the fee structure for the Directors for the current year.

The remuneration and benefits payable to Directors are determined by shareholders resolution in accordance with the Companies Act, 2016 and the Company's Constitution.



*Refer to Practice 7.2 of MBSB CG Report 2021 for details of the Directors' fees structure and benefits payable to the directors of MBSB and MBSB Bank*

### Board Training

The Boards have established a Directors Orientation and Training Guidelines to encourage the Board members to attend continuous training to enable the Directors to discharge their duties effectively.

The Boards through NRC and BNRC have evaluated and identified the training requirement for directors in 2021 based on the feedbacks received in the Board Effectiveness Evaluation in 2020. NRC and BNRC recommended and the Boards approved the following in-house training programmes for 2021:-

1. Internal Capital Adequacy Assessment Process ("ICAAP")
2. Risk Management
3. Digital Business
4. Integrated Thinking Model ESG
5. Financial/ Accounting Standards affecting MBSB Bank

The Company Secretaries have also arranged for the Directors of MBSB and MBSB Bank to attend mandatory certification programs within the stipulated timeline; such as Mandatory Accreditation Programme ("MAP") – for listed entities only, Financial Institutions Directors Education Programme ("FIDE") and Islamic Finance for Board of Directors Training Programme ("IF4BOD") organised by International Shari'ah Research Academy ("ISRA") as required by BNM.

The Directors also attended various programmes, conferences, seminars, dialogues focusing on Corporate Governance, Information Technology / Digitalisation, Anti Money Laundering & Counter Financing Terrorism (AML/ CFT), Anti-bribery & Corruption, Cybersecurity, Accounting, Sustainability and Risk Management.



*Refer to Practice 6.1 of MBSB CG Report 2021 for details of the list of programmes/ conferences/ seminars/ dialogues attended by the Board of MBSB and MBSB Bank*

## B. EFFECTIVE AUDIT AND RISK MANAGEMENT

### Audit Committees

As at 31 December 2021, the MBSB's Audit Committee ("AC") comprises two (2) Independent Non-Executive Directors and one (1) Non-Independent Non-Executive Director.



Following Encik Lim Tian Huat's redesignation as Non-Independent Non-Executive Director with effect from 7 February 2021, Encik Mohamad Abdul Halim bin Ahmad has been appointed as Chairman of the AC with effect from 7 February 2021 replacing Encik Lim Tian Huat. Encik Mohamad Abdul Halim bin Ahmad is an Associate Member of the ICAEW and a member of the MIA.

At MBSB Bank, MBSB Bank's Board Audit Committee ("BAC") consists of three (3) Independent Non-Executive Directors as at 31 December 2021. MBSB Bank's BAC is chaired by Encik Aw Hong Boo, a Fellow of the ICAEW, a member of MIA and MICPA.

None of the AC and BAC members was a former key audit partner in the past three years.

The AC and BAC are also responsible for reviewing and monitoring external auditors' suitability and independence annually. The External Audit Policy and Procedures guide both committees on the assessment of external auditors. The review encompasses an assessment of the auditor's qualifications and performance, the quality and the auditor's communication with the AC and the Group, the auditor's independence, objectivity and professional skepticism.

In 2021, The AC and the Board have agreed to change the audit firm periodically for MBSB and its subsidiaries as good corporate governance practice and have recommended Messrs. PricewaterhouseCoopers PLT be appointed as the auditors of MBSB and its subsidiaries in place of the retiring auditors, Messrs. KPMG PLT for the financial year ended 31 December 2021.

BNM had approved the application for the appointment of Messrs PricewaterhouseCoopers PLT as External Auditors of MBSB and MBSB Bank, and a resolution to appoint Messrs PricewaterhouseCoopers PLT was tabled at the Annual General Meeting on 17 June 2021. The resolution was duly passed.

The AC and BAC are also satisfied with their review that the non-audit services provided by KPMG PLT and its affiliates in financial year 2020 did not in any way impair their objectivity and independence as external auditors of the Group.



*Refer to the Report of the Audit Committee 2021 for more information on our audit committee and internal audit function.*

### **Risk Management and Internal Control Framework**

The Boards are ultimately responsible for risk oversight within the Group through MBSB's Risk Management Committee ("RMC") and Board Risk Management and Compliance Committee ("BRMCC") at MBSB Bank level (collectively, the "Board Risk Committees"). The respective Board Risk Committees undertake the overall responsibility for risk oversight within the Group which includes reviewing the risk management policies, risk exposures and limits as well as ensuring that all risks are well managed within the Group's risk appetite, by providing adequate infrastructure and resources to support the risk management activities.

The following Management-led Committees have been set-up to assist the Board Risk Committees in managing credit risk, operational risk, technology risk, market risk, liquidity risk, Shariah risk and other material risks:-

#### Management-led Committees at MBSB

1. Management Committee ("MANCO")
2. Credit and Rehabilitation Assessment Committee ("CARAC")
3. Asset Liability Committee ("ALCO")

#### Management-led Committees at MBSB Bank

1. Management Committee ("MANCO")
2. Management Investment and Credit Committee ("MICC")
3. Asset Liability Committee ("ALCO")
4. Capital Management Committee ("CMC") – subset of ALCO
5. Initial Alert Report Committee ("IAR")

The risk strategy of the Group focuses on the fundamental principles with respect to MBSB Bank's risk appetite while balancing the need for competitive return on equity to improve the capital base. The risk strategies for 2021 focused on the following:-

- i) Promoting risk awareness and enhancing risk knowledge of the Bank staff which includes on policies/procedures by organizing engagement sessions/briefings between the Risk Management Division ("RMD") and other divisions/departments of the Bank
- ii) Introducing/enhancing risk management tools, processes and reports to promote sound risk management practices
- iii) System/software implementation and process automation to promote effective and efficient risk monitoring
- iv) To ensure compliance to regulatory requirements in relation to Information Technology (IT) infrastructure and strengthen the level of IT security within the Bank.

The Group has a risk management framework for identifying, measuring, monitoring, controlling and reporting the significant risks faced by the Group in achieving the business objectives and strategies. The risk management framework ensures an effective ongoing process to identify, measure, monitor, control and report risks across the Group.

The key features of the risk management framework include:-

- i) Governance and Organisation
- ii) Internal Capital Adequacy Assessment Process ("ICAAP") of MBSB Bank
- iii) Risk Appetite of MBSB Bank
- iv) Risk Management Process for the Group
- v) Risk Culture

The respective heads of business units are responsible for monitoring the compliance of their business activities to the approved risk appetite in the framework. The RMD is responsible for monitoring the risk limits set by the Boards and reports any limit breaches or exceptions to the relevant Management-led Committees, Board Committees and the Boards. The reports include the type of breaches, causes or reasons leading to the breaches and action plans taken to rectify the situation. The Boards have the overall responsibility of maintaining a sound system of internal controls to safeguard shareholders' investments and the company's assets.

The roles and responsibilities of the CMC are to report to ALCO on the capital management of MBSB Bank. CMC represents MBSB Bank's business and support functions and is accountable for capital planning and adherence to the ICAAP framework. In capital management matters, the CMC is responsible via the ALCO for capital planning to ensure capital adequacy and sufficiency of capital buffer for the Bank so that it can cater for any potential capital shocks that may arise.

At the Bank level, a Designated Compliance and Risk Officer ("DCORO") at all business and support functions including bank branches has been established. The establishment of DCORO is to strengthen the compliance and risk management culture within the Bank and to ensure compliance and operational risks are managed effectively within Bank. The DCORO together with all Business Units and the Management will act as the first line of defense in executing compliance and operational risk initiatives at business and support functions.

The Boards are of view that the risk management and internal control framework in place in 2021 is sound and sufficient in ensuring that all risks are well managed within the Group's risk appetite by providing adequate infrastructure and resources in place to support the risk management activities.



*Refer to the Statement on Risk Management and Internal Control for more information on our risk management and internal control framework*

## Shariah Governance

As a second-largest stand-alone Islamic bank in Malaysia, MBSB Bank strives to hold the banner of Islamic banking to the highest standards, and to ensure that its operations, business affairs, and activities at all times comply with Shariah and in accordance with the Islamic Financial Services Act 2013 (“IFSA”).

MBSB Bank is governed by its Shariah Governance Policy established by the Shariah Advisory Committee (“SAC”) and in line with the Shariah guidelines issued by BNM. All other policies and procedures are reviewed and approved by the SAC or its delegates.

SAC performs an oversight role on all matters related to the operations, business, affairs and activities of the Bank to ensure that it functions in accordance with the requirements of Shariah.

SAC is required to report to the Board of MBSB Bank as it performs its duties in overseeing the overall Shariah matters of MBSB Bank. In accordance with Section 5.1 of Shariah Governance Policy of MBSB Bank (“SGP of MBSB Bank”), the Board of MBSB Bank provide oversight and are accountable on Shariah governance and compliance within the Bank.

In addition, the key responsibility for the Management of MBSB Bank is to ensure that MBSB Bank’s operations, business, affairs and activities comply, at all times, with Shariah as outlined in Section 5.3 of SGP of MBSB Bank.

All existing policies and procedures of MBSB Bank will need to be reviewed and approved by the SAC or its Delegates to ensure compliance with the requirements of Shariah.

## SAC Responsibilities

The roles and responsibilities of the SAC in monitoring MBSB Bank’s activities include, but not limited to the following:

- a) SAC is guided by its Terms of Reference that sets out the mandate, responsibilities and procedures of SAC including matters reserved for its decision or advice;
- b) SAC has the responsibility to provide objective and sound advice to the Bank to ensure that its aims and operations, business, affairs and activities are in compliance with Shariah. This includes–
  - i. providing a decision or advice to the Bank on the application of any rulings of the Shariah Advisory Council of BNM (“SAC of BNM”) standards on Shariah matters that are applicable to the operations, business, affairs and activities of the Bank;
  - ii. providing a decision or advice on matters which require a reference to be made to SAC of BNM;
  - iii. providing a decision or advice on the operations, business, affairs and activities of the Bank which may trigger a Shariah non-compliance event;
  - iv. deliberating and affirming a Shariah non-compliance finding by any relevant functions; and
  - v. endorsing a rectification measure to address a Shariah non-compliance event.
- c) SAC is accountable for the quality, accuracy and soundness of its own decision or advice;
- d) SAC has a robust methodology to guide its decision-making process and must take into account relevant business and risk practices in arriving at a decision or advice.
- e) SAC has direct access to update the Board immediately if there is any Shariah issues or matter that may affect the safety and soundness of the Bank;
- f) SAC may appropriately consider referring issues to SAC of BNM for advice on any particular matter;
- g) SAC has an operating procedure to delegate appropriate mandates to qualified officers and review their performance.

- h) SAC member is accountable for his judgment in arriving at a Shariah decision or advice is not affected by his other professional commitment;
- i) SAC member is accountable to devote sufficient time to prepare for and attend SAC meetings;
- j) SAC member is accountable to ensure consistency in providing views and must not act in a manner that would undermine the rulings of SAC of BNM or any decisions of the Bank's SAC;
- k) SAC member is accountable to disclose the nature and extent of their interest that constitutes or gives rise to a conflict or potential conflict of interest upon the appointment, reappointment or as soon as there is any changes in his circumstances that may affect their status;
- l) SAC member is kept abreast of the market and regulatory developments;
- m) SAC member is free from any undue influences that may hamper the member from exercising its professional objectivity and independence in deliberating issues brought before them.

### **Shariah Control Functions**

To ensure the operations and business activities of MBSB Bank remain consistent with Shariah principles and its requirements, MBSB Bank has established its own internal Shariah Control Functions, which consists of Shariah Audit under Internal Audit Division, Shariah Compliance Review under Compliance Division as well as Shariah Risk under Risk Management Division. All the Shariah control functions shall be act independently and ensure the integration of compliance management and able to provide an independent evaluation of its overall business decision and strategies.

### **Composition of SAC**

According to Section 13.2 of the Shariah Governance Policy Document ("SGPD") which requires an Islamic Financial Institutions ("IFIs") to have at least five (5) members and the member must not accept any appointment in more than one (1) licensed Islamic bank, one (1) licensed takaful operator and one (1) prescribed institution. In addition, a SAC member must not serve the same IFIs for more than nine (9) years.

Currently, MBSB Bank's SAC comprises five (5) members that have diverse backgrounds, experience, and knowledge. In addition, the Chairman of SAC must be a Shariah qualified person and meet all criteria as required under SGPD. Besides the Chairman, MBSB Bank has also appointed a Deputy Chairman for SAC in the event the Chairman of SAC is unable to attend the meeting.

### **Appointment and Re-Appointment of SAC**

The appointment and re-appointment of SAC members is subject to assessment and evaluation adopted by MBSB Bank and met all requirements specified in the Section 12 of SGPD. The Board of MBSB Bank shall, on the recommendation of the Board Nominating and Remuneration Committee (BNRC), approve the appointment of the members of SAC, subject to approval from BNM.

### **Resignation and Termination of the Shariah Committee**

Where a Shariah committee member resigns or is disqualified pursuant to the relevant sections in SGPD, Sections 33(2) and 34(1) of the IFSA impose obligations on MBSB Bank and SAC member to notify BNM of that fact and its reason immediately or in any cases no later than fourteen (14) days of such circumstance.

### **Evaluation**

SAC evaluation is carried out annually under the guidance of the Board of MBSB Bank to assess the performance and effectiveness of SAC. The assessment must consider the competence, knowledge and contribution of each SAC member to the overall functioning of the SAC.

### SAC Meetings

SAC meetings shall be held at least once in every two (2) months. For the period of January to December 2021, seventeen (17) meetings were held and the summary of SAC meeting 2021.

The quorum for SAC meetings shall be two – third with majority of attending members must be members with Shariah background. MBSB Bank shall ensure that any decision of SAC must be made based on simple majority.

### Training

SAC shall undergo continuous training to enhance the skills and knowledge on the relevant new laws and regulations as to keep abreast with developments in the financial services industry. SAC also in the midst to complete their Certified Shariah Advisor (CSA) and Certified Shariah Practitioner (CSP) organized by the Association of Shariah Advisors in Islamic Finance (ASAS).

### Remuneration

In line with Sections 2.1.1 and 2.1.4 of Remuneration Framework for Shariah Advisory Committee states that the remuneration for SAC members shall be determined and recommended to BNRC for further recommendation to the Board of MBSB Bank for approval after giving due consideration on all relevant factors including the SAC members fiduciary duties, time commitments expected from SAC members, performance, market conditions, as well as the compensation level for comparable positions among other IFIs in Malaysia. The quantum and structure of remunerations for SAC members shall be reviewed by BNRC on every two (2) years basis or as and when required, and shall subsequently be recommended to the Board of MBSB Bank for approval.

## C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### Communication with Stakeholders

MBSB is committed in providing investors and stakeholders with high-quality information in a timely manner. MBSB actively engages all its stakeholders through various platforms including the announcements via BursaLINK, disclosures on the MBSB website and engagement through the investor relations function.

COVID-19 pandemic has posed challenges to MBSB in conducting discussions, dialogues, and briefings with stakeholders. However, MBSB is committed in maintaining an open communication with analysts, investors, and regulators through online platforms to promote better understanding of the Group's financial performance, operations and other matters affecting shareholders' interests. Besides, communication with employees, customers and other communities were largely conveyed through the MBSB website and social media. In addition to that, a special webinar on the 2021 economic outlook was organised for MBSB Bank's corporate customers with focus on SMEs titled "Of Lockdown and Recovery: Where are we heading".

To further enhance MBSB's corporate reporting, MBSB has embarked on the Integrated Reporting journey in 2020 and continued progress in 2022 using the internationally recognised framework – the International Integrated Reporting Council's Integrated Reporting Framework. MBSB aims to demonstrate its commitment to long-term value creation for stakeholders and improve its decision-making process by adopting the "integrated thinking" concept of the <IR> Framework.



*Refer to Sustainability Report ("Engaging our key stakeholders" section) for more information on our stakeholder engagements in 2021 and the list of stakeholders' interests and concerns*

MBSB and MBSB Bank's website, which can be found at <http://www.mbsb.com.my>, and <https://www.mbsbbank.com> respectively, provide updated information on the corporate and business aspect of the Group. Press releases, announcements to Bursa Malaysia, analysts' briefings and quarterly results of the group are also made available on MBSB's website. This helps to promote accessibility of information to MBSB's shareholders and all other market participants. All details of the corporate events carried out by the Group are also available on MBSB and MBSB Bank's website.

The Group has developed the Corporate Disclosure Policy, which sets out the policies and procedures for disclosing all material information to be released to the public.

Stakeholders are welcomed and encouraged to drop us an email at [enquiry@mbsbbank.com](mailto:enquiry@mbsbbank.com) if they have any inquiries.

### **Conduct of General Meeting**

The AGM of the Company is the principal forum for dialogue and interaction with the shareholders.

Due to the COVID-19 pandemic, the Board decided to conduct a fully virtual general meeting for its 51st AGM held on 17 June 2021 using the Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIIH Online website. The RPV facilities allow shareholders to submit any question in advance and attend the meeting remotely and pose questions to the Board and Management. The RPV facilities also allow shareholders to vote remotely and vote in absentia.

All directors of MBSB and MBSB Bank including the Chairman, Chair of the Board Committees, and the Group PCEO participated in the 51st AGM virtually.

The Board allows shareholders to submit questions using the RPV facilities provided by Tricor via its TIIH Online website prior to the AGM to allow shareholders sufficient time to pose questions to the Board and the Management. The guide to submit question in advance is stated in the Administrative Guide which was sent together with the notice of the AGM.

During the 51st AGM, the Group PCEO presented the Group's financial performance and the forward-looking 2021 business plan to the shareholders before proceeding with the business of the meeting. The Group PCEO also shared the achievements in 2020 in direct and indirect value distributed to stakeholders as part of the MBSB's Value-Based Sustainability approach. The Group PCEO then presented the responses to questions submitted in advance of the AGM by the Minority Shareholder Watchdog Group and responded to a total of 62 questions submitted by the shareholders in advance.

The Chairman also invited remote participants to submit live question using the query box via RPV during the AGM to give opportunities to remote participants to enquire on MBSB's financial statements, proposed resolutions and other items to promote better understanding of the Group's financial performance, operations and other matters affecting shareholders' interests before proceeding with the voting of the resolutions. The Management and the Board had responded to 27 live questions submitted by remote participants during the AGM. In addition, the senior management, external auditors, and other advisors were available to provide answers and clarifications to shareholders.

The Question and Answer session of about 50 minutes has served as an interaction between the Directors, Management and Shareholders during fully virtual AGM. All questions submitted by the shareholders during the AGM were made visible to all meeting participants.

Due to time constraint, not all questions were answered during the AGM. For questions that were not answered in the AGM, the Management have e-mailed the responses to the respective shareholders after the meeting.

MBSB appointed Coopers Professional Scrutineers Sdn Bhd ("CPS") to act as Independent Observer during the AGM to ensure that questions received before and during the AGM were addressed and answered during or after the AGM by the Board and the Management.

CPS has reviewed all questions received before and during the AGM and confirmed that all questions had been addressed and answered by the Board and the Management.

The notice and agenda of AGM together with the Form of Proxy were given to shareholders at least 28 days before the AGM to allow shareholders sufficient time to attend the AGM remotely or by proxy. Each item of special business included in the notice of AGM is accompanied by an explanatory statement on the effects of a proposed resolution.

The voting for the 51st AGM was conducted with poll voting, and was conducted through RPV facilities. The shareholders/proxies were allowed to cast their vote remotely using the RPV facilities.

#### **D. KEY FOCUS AREAS AND FUTURE PRIORITIES**

Moving forward, the Boards have identified sustainability as a focus area for the Group. The Group will identify opportunity and risks, particularly climate related risks, as it presents to the Group. The Boards will provide appropriate guidance and oversight to the Management in driving the sustainability agenda of the Group.

This CG Overview Statement was approved by the Board of Directors of MBSB on 29 March 2022.

## ADDITIONAL COMPLIANCE STATEMENT

### Utilisation of Proceeds Raised from any Corporate Proposal

During the financial year ended 31 December 2021, the following were carried out by the Group:

#### 1) Dividend Reinvestment Plan (“DRP”)

The net proceeds raised from DRP (after deducting the estimated expenses for DRP) are for the purpose of funding of the working capital and/or other requirements of the Group.

### Audit and Non-Audit Fees

Apart from the annual audit fees, the Group has incurred other assurance related fees of and non-audit fees paid or payable to external auditors of MBSB, Messrs PricewaterhouseCoopers PLT or its affiliates for the financial year ended 31 December 2021.

	Group (RM'000)	Company (RM'000)
Fees paid/payable to PricewaterhouseCoopers PLT		
- Audit fees	1,535	280
Regulatory related		
- Limited financial review for 9-months period ended 30 September 2021	260	60
- Review of Statement on Risk Management and Internal Control.	10	10
Non audit fees		
- Assessment on loan facilities in accordance to internal policies and procedures	50	50
- Recovery Plan	96	-
- ICAAP Training	15	-
Total	1,966	400

### Material Contracts with Related Parties

Save as disclosed in Note 46 to the financial statements, there are no other material contracts subsisting at the end of the financial year or entered into since the end of the previous financial year by the Company and its subsidiaries which involve interests of the Directors, Group PCEO/ ACEO and major shareholders.

### Dividend Payment Policy

The Company has adopted a 30% dividend payment ratio on profit after tax.



## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of Malaysia Building Society Berhad ("the Board") is pleased to present the following Statement on Risk Management and Internal Control ("SORMIC") which outlines the key features of MBSB Group's risk management and internal control system during the year under review.

This SORMIC is prepared in accordance with the Malaysian Code on Corporate Governance ("MCCG") 2021, Bursa's Main Market Listing Requirements, and the guidelines as set out in Bursa's "Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers".

### RISK OVERVIEW

The risk strategy of MBSB Group focuses on the fundamental principles with respect to MBSB Group's risk appetite while balancing the need for competitive return on equity to improve the capital base. The risk strategies for the year ended 31 December 2021 focused on the following :

- i) Promoting risk awareness and enhancing risk knowledge of MBSB Bank staff which includes on policies/procedures by organizing engagement sessions/briefings between RMD and other divisions/departments of MBSB Bank;
- ii) Introducing/enhancing risk management tools, processes and reports to promote sound risk management practices;
- iii) System/software implementation and process automation to promote effective and efficient risk monitoring; and
- iv) To ensure compliance to regulatory requirements in relation to Information Technology (IT) infrastructure and strengthen the level of IT security within MBSB Bank.

### RISK GOVERNANCE AND MANAGEMENT

The Acting Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and Chief Compliance Officer have confirmed that the MBSB Group's risk management and internal control system is operating adequately and effectively, in all material aspects during the financial year under review of this Statement for inclusion in the Integrated Annual Report, based on the risk management and internal control system adopted by MBSB Group. Management continues to take measures to strengthen the control environment.



The MBSB Bank Multi-Disciplinary Pandemic Team (MDPT) that was established in response to the Covid-19 outbreak remains in place. MDPT continuously improves the supportive measures with regular communication to assist in maintaining the awareness and providing safe operations amid the pandemic.

## BOARD RESPONSIBILITY

The Board is fully aware of its overall responsibility and recognises the importance of maintaining a sound risk management and internal control system, including reviewing the adequacy, integrity and effectiveness of the system to safeguard shareholders' investments and MBSB Group's assets.

The Board oversees the risk management and internal controls of MBSB Group and endeavours to ensure that principal risks are identified and appropriate internal controls and mitigation measures are being implemented. To ensure that the risk management of MBSB Group is adequately managed, the Risk Management Committee ("RMC") at MBSB and the Board Risk Management and Compliance Committee ("BRMCC") at MBSB Bank (collectively, the "Board Risk Committees") have been set up. The respective Board Risk Committees will be responsible for establishing the risk management and internal controls of each entity, respectively.

Due to the limitations inherent in any system of risk management and internal control, this system can only provide reasonable and not absolute assurance against the occurrence of any material misstatement, loss or fraud. Limitations inherent in the system include, amongst others, human error and the potential impact of external events beyond the Management's control.

The Board remains committed to operating a sound risk management and internal control system and, therefore, recognises that the system must continuously be enhanced to support MBSB Group's businesses and operations in a dynamic business environment.

The Board has ensured appropriate risk controls and processes (such as policies, procedures and risk limits within MBSB Group for identifying, measuring, monitoring, controlling and reporting of significant risks as well as emerging risks that may affect the achievement of business goals and objectives) taking into consideration the changes in the business environment and regulatory requirements. The outcome of this process is closely monitored and reported to MBSB and MBSB Bank's Board of Directors (collectively, the "Boards") for deliberation. This ongoing process has been in place for the financial year-end and up to the date of approval of this Statement for inclusion in MBSB's Integrated Annual Report FY2021.

The Board receives and reviews reports relating to the compliance status of the internal and regulatory requirements imposed on the respective MBSB Group entities. The Board deliberates on any gaps and deficiencies reported and direct the Management to take the necessary actions, including remedial plans and follow-up actions to ensure that the gaps and deficiencies are addressed.

## MANAGEMENT RESPONSIBILITY

The Management is accountable to the Boards and is responsible for implementing MBSB Group's policies and processes to identify, measure, monitor, control and report on risks, and ascertain the effectiveness of internal control systems and implement appropriate remedial action. The Management's roles include:

- Identifying and evaluating the risks relevant to MBSB Group's business and monitoring the achievement of its business objectives and strategies;
- Formulating and implementing relevant policies and procedures to manage risks and the conduct of business as per MBSB Group's strategic vision and overall risk appetite;
- Designing and implementing the risk management framework and internal control system, and monitoring its effectiveness;
- Implementing remedial actions to address compliance deficiencies as directed by the Boards; and
- Reporting to the Boards on any changes identified to the key risks or emerging risks faced by MBSB Group and the corrective actions taken.

## RISK MANAGEMENT AND INTERNAL CONTROL

The Boards regard risk management as an integral part of business operations and confirm that there is an ongoing process of identifying, measuring, monitoring, controlling and reporting the significant risks that may affect the achievement of the business objectives. The risk control structure and processes that have been instituted throughout MBSB Group are reviewed and updated from time to time to strengthen and tighten the relevant internal controls, consistent with MBSB Group and industry practices.

## RISK MANAGEMENT FRAMEWORK

MBSB Group has a risk management framework for identifying, measuring, monitoring, controlling and reporting the significant risks faced by MBSB Group in achieving the business objectives and strategies. The risk management framework ensures an effective ongoing process to identify, measure, monitor, control and report risks across MBSB Group.

The key features of the risk management framework include:

### i. Governance and Organisation:

A governance structure is fundamental to ensure the effective and consistent implementation of the risk management framework. The Boards is ultimately responsible for MBSB Group's risk management activities and sets the strategic direction, risk appetite and relevant frameworks. Various Board Committees and control functions assist the Boards in ensuring that the risk management framework is maintained at MBSB Group. In this regard, the RMC at MBSB and BRMCC at MBSB Bank will ensure that the risk management framework is adequate at each entity, respectively.

### ii. Internal Capital Adequacy Assessment Process ("ICAAP") of MBSB Bank Group:

The ICAAP framework ensures that all material risks are identified, measured and reported; and that adequate capital levels consistent with the risk profiles, including capital buffers, are maintained to support the current and projected demand for capital under existing and stressed conditions. For non-measurable risks, a qualitative approach is used, and normally, this type of risk is labelled as potentially material. MBSB Bank Group relies on the Management's experience and judgement in assessing if such risk could threaten MBSB Bank Group's survival.

### iii. Risk Appetite of MBSB Bank Group:

Risk Appetite is defined as per MBSB Bank Group's ICAAP Framework as the amount and types of risk that MBSB Bank Group can and is willing to accept in pursuit of its strategic and business objectives. The development of the risk appetite is integrated into the annual strategic planning process and is adaptable to the changing business and market conditions. As the risk appetite is dynamic, it is set based on the business and financial targets while incorporating external factors such as macroeconomic factors and the global economic outlook. The MBSB Bank's Board considers the actual and targeted risk profile proposed by the senior management and business/functional units when setting the risk appetite. The risk appetite is reviewed annually as part of the strategic planning process or as and when required due to changing business and market conditions. The Risk Appetite Statement (incorporated under the ICAAP Framework), which articulates the nature, type and level of risk that MBSB Bank Group is willing to assume, is reviewed and approved by MBSB Bank's Board on an annual basis. Compliance with the risk appetite is monitored periodically, and any non-compliance to the Risk Appetite Statement is reported to MBSB Bank's Board.

#### iv. Risk Management Process for MBSB Group:

- **Business Planning:** Risk Management Division is an integral component of the business planning process, which encompasses setting frameworks for risk appetite, risk structure and new products or new business activities for the relevant entities.
- **Risk Identification:** Risks are identified by applying the Enterprise Risk Management ("ERM") Framework and other relevant risk-related policies and procedures.

Risks inherent in products and business activities are identified upfront at the point of introduction, as well as on an ongoing basis via various avenues, including product reviews, Risk Control Self-Assessment ("RCSA"), Key Risk Indicators ("KRIs"), Loss Event Reporting ("LER"), and through reviews conducted by the Internal Audit Division. The risk identification process includes identifying any emerging risks that may have significant impacts on MBSB Group.

The usage of KRIs enables early detection of risk to ensure that adequate risk management controls and procedures are in place to ensure appropriate management of these risks in an informed and strategic manner.

At the MBSB Bank Group level, material risks are identified by determining events or scenarios that may adversely impact MBSB Bank Group. The details of the identification and assessment process are documented under MBSB Bank Group's ICAAP Framework.

- **Measure and Assess:** Risks are measured and aggregated using risk methodologies across each of the risk types.
- **Manage and Control:** Risk controls and limits are used to manage risk exposures within the risk appetite. MBSB Bank Group's risk appetite is documented in its ICAAP Framework.

Qualitative and quantitative risk measurement techniques have been developed across different dimensions of risk factors, including stress testing methodologies, credit risk grading methodologies, and ratios for various types of risk.

Qualitative and quantitative risk controls, including risk triggers and limits, have been developed to oversee and manage significant risk exposures. In addition, risk mitigation techniques have been implemented to minimise existing or prevent new or emerging risks from occurring.

Risk controls and limits are monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are also taken to mitigate risks.

- **Monitor and Report:** Risks on an individual and portfolio basis are being monitored and reported to the respective Management-led Committees, Board Risk Committees, Board Audit Committees and the Boards for their review to ensure the risks remain within MBSB Group's risk appetite.

KRIs and early warning signals are monitored to ensure that sufficient and timely actions can be put in place to mitigate any potential risk.

Qualitative and quantitative metrics are assigned based on the key risks for MBSB Group. The state of compliance of these indicators is reported to the respective management-led committees, Board Risk Committees, Board Audit Committees and the Boards.

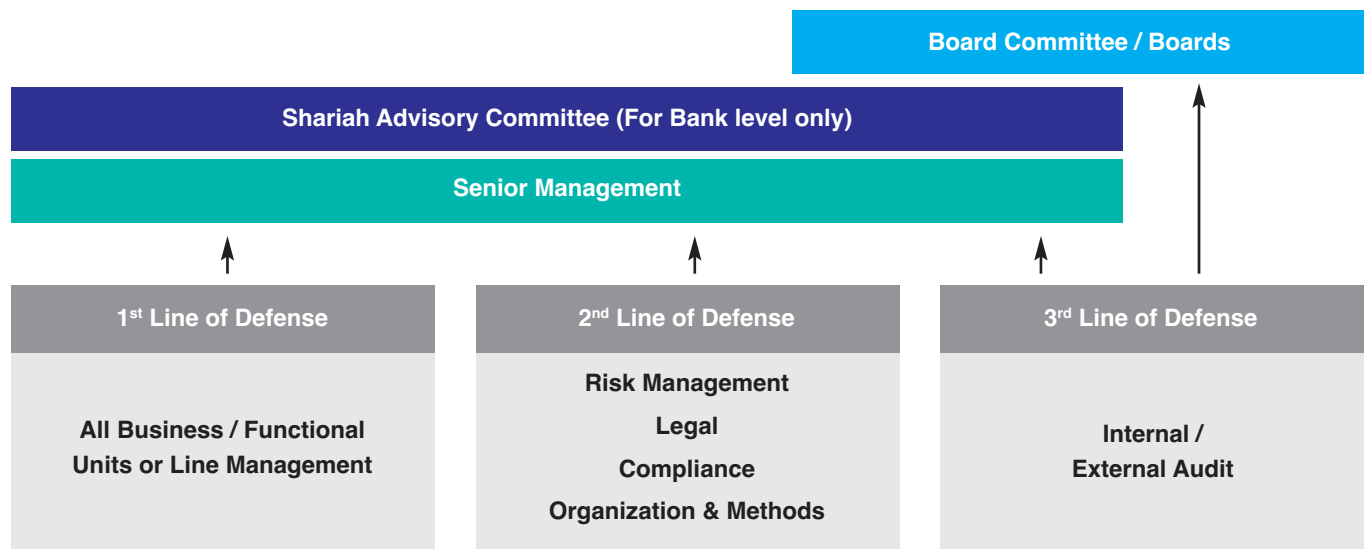
Operational risk incidents highlighted in the Loss Event Reporting are also reported to the respective management-led committees, Board Risk Committees and the Boards.

**v. Risk Culture:**

MBSB Group embraces risk management as an integral part of its culture and decision-making process. MBSB Group's risk management philosophy is embodied in the "Three Lines of Defense" approach, whereby risks are managed at the point of a risk-taking activity. The Three Lines of Defense is reflected in MBSB Group's ERM Framework. There is clear accountability of risk ownership across MBSB Group. Guided by the said principle, MBSB Group has launched a Risk Awareness Culture Program that comprises training, awareness campaigns, issuance of bulletins and roadshows to promote a healthy risk culture. A strong risk culture minimises MBSB Group's exposure to financial and non-financial risks, including reputational impact, over time.

Also, MBSB Bank has appointed Regional Compliance and Risk Officers ("RCRO") and Designated Compliance and Risk Officers ("DCORO") to cultivate proactive risk and compliance management and to establish a robust risk culture. The DCOROs are assigned at the respective branches, business/functional units across MBSB Bank to provide real-time advisory on risk and compliance matters.

The above implementation is in line with the "Three Lines of Defense" concept as practised by MBSB Group. The model is depicted in the diagram below:



*Note: 1st Line of Defense shall include All Business Units & Support Functions i.e. Human Resource Division, Technology Division and Corporate Services Division. The Senior Management's role shall oscillate between 1st line to 3rd line of defense.*

MBSB Group has established guiding principles that form the basis and foundation for accountability and responsibility for risk management governance as follows:

## Risk Management Committee

The Boards have set up MBSB's RMC and MBSB Bank's BRMCC as the drivers for reviewing, monitoring, mitigating, and reporting significant risks and ensuring proper oversight of the management of risks related to MBSB Group's risk exposures, processes and activities.

The Boards are ultimately responsible for risk oversight within MBSB Group through the Board Risk Committees. The respective Board Risk Committees undertake the overall responsibility for risk oversight within MBSB Group which includes reviewing the risk management policies, risk exposures and limits as well as ensuring that all risks are well managed within MBSB Group's risk appetite, by providing adequate infrastructure and resources to support the risk management activities.

The primary objectives of the respective Board Risk Committees are to assist the Boards in fulfilling their fiduciary responsibilities, particularly in the management of risk and controls and to provide a focal point for communication between risk managers, the Boards and Senior Management on matters in connection with reporting risks and controls as well as providing a forum for independent discussions.

The Board Risk Committees shall also undertake additional duties deemed appropriate and necessary to assist the Boards.



*Refer to Practice 10.3 of MBSB CG Report 2021 for further details on the composition of RMC and BRMCC and Practice 6.1 of MBSB CG Report 2021 for details on their attendance of meetings held during the year*

## Management-led Committees

The Management-led Committees have been set-up to assist the Board Risk Committees in managing credit risk, operational risk, technology risk, market risk, liquidity risk, shariah risk and other material risks. The respective Management-led Committees set-up under MBSB Group are as follows:

### MBSB

The Management Committee ("MANCO"), which comprises the Senior Management members, acts as a platform for addressing all inherent risks to MBSB and the development of risk mitigation measures and strategies. The MANCO is also responsible for identifying, discussing and resolving any operational, financial and key management issues.

Other Management-led Committees, namely Asset Liability Committee ("ALCO") and Credit and Rehabilitation Assessment Committee ("CARAC"), assist RMC and the Board in managing credit, operational, market and liquidity risks. Further details of the roles and responsibilities of these committees are as follows:

- **ALCO** serves as the primary oversight and decision-making body that provides MBSB's strategic direction for the management of market risk, liquidity risk, profit rate, and MBSB's assets and liabilities. ALCO also monitors capital adequacy through the capital management of MBSB Bank.
- **CARAC** deliberates and approves decisions on the remaining conventional corporate and retail financing within the authority limit delegated by the Board. Where the proposals of the existing corporate and retail financing are not within CARAC's authority limit, the Committee will recommend the proposals to the Board for approval. No new financing accounts are being approved by MBSB as all new financing accounts are being approved by MBSB Bank.

### MBSB Bank

At the MBSB Bank level, the following Committees have been established to manage credit, operational, technology, market, liquidity and Shariah risks.

- **MANCO**, which comprises the Senior Management members, acts as a platform for addressing all inherent risks to MBSB Bank and developing risk mitigation measures and strategies. In implementing the Risk Appetite Framework across MBSB Bank, MBSB Bank's MANCO ensures timely escalation of all events that materially impact MBSB Bank's financial condition or reputation for appropriate action. MANCO is also responsible for identifying, discussing and resolving any operational, financial and key management issues.
- **Management Investment and Credit Committee ("MICC")** deliberates and approves corporate financing/investment accounts and retail financing/investment accounts within the authority limit delegated by MBSB Bank's Board. Where the prospective corporate financing and retail financing/investment accounts are not within MICC's authority limit, it would recommend the financing to the relevant Board Committees of MBSB Bank for affirmation.
- **ALCO** serves as the primary oversight and decision-making body that provides strategic direction for managing market risk and liquidity risk. MBSB Bank's ALCO also monitors capital adequacy through capital management.
- **Capital Management Committee ("CMC")** is responsible for reporting to ALCO on the capital management of MBSB Bank. CMC represents MBSB Bank's business and support functions and is accountable for capital planning and adherence to the ICAAP framework. In capital management matters, CMC is responsible via the ALCO for the capital planning to ensure the capital adequacy and sufficiency of capital demand of the business growth and capital buffer for MBSB Bank so that it can cater for any potential capital shocks that may arise. The Management will first deliberate at the CMC, which is participated by representatives from various key divisions across MBSB Bank. Thereafter, the CMC will propose all matters through the ALCO and the BRMCC.
- **Initial Alert Report Committee ("IAR")**, in attending to corporate and retail financing, reviews and evaluates the position of financing accounts that are in arrears or require closer monitoring and determines the course of action to be taken for these accounts. On a portfolio level, the IAR assesses the quality of the retail and corporate financing portfolios and evaluates any significant trends detected.
- **Sustainability Working Group ("SWG")** is responsible for reporting to the BRMCC monthly on MBSB Bank's sustainability initiatives. The SWG is responsible for the initiation, execution, and oversight of sustainability initiatives as well as formulating sustainability policies and procedures, developing short, medium and long-term sustainability targets and key performance indicators and thereafter, the SWG will propose all such measures and initiatives through the BRMCC and the Board.

These committees are responsible for overseeing the development and assessing the effectiveness of policies approved by MBSB Bank's Board. The MBSB Bank's Senior Management oversees the execution and implementation of the policies.

### **Shariah Advisory Committee ("SAC")**

The SAC is responsible for advising MBSB Bank's Board on Shariah matters in relation to MBSB Bank's operations, business, and activities to ensure compliance with Shariah rules mainly the Shariah resolutions and standards issued by BNM. Pursuant to that, the SAC is responsible to review and endorse the internal Shariah policies and procedures, all forms of contracts and agreements related to MBSB Bank's business, products and services to ensure Shariah compliance. Supported by MBSB Bank's control functions, the SAC is also responsible to ensure MBSB Bank's income is Shariah compliant whereas for income construed as Shariah non-compliant, an appropriate measure would be taken in accordance to Shariah and regulatory requirement.

Guided by Shariah Governance Policy ("SGP") of BNM and MBSB Bank, the role of SAC's representative as an invitee in the Board meeting is to ensure effective communication with the SAC on all matters relating to Shariah requirements, Shariah governance and Shariah non-compliance risks and enable both parties to effectively discharge respective responsibilities under the Shariah governance framework.

**Risk Management Division**

Risk Management Division						
Credit Risk	Market & Liquidity Risks	Operational Risk	Technology Risk	Cyber Security Risk	Shariah Risk	Due Diligence
<p>With regards to Credit Risk, to ensure the Bank</p> <p>(i) Operates under a sound credit granting process;</p> <p>(ii) Maintains an appropriate credit administration measurement, monitoring and reporting process; and</p> <p>(iii) Maintains adequate controls over credit risk</p>	<p>To ensure that market and liquidity risks are identified and adequately managed within the Bank.</p> <p>To ensure that Internal Capital Adequacy Assessment Process (ICAAP) is adequately conducted and managed within the Bank.</p>	<p>To design, implement and maintain an effective and consistent bank-wide Operational Risk Management Framework.</p>	<p>To ensure the Bank has adequate controls to reduce the Bank's technology risks in the operations, business affairs and activities in the Bank</p>	<p>To ensure the Bank's cyber security controls are adequate to protect the Bank against any emerging cyber security risks.</p> <p>To identify the potential cyber security risk from internal and external threats that could have a negative impact to the Bank.</p>	<p>To systematically identify, measures, monitor and report any Shariah non-compliance (SNC) risk in the operations, business, affairs and activities of the Bank</p>	<p>To perform independent and in-depth credit evaluation and risk assessment on credit and investment proposals submitted by Business Units within the agreed Turnaround-Time ("TAT") for submission to the relevant approving authorities/ management for decision</p>

The Risk Management Division ("RMD") is headed by the Chief Risk Officer. It is responsible for communicating the critical risks MBSB Group face, the risk controls in place and plans to manage these risks to the Management, Board Risk Committees and the Boards.

The RMD provides advice and guidance on the credit, operational, technology, market, liquidity, Shariah, ESG (including climate change) and general business risks. The scope of advice serves to manage and control significant risk exposures inherent to MBSB Group's business operations and cover the identification of significant risks. The RMD is involved in all aspects of MBSB Group's activities, including new product approvals, credit approval, credit and limit monitoring, outsourcing process and reviews of process workflows and policies and procedures.



The RMD also reviews MBSB Group's compliance to risk limits and identifies emerging risk issues. During the financial year, the RMD provided feedback in decision-making meetings as follows:

**MBSB**

- MANCO - Permanent Invitee
- CARAC - Permanent Invitee
- ALCO - Member

**MBSB Bank**

- MANCO - Permanent Invitee
- MICC - Permanent Invitee
- ALCO – Member
- CMC - Member
- IAR - Member
- SWG - Member
- SAC – Permanent Invitee

The RMD continues to provide reports to the respective Management-led Committees, Board Risk Committees and the Boards according to the committees' requirements and the changing business environment.

The RMD submits the Risk Management Report addressing MBSB Group's risk exposure, risk portfolio composition and risk management activities to the respective Management-led Committees, Board Risk Committees and the Boards for their review regularly.

During the year, RMD was involved in the following key initiatives:

Principal risks	Key initiatives for Financial year ended 31 December 2021 (“FY2021”)
<p><b>Credit risk</b> <i>Risk of suffering financial loss as a result of any of MBSB Bank’s customers or counterparties’ failure to fulfil their contractual obligations to repay their financing or settle their financial contracts</i></p>	<ol style="list-style-type: none"> <li>1. Developed statistically-based Corporate Scorecards.</li> <li>2. Established an Early Alert process to identify emerging risks from MBSB Bank's key customers/ sectors.</li> <li>3. Conducted engagement sessions with Business Division (at least bi-annually) to update them on credit policy changes and address any queries on policy changes.</li> <li>4. Conducted familiarisation training sessions (at least bi-annually) with new relationship managers on basic credit assessments, sharing of best practices and findings from audit findings.</li> </ol>
<p><b>Market risk</b> <i>Risk of losses resulting from movements in market prices</i></p>	<ol style="list-style-type: none"> <li>1. Implemented the monitoring and reporting processes on off-market rates for treasury activities to manage the risk of any misconduct or market manipulation by the dealers.</li> <li>2. Enhanced the credit assessment methodology to determine the maximum counterparty limit of Financial Institutions by strengthening the risk controls over the credit counterparty risk exposure and avoiding any risk arising from Treasury activities.</li> <li>3. Reviewed and assessed the new and existing counterparty limits in line with business needs and plans to expand Treasury Department in Foreign Exchange and Money Market activities.</li> <li>4. Established Market and Liquidity Risks Dashboard reporting to the Management Committee and Board Committees on a monthly basis.</li> </ol>
<p><b>Liquidity risk</b> <i>Risk of not being able to obtain sufficient funds in a timely manner at a reasonable cost to meet financial commitments when due</i></p>	<ol style="list-style-type: none"> <li>1. Revised the Key Risk Indicators for liquidity risks based on stressed conditions.</li> <li>2. Performed risk assessment on the participation in the dedicated Islamic Funds offered by the Fund Management Companies.</li> </ol>

Principal risks	Key initiatives for Financial year ended 31 December 2021 (“FY2021”)
<p><b>Operational risk</b>  <i>Risk of loss resulting from inadequate or failed internal processes, people and systems or from external events</i></p>	<ol style="list-style-type: none"> <li>1. Introduced Key Control Testing (KCT) as an operational risk assessment tool.</li> <li>2. Conducted Scenario Analysis to assess the manual workaround arrangements of critical business functions during system downtime.</li> <li>3. Conducted internal training for RCRO and DCORO.</li> <li>4. Cultivated operational risk awareness and pandemic awareness via regular bulletins.</li> </ol>
<p><b>Technology risk</b>  <i>Risk of any adverse outcome, damage, loss, disruption, violation, irregularity or failure arising from the use of or reliance on computer hardware, software, electronic devices and online networks and telecommunications systems</i></p>	<ol style="list-style-type: none"> <li>1. Provided Quarterly IT risk report, which covers : <ul style="list-style-type: none"> <li>● IT risk review on the state of internal controls;</li> <li>● Gaps in relation to Risk Management Information Technology (“RMiT”) as per BNM’s requirement;</li> <li>● Implementation RMiT gaps closure status; and</li> <li>● IT security vulnerability assessment observation</li> </ul> </li> <li>2. Issued quarterly bulletin to all MBSB Bank’s staff to improve awareness of IT risk and defense.</li> <li>3. Review and updates on IT Risk Management Framework.</li> <li>4. Perform scenario-driven risk assessments to improve incident response preparedness for SWIFT.</li> </ol>
<p><b>Cyber Security risk</b>  <i>Risk of any adverse outcome, damage, loss and disruption arising from the emerging cyber security threat.</i></p>	<ol style="list-style-type: none"> <li>1. Performed Independent Risk Assessment on: <ul style="list-style-type: none"> <li>● Data Center Risk Assessment (“DCRA”)</li> <li>● Network Resilience Assessment (“NRA”)</li> <li>● Data Security</li> <li>● Cyber Security Maturity Assessment</li> </ul> </li> </ol>
<p><b>Shariah risk</b>  <i>Risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, arising from failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia standards on Shariah matters issued by MBSB Bank, or decisions or advice of the Shariah committee.</i></p>	<ol style="list-style-type: none"> <li>1. Independent Assessment on Ijarah-based Products - Assessment on MBSB Bank’s practices, policies and procedures vis-à-vis the BNM’s Ijarah Policy Document from a Risk Management perspective.</li> <li>2. Conducted Shariah risk awareness training to all DCOROs with the collaboration of operational risk unit</li> <li>3. Shariah risk awareness bulletin was issued to all staff of MBSB Bank on a quarterly basis</li> </ol>
<p><b>Environmental, social and Governance (“ESG”) risk</b>  <i>Risk arising from the ESG impacts on the business, including climate-related risks and impacts of our financing on the environment and society</i></p>	<ol style="list-style-type: none"> <li>1. Developed an Environment, Social and Governance Risk Framework for Corporate Financing Customers and Sukuk Issuers, in line with BNM’s Climate Change and Principle-based Taxonomy.</li> </ol>

## INFORMATION TECHNOLOGY RISK MANAGEMENT FRAMEWORK

MBSB Group endeavours to adopt sound Information Technology Risk Management ("ITRM") practices based on industry best practices. MBSB's ITRM Framework is implemented with the following objectives:

- Articulate the overall vision, principles, philosophy, objectives and goals of ITRM;
- Provide greater clarity of roles and responsibilities for ITRM across the organisation;
- Define a policy for effective management and supervision of IT risk;
- Define a policy for IT risk identification, assessment, treatment and monitoring and reporting;
- Integrate and align the management of IT Risk with the Operational Risk Management Framework, as well as other relevant guidelines, thus allowing well-informed decisions to be made about the extent of the risk;
- Promote IT risk awareness and culture and ensure that a commitment to IT risk management exists across the organisation;
- Foster an organisational climate where information security risk is considered within the context of the design of business processes, enterprise system architecture and system development life cycle;
- Ensure that adequate security controls are implemented to protect information assets (confidentiality, integrity, availability); and
- Reduce exposure to unexpected losses caused by IT risk.

Employees at all levels must understand their responsibilities and are held accountable for managing IT risk, that is, the risk associated with the operation and use of information systems that support the missions and business functions of MBSB Group.

## SHARIAH GOVERNANCE FRAMEWORK

MBSB Bank's Shariah Governance Framework sets out the expectations of the Shariah governance structures, processes and arrangements of all Islamic business transactions. MBSB Bank's Shariah Governance Framework reflects the responsibility of MBSB Bank's Board, the Management, Shariah Advisory Committee and Shariah Risk Control functions, namely, Shariah Secretariat and Advisory, Shariah Risk, Shariah Compliance Review and Shariah Audit, as well as Business/Functional Units to ensure management of Shariah Non-Compliance risks. The end-to-end Shariah-compliant governance mechanism is executed through four lines of defense that cater to both pre-execution and post-execution. The four lines of defense are as follows:

- 1) The Management and Business/Functional Unit;
- 2) Shariah Secretariat and Advisory;
- 3) Shariah Risk; and
- 4) Shariah Audit and Shariah Compliance Review.

### Risk of Shariah Non-Compliance

Shariah non-compliance risk refers to the risk of legal or regulatory sanctions, financial loss or non-financial implications, including reputational damage, which MBSB Bank may suffer arising from the failure to comply with the rulings of the Shariah Advisory Council of Bank Negara Malaysia, standards on Shariah matters issued by MBSB Bank pursuant to section 29(1) of the IFSA, or decisions or advice of the Shariah committee.

MBSB Bank has implemented the following controls in addressing this risk:

- On-going identification, assessment, monitoring and controlling of Shariah non-compliance risk as set out in the Shariah Governance Policy and other guidelines to ensure operations and business activities comply with Shariah requirements;
- Using Operational Risk Management tools such as LER, RCSA and KRI for monitoring of Shariah non-compliance risk exposures and effectiveness of risk controls;
- Subjecting new Islamic products or services introduced as well as variations to a vigorous product evaluation process which assesses the potential Shariah non-compliance risk as well as the readiness to introduce the products or services;
- Conducting a periodic review of the potential risks and issues relating to the Islamic concepts/contracts of Islamic products and services to ensure the potential issues are managed and the products and services are Shariah-compliant;
- Sponsoring employees to acquire Shariah certification to enhance knowledge and upgrade skills on Shariah matters; and
- Continuous training and awareness on the Shariah principles and potential Shariah non-compliance risks provided by Shariah Secretariat and Advisory Department, Shariah Risk Unit and Shariah Compliance Review.

## ENVIRONMENT, SOCIAL AND GOVERNANCE (“ESG”) RISK FRAMEWORK (CORPORATE FINANCING CUSTOMERS/ SUKUK ISSUERS)

The “ESG” Risk Framework is the main reference point to understand the importance of ESG risk and its impact to the MBSB Bank.

The framework identifies, assesses and manages risks arising from corporate financing customers/ sukuk issuers, especially in sectors that are most vulnerable to environmental and social risks, and those with high activities with high potential adverse impacts on the environment and society.

The framework puts in place risk assessment tools to improve the understanding of and preparedness against existing and emerging ESG risks, ensures due diligence and assessment of ESG risk impacts and cultivates a risk management culture through the three-lines of defense as well.

## INTERNAL AUDIT DIVISION

The Internal Audit Division (“IAD”) reports directly to MBSB’s Audit Committee (“MBSB AC”) and MBSB Bank’s Board Audit Committee (“MBSB Bank BAC”) and administratively to the Acting Chief Executive Officer (“ACEO”). The IAD performs systematic and periodic reviews of products, services including outsourcing activities undertaken by MBSB Group as per the approved risk based audit plan with the objectives to assess the effectiveness, adequacy and integrity of internal controls, risk management, governance and compliance to the policies and procedures. The IAD highlights findings, improvement areas and proposed action plans and agreed timeline for implementation to the Senior Management, MBSB AC, MBSB Bank BAC and SAC with periodic follow-up on actions taken until closure. All key audit findings are reported to the Boards through the Chairman of BAC/AC Reports and status of the follow up review is presented to the BAC, AC and Board Directors of MBSB and MBSB Bank on quarterly basis.

## INDEPENDENT CREDIT REVIEW DEPARTMENT

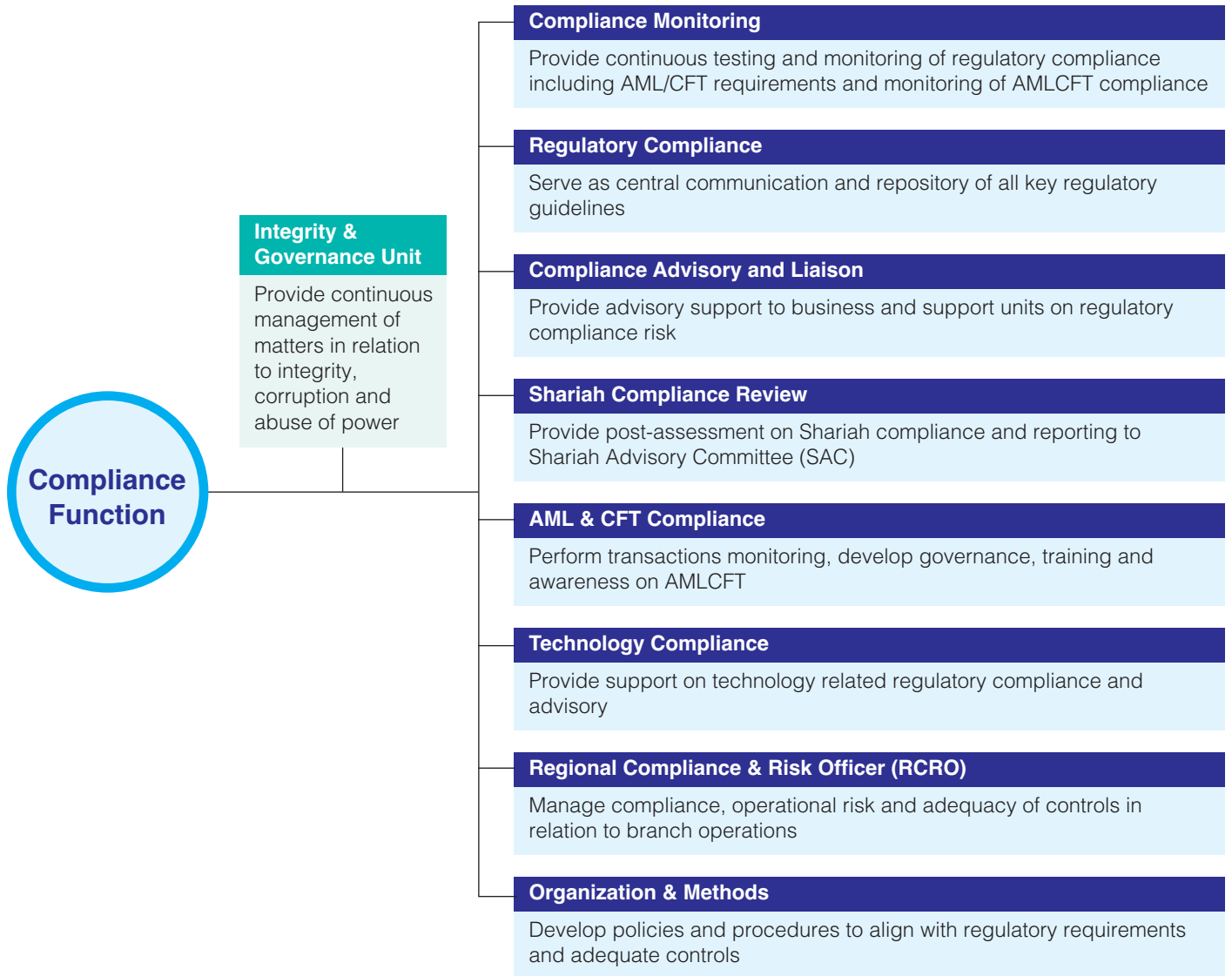
The Independent Credit Review (“ICR”) Department ensures that credit decision-making remains consistent with MBSB Bank’s overall credit risk management objectives and reports the findings of their reviews to MBSB Bank’s Board Audit Committee (“BAC”), BRMCC and Board Investment & Credit Committee (BICC). As part of their reviews, the ICR Department assesses the following areas:

- i. Quality of credit risk assessment and rigour of credit approval processes, including in respect of the scope of information obtained for credit decisions;
- ii. Whether credit decisions are in accordance with the credit risk strategy, credit risk policy, and relevant legal and regulatory requirements;
- iii. Scope, effectiveness and timeliness of credit risk monitoring activities;
- iv. Accuracy and timeliness of ratings assigned to counterparties; and
- v. Appropriateness of credit classifications and provisioning levels.



*Refer to the Report of the Audit Committee on pg. 139 of this Integrated Annual Report for further details on the internal audit function*

**COMPLIANCE DIVISION**



Compliance management is the collective responsibility of the Boards, Senior Management and all staff of MBSB Group. Led by the Boards and Senior Management, MBSB Group embraces a compliance culture that reflects the ethical standards and integrity of our corporate values. MBSB Group aspires to uphold high standards in the conduct of our business and at all times observes both the spirit and letter of the laws and regulations. To achieve this, compliance must be managed systematically and effectively by a dedicated compliance function.

The compliance function of MBSB Group is driven by the Compliance Division, whereby its main objective is to identify and manage compliance risk in MBSB Group through agile compliance programmes carried out across MBSB Group. To preserve its independence, the Compliance Division reports functionally to the Boards and administratively to the Acting Chief Executive Officer. Compliance issues and matters in respect of governance, processes, risk controls, and systems are deliberated at Management-led Committees, Board Risk Committees and the Boards.

The effectiveness of compliance function within MBSB Group is further supported and augmented by:

- **Regional Compliance and Risk Officer (RCRO)**, who is appointed to continuously reinforce compliance culture and manage compliance risk at the regional level under the second line of defense. The roles of the RCRO include performing thematic reviews and coordinating compliance and risk activities to strengthen compliance culture at branches.
- **Designated Compliance and Risk Officer (DCORO)**, who represents the first line of defense and acts as a key liaison with Compliance Division in delivering and promoting compliance awareness, implementing and monitoring risk control measures, executing compliance framework, and facilitating the understanding of compliance requirements at the respective business and support units.

MBSB Group's commitment towards compliance is embodied in its Compliance Charter as follows:

- Preserve the integrity and reputation of MBSB Group by way of adherence to applicable laws, regulations and ethical standards in all markets and jurisdictions in which it operates.
- Improve the corporate image of MBSB Group as a respectable organisation with regards to compliance, including Shariah rulings and Anti-Money Laundering (“AML”) & Counter Financing Terrorism (“CFT”) risks.
- Fully cooperate with the relevant local and international competent authorities and law enforcement agencies in combating money laundering, counter financing of terrorism and proliferation financing.
- Ensure MBSB Group and all staff comply and operate according to regulatory requirements related to Foreign Exchange Notices.

The interconnectedness of compliance responsibilities within MBSB Group is depicted in the diagram below:

Business & Support Units	Compliance	Internal Audit
Business units and support units, primarily responsible for managing compliance risk inherent in the day-to-day activities, processes and systems for which they are accountable for.	Compliance Division manages the compliance risk by assessing and monitoring the adequacy and effectiveness of the governance, processes and systems carried out by respective business and support units.	Responsible for providing independent assurance to the Board and senior management on the overall quality and effectiveness of compliance risk management controls executed by Compliance Division, business and support units.

In addition Compliance Division provides ongoing oversight and assurance in the following key control activities and functions:

- **Regulatory and Shariah Compliance Reviews** – The regulatory and Shariah compliance reviews are developed based on mandatory requirements stipulated in applicable regulations issued by BNM as well as based on the outcomes of the compliance and Shariah risk assessments. To ensure adequacy of regulatory control requirements and adherence to the overarching Shariah principles, the Compliance Thematic and Shariah Compliance reviews are periodically conducted to monitor MBSB Group’s activities and comply with the applicable regulations and Shariah rulings, respectively. Additionally, RCRO is also responsible for performing thematic reviews on branches. Reports on the outcomes of compliance reviews are tabled to the Management Led Committees, Board Risk Committees and the Boards including SAC for Shariah reviews. Subsequently, the progress of rectification action plans would be tracked and monitored until full resolution.
- **Gap Analysis Exercise** – Gap analysis is performed on new and revised regulatory requirements against the internal policies and procedures to identify the difference between the current practices and regulatory requirements. Action plans are formulated by the relevant process owners and tracked for implementation and closure by the Compliance Division.

- **AML/CFT Compliance Programme** – Compliance Division undertakes several initiatives to ensure continuous compliance with BNM's Guidelines on AML, CFT and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for Financial Institutions) covering, inter-alia, transactions monitoring via AML/CFT screening database, training and awareness to improve staff understanding and knowledge on relevant requirements. Additionally, Compliance Division also provides advisory support on AML/CFT matters associated with MBSB Group's business initiatives affecting new and revised products, services and delivery channels.
- **Advisory Support and Risk Assessment** – Provide compliance advisory support to business and support units to ensure regulatory risk is mitigated. Additionally, Compliance Division is also involved in the Project Steering Committees ("PSC") and Project Working Groups ("PWG") for all newly implemented banking products and services. Compliance risk assessment is conducted on all MBSB Group's projects and initiatives to comply with the regulatory requirements.
- **Compliance Healthcheck** – Healthcheck is developed to serve as a self-assessment tool for branches and selected business and support units to periodically assess key compliance controls, including Shariah, and to allow prompt addressing of self-identified gaps. The assessment includes key regulatory requirements on AML/CFT, Personal Data Protection Act, Foreign Account Tax Compliance Act ("FATCA"), Common Reporting Standard ("CRS"), Foreign Exchange Notices and Shariah contracts. Compliance Division validates the completed healthchecks periodically to ensure objectivity and improve the effectiveness of the exercise.
- **Compliance Training** – Compliance training activities are structured to ensure continuous adherence to relevant regulatory requirements issued by the regulatory bodies. The training also aims to update MBSB Group's staff with the latest and new development in terms of regulatory requirements. In addition, instances of non-compliance highlighted during the thematic and external regulatory reviews are also shared with the staff to prevent recurrence.
- **Compliance Awareness** – Another platform that strengthens the staff learning exposure in MBSB Group is via the various compliance awareness initiatives such as quarterly quiz, monthly compliance bulletin and bi-monthly posters on key regulatory requirements. These communication channels are intended to reinforce the level of comprehension on key compliance areas such as Shariah governance, management of customer information and data privacy as well as customer fair treatment while demonstrating MBSB Group's continued commitment to alleviate compliance culture amongst the staff.
- **Review of Internal Policies and Procedures** – Compliance Division participates in MBSB Group's review of new and revised policies and procedures via a working group. This role is instrumental in ensuring all regulatory requirements are embedded and harmonised into the internal policies and procedures to ensure compliance gaps are adequately addressed.
- **Regulatory Liaison** – Compliance Division is the key contact point for MBSB Group in its engagement and liaison with the regulators and Law Enforcement Agencies. The liaison roles include coordinating the information and communication with authority bodies in a systematic manner.
- **Integrity Governance Unit ("IGU")** – Founded upon strong morals and ethics to combat bribery, corruption and abuse of power, IGU is established to promote and maintain an integrity culture amongst all staff, including Senior Management and The Boards. This function includes regular liaison with Malaysian Anti-Corruption Commission while managing the organisation's Adequate Procedures initiatives through emplacement of governance, integrity enhancement, complaints management, verification and detection of corruption related matters.
- **Technology Compliance** – Technology Compliance serves as a central communication and repository of technology/ systems related guidelines. This role provides advisory and performs compliance assessment and compliance monitoring in relation to guidelines and policies related to technology compliance.

In addition to the above key activities and functions, Compliance Division also circulates an Annual Statement of Compliance Certification to all business units, support functions and branches for their self-certification. This self-certification aims to attest the state of compliance with regulatory requirements, Shariah requirements, and internal policies and procedures surrounding the key business activities and operations at respective business/functional and support units.

## OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the procedures established by MBSB Group in ensuring effective internal control include:

- The Finance Division drives the financial management for MBSB Group and maintains and enhances financial control. A detailed integrated budgeting process has been established, resulting in ownership of business objectives, plans and the expected financial outcome based on the approved budget. The budget and business plan, as well as strategic initiatives, taking into account the risk appetite, are deliberated by the Management and the Boards on an annual basis. The Boards also review the operational and financial performance of MBSB Group. Quarterly management reports are presented to the Boards. The quarterly management reports provide information on the financial performance and risk exposure of MBSB Group, which enable Boards to effectively oversee the MBSB Group's overall performance objectives, key initiatives, financial plans and annual budget.

- A corporate governance structure is in place with transparent and consistent lines of responsibility;

In addition to the Board Risk Committees and the Board Audit Committees, the Boards are also supported by other established Board Committees in the execution of its responsibilities, namely MBSB Bank's Board Investment and Credit Committee ("BICC"), MBSB Bank's Board Nominating & Remuneration Committee ("BNRC") and MBSB Nominating and Remuneration Committee ("NRC") the details of which are set out in the Corporate Governance Report. Each committee has their respective terms of reference.



*Refer to Practice 1.1 of MBSB CG Report 2021 for further details on the various Board Committees*

- An Approving Authority Manual with appropriate empowerment and authority limits has been approved by the respective Boards, including authorisation limits at various levels of the Management.
- The RCSA serves as a tool to empower risk owners to perform risk analyses on their business operations. The RCSA allows risk owners to identify, assess, mitigate, monitor and report operational risk at a process level. The objective is to ensure that processes become inherently stronger, in their effort to reduce residual risk and the number of lapses in the processes.
- Business Continuity Management ("BCM") policies have been established for MBSB Bank. The processes are regularly tested during the year with the relevant department/division to ensure the effectiveness of the process. The BCM programme serves as a guideline for MBSB Bank to resume critical operations within the required timeframes and minimises the cost of damages and interruptions due to disasters.
- Policies, procedures and processes governing MBSB Group businesses and operations are documented and are made available to employees through MBSB Group intranet portal. The policies, procedures and processes are reviewed and updated regularly to ensure relevance to the current business environment and compliance with current applicable laws and regulations. They are communicated and made available to all employees via intranet. The policies, procedures, and processes are reviewed and updated by the business/functional units through a structured review process to address changes in laws and regulations and business and operational environment and manage any risks arising from such changes.
- Recruitment procedures are established within MBSB Group to ensure that the right and appropriate persons are selected to fill available positions, including the Fit and Proper Requirements Policies & Procedures, developed for key responsible persons.
- MBSB Group has established guidelines on the Code of Ethics and Conduct for Directors and Employees, which sets out MBSB Group's directors and employees' responsibilities in observing the principles and upholding the corresponding conduct to achieve professionalism and ethics in the conduct of MBSB Group's business and professional activities.
- Whistle Blowing Policies and Procedures are in place to address the avenues for individuals to report suspected breaches of law or regulations or other improprieties. All employees are accorded the opportunity to report via the Whistle Blowing mechanism with the assurance that it shall be dealt with confidentiality and that the complainant's identity is protected.



- The Fraud and Corruption Control Policies and Procedures have been disseminated to all employees to ensure the Policy requirements are implemented and expected to be strictly followed. The Fraud and Corruption Control Policies and Procedures are implemented to provide broad principles, strategy, and policies related to fraud to promote high standards of integrity. The policies establish programmes and controls, including a periodic review of the fraud controls and highlight the roles and responsibilities at every level for preventing and responding to fraud. A fraud risk assessment is in place to identify and address vulnerabilities to internal and external fraud.
- The AML/CFT framework and policies are continuously reviewed and updated to meet regulatory requirements and combat money laundering and financing of terrorism activities. All employees are expected to carry out their functions with ethical and professional standards and continuously be vigilant of MBSB Group's exposure to money laundering, including terrorist financing activities.
- MBSB Group has strengthened the internal controls and ITRM framework and implemented the cybersecurity project. The project focuses on strengthening the security perimeter to protect the critical systems, enhancing the protection of internet-facing applications, proactive monitoring by the Security Operations Center to ensure the visibility of the cybersecurity threats and protecting MBSB Group's data from unauthorised information disclosure.
- In addition to the abovementioned cybersecurity project, MBSB Group had completed the process of migrating its system back-up and data to the new data centre in Klang Valley Data Centre ("KVDC") in December 2021.
- MBSB Group has enhanced its credit policies by outlining general exclusions for providing financing to sectors or activities with negative environmental and social impact and ensuring that an assessment is conducted on environmental and social risk before entering into a relationship with non-individual financing customers.
- Sustainability oversight and management is ultimately the responsibility of MBSB Bank's Board. The Management Committee ("MANCO") acts as the Sustainability Project Steering Committee and sustainability matters, including reporting matters, are deliberated at the MANCO level. In 2021, we established a Sustainability Working Group specifically to spearhead the integration and implementation of our planned sustainability initiatives moving forward. More information on MBSB Bank's sustainability management and governance can be found in our Sustainability Report.

## REVIEW OF SORMIC BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control pursuant to the scope set out in the Audit and Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in the Integrated Annual Report of MBSB for the financial year ended 31 December 2021.

AAPG 3 (Revised 2018) does not require the external auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls or to form an opinion on the adequacy and effectiveness of MBSB Group's risk management and internal control system, including the assessment and opinion by the Board of Directors and the Management thereon. The auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Integrated Annual Report will remedy the problems.

## CONCLUSION

The Board confirms that the system of risk management and internal control, with the key elements highlighted above, was in place during the financial year. The system is subjected to regular reviews, and the Board believes that the system of risk management and internal control is sound and sufficient to safeguard shareholders' investments and MBSB Group's assets.

The statement was approved by the Board of Directors on 29 March 2022.

## REPORT OF THE AUDIT COMMITTEE

### PURPOSE OF AUDIT COMMITTEE

The establishment of the MBSB's Audit Committee ("AC") and MBSB Bank's Board Audit Committee ("BAC") is to assist the MBSB's Board of Directors ("MBSB Board") and MBSB Bank's Board of Directors ("MBSB Bank Board") in:

- Providing independent oversight on the financial reporting, risk management and internal control systems and ensure appropriate method and procedure are in place to provide the level of assurance required by each Board.
- Serving as an independent party to objectively review the financial information of the Group which is presented by the Management to each Board and shareholders.

### COMPOSITION OF THE AC AND BAC

Paragraph 15.09(1)(c) of the Bursa Malaysia's Main Market Listing Requirements ("MMLR") requires that at least one (1) member of each Committee must be a member of MIA or equivalent expertise or experience in the field of finance.

#### MBSB - AC

Following Encik Lim Tian Huat's redesignation as Non-Independent Non-Executive Director with effect from 7 February 2021, Encik Mohamad Abdul Halim bin Ahmad has been appointed Chairman of the AC with effect from 7 February 2021, replacing Encik Lim Tian Huat.

Encik Mohamad Abdul Halim bin Ahmad is an Associate Member of ICAEW and a member of the MIA.

In 2021, a total of 14 AC meetings were held. The composition of the AC members and attendance of each member at the Committee meetings held during the financial year are as follows:

Committee Member	Attendance
Encik Mohamad Abdul Halim bin Ahmad (Chairman/Independent Non-Executive Director) - Redesignated as AC Chairman effective 7 February 2021	14/14
Encik Lim Tian Huat (Member/Non-Independent Non-Executive Director) - Redesignated as AC member effective 7 February 2021	14/14
Dr Loh Leong Hua (Member/Independent Non-Executive Director) - Appointed as AC member on 10 May 2021	9/9
Puan Lynette Yeow Su-Yin (Member/Senior Independent Non-Executive Director) – Resigned as AC member on 10 May 2021	5/5

There have been changes to the composition of the AC during the year 2021 in view of new appointments to the Board of MBSB. As at 31 December 2021, the AC comprised of the following members:

1. Encik Mohamad Abdul Halim bin Ahmad (Chairman/Independent Non-Executive Director)
2. Encik Lim Tian Huat (Member/Non-Independent Non-Executive Director)
3. Dr Loh Leong Hua (Member/Independent Non-Executive Director)

Encik Lim Tian Huat who is a fellow of ACCA, member of the MIA and MICPA had on 1 March 2022, stepped down as AC member and Datin Hoi Lai Ping was appointed member of AC on the same day. Datin Hoi Lai Ping is a Fellow of Certified Practising Accountant (CPA) Australia. The composition of the AC as at 1 March 2022 are as follows:

1. Encik Mohamad Abdul Halim bin Ahmad (Chairman/Independent Non-Executive Director)
2. Dr Loh Leong Hua (Member/Independent Non-Executive Director)
3. Datin Hoi Lai Ping (Member/Independent Non-Executive Director)

### MBSB Bank - BAC

Encik Aw Hong Boo who is the Chairman of the BAC is a Fellow of ICAEW, member of MIA and MICPA. Encik Arul Sothy Mylvaganam, a member of BAC, is a Fellow of ACCA and CPA, Australia, a member of MIA as well as a Certified Financial Planner.

In 2021, a total of 18 BAC meetings were held. The composition of the Bank BAC members and attendance of each member at the Committee meetings held during the financial year are as follows:

Committee Member	Attendance
Encik Aw Hong Boo (Chairman/Senior Independent Non-Executive Director)	18/18
Encik Arul Sothy Mylvaganam (Member/Independent Non-Executive Director)	18/18
Dr Loh Leong Hua (Member/Independent Non-Executive Director) - Vacated due to resignation as director on 10 May 2021	8/8
Tunku Alina Raja Muhd Alias (Member/Non-Independent Non-Executive Director) - Vacated due to retirement as director on 17 June 2021	9/9
Encik Ho Kwong Hoong (Member/Independent Non-Executive Director) - Appointed as BAC member on 1 July 2021	8/8
Datuk Johar Che Mat (Member/Independent Non-Executive Director) - Appointed as BAC Member in place of Tunku Alina effective 22 June 2021. Resigned as BAC member on 30 June 2021	0/0

### AUTHORITY OF THE AC AND BAC

The AC and BAC, in discharging their duties, have explicit authority to investigate any matters within their Terms of Reference (“TOR”) and have full access to and co-operation from the Management. The AC and BAC meetings were also attended by the Group President and Chief Executive Officer (“Group PCEO”), Deputy CEO (“DCEO”), Chief Risk Officer (“CRO”), Chief Internal Auditor (“CIA”) together with the Audit Department Heads while the attendance of other Senior Management staff and external auditor are by invitation depending on the matters being deliberated. Following the demise of The Group PCEO on 15 August 2021 the Boards appointed Datuk Nor Azam M.Taib, the Deputy Chief Executive Officer as the Acting CEO (“ACEO”) of MBSB Group.

The AC and BAC shall have the rights to obtain the necessary resources to enable them in performing their duties and providing independent professional advice if necessary, with any expenses related thereto to be borne by the Group.

The respective Nomination and Remuneration Committee of MBSB (“NRC”) and Board Nomination and Remuneration Committee of MBSB Bank (“BNRC”) ensures that the AC and BAC comprised of Directors who have the appropriate level of expertise and experience with a strong understanding of MBSB Group’s business to maintain an independent and effective AC and BAC. Effective 1 March 2022, the AC and BAC comprised solely of Independent Non-Executive Directors, following the appointment of Datin Hoi Lai Ping in place of Encik Lim Tian Huat who has stepped down as an AC member on the same date.

The Chairman of the AC and BAC reports to the respective Boards on matters deliberated during the AC and BAC meetings, respectively. AC and BAC minutes of each meeting were also distributed to the respective Boards. Chairman's Report is presented at respective Boards meeting highlighting key matters discussed and deliberated at the AC and BAC meetings.



The full Terms of Reference of the AC and the BAC can be downloaded at [https://www.mbsb.com.my/TOR\\_AC.pdf](https://www.mbsb.com.my/TOR_AC.pdf) and [https://www.mbsbbank.com/TOR\\_BAC.pdf](https://www.mbsbbank.com/TOR_BAC.pdf) (latest reviewed in 2021)



Refer to the Report of the Audit Committee on pg. 139 of this Integrated Annual Report for further details on the internal audit function

## ACTIVITIES OF THE AC AND BAC IN 2021

The summary of the activities undertaken by AC and BAC for the financial year ended 31 December 2021 are detailed below.

### Financial Reporting

- a) Assisted each Board in ensuring the accounting treatment, financial reporting and disclosures in the Annual Audited Financial Statement of the MBSB Group for the financial year ended 31 December 2021, comply with:
- Provisions of the Companies Act, 2016;
  - Bursa Malaysia's Main Market Listing Requirement ("MMLR");
  - Applicable approved accounting standards in Malaysia and adoption of new accounting standards as well as the accounting treatments used in the financial statements;
  - Applicable standards and guidelines issued by Bank Negara Malaysia; and
  - Other legal and regulatory requirements (e.g taxation matters).

### External Auditor

- a) Reviewed with the external auditor on the following:
- Audit planning memorandum for the year ended 31 December 2021 comprising their audit plan, audit approach, audit strategy and scope of work for the year;
  - Audit findings together with Management's response to the findings of the external auditors; and
  - Updates of new developments on the Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board and other regulatory requirements.
- b) In compliance with the MMLR, met the representatives of the external auditor twice a year for discussion without the presence of the Management, to discuss any issues of concern of the external auditor arising from their audits, including the level of cooperation provided by the Group's employees to the external auditor. Other officers of the Group are also invited to the AC and BAC meetings during the deliberation of matters related to them as and when necessary;
- c) Evaluated the performance and effectiveness of the external auditor based on the following criteria:
- Performance, quality of services and sufficiency of resources provided by the external auditor;
  - Communication and interaction with the external auditor; and
  - Auditor's independence and objectivity by reviewing the provision of non-audit services and evaluating whether such non-audit services would impair their independence. BAC and AC have obtained written declaration from the audit engagement team which confirms they have no relationship and conflict of interest in performing their work for MBSB Group.
- d) Made recommendations to each Board of Directors on their audit fees, non-audit fees and for their appointment to hold office until the conclusion of the next Annual General Meeting ("AGM").

### Internal Audit

The AC and BAC activities related to the Internal Audit Division (“IAD”) are further deliberated in the “Statement on Internal Audit Function” and the “Internal Audit Division Activities in 2021” section in this Report.

### Integrated Annual Report

Reviewed and recommended the Report of the Audit Committee for each Board’s approval for inclusion in the Integrated Annual Report.

### Related Party Transaction

Reviewed related party transactions entered into by MBSB’s Group covering the nature and amount of the transactions to ensure that related party transactions are undertaken on an arm’s length basis, on normal commercial terms and on terms that are not more favourable to the related parties than those generally available to the non-related parties.

### Directors’ Training

During the year, the members of the AC and BAC (“the Committees”) have attended the relevant training programmes, conferences and seminars as disclosed in MBSB Group Corporate Governance (“CG”) Report 2021.

## STATEMENT ON INTERNAL AUDIT FUNCTION FOR THE AC AND BAC

The internal audit function is performed in-house and undertaken by the IAD. The IAD reports administratively to the Acting CEO and directly to the AC and BAC respectively, as an independent unit that provides independent and reasonable assurance that the system of internal controls continues to operate satisfactorily and effectively. The IAD is guided by the Internal Audit Charter, Internal Audit Manual and the Committees’ Terms of Reference and adopts the BNM/RH/GL (013-4) Guidelines on Internal Audit Function of Licensed Institutions and International Professional Practice Framework (“IPPF”) issued by Institute of Internal Auditors (“IIA”).

To maintain objectivity and independence, the appointment, remuneration, performance appraisal, transfer and dismissal of the CIA is decided by the AC and BAC. IAD personnel do not have any authority or responsibility for the activities that they audit.

The internal audit functions as an independent, objective assurance and consulting activity designed to add value and improve the MBSB Group’s operations. It evaluates whether:

- Internal controls are adequate, efficient and effective;
- The objectives of the Group are being achieved efficiently and effectively; and
- The established policies and procedures are being followed.

The AC and BAC reviewed and assessed the performance of the CIA, including the fit and proper assessment in the Fit and Proper Requirements Policies & Procedures annually.

## THE INTERNAL AUDIT DIVISION ACTIVITIES IN 2021

The IAD activities in 2021 for AC and BAC are summarised below.

### AC

- a) Presented its annual risk-based audit plan which includes audit objectives, budget and scope of work with revision made during a half-year review to the AC for approval.
- b) Conducted scheduled audits as per approved audit plan, ad-hoc audit assignments and investigations as instructed by AC and Management which the audit reports were tabled to the AC. In 2021, the IAD completed 13 assignments. The key audit areas include credit exposures under conventional loans and the relevant support functions. All findings were tracked and followed-up until closure.
- c) Conducted audit of Related Party Transaction and Connected Parties for credit transactions and exposures.
- d) Provided quarterly reports on the status of internal audit activities to the AC and Board which include follow-up on unresolved audit findings and completion of management action plans.
- e) Provided advisory services to review the operational guidelines and manuals to ensure pertinent controls embedded are consistent with the changes in businesses and operations.
- f) The CIA was invited to attend various level of Committee's meeting at MBSB as permanent invitee and observer in a consultative capacity to provide independent feedback on internal controls and governance aspects.

### BAC

- a) Presented its annual risk-based audit plan which includes audit objectives, budget and scope of work to the BAC for approval. The audit plan was revised during the half-year review considering changes in business environment, audit priorities and ad-hoc requests from regulators or Management.
- b) Conducted scheduled audits as per approved audit plan, ad-hoc audit assignments and investigations as instructed by BAC and Management which the audit reports were tabled to the BAC. In 2021, the IAD completed 85 assignments, consultancy services and investigations. All findings issued were tracked and followed-up until closure.
- c) The key audit areas include Corporate and Retail Credit end to end process, Treasury Operations covering Front Office, Middle Office and Back Office, Head Office Operations, selected Branches, Information System encompassing in-house application system and outsourced systems and Project Steering Committee.
- d) Conducted relevant regulatory audit on BNM, PIDM and PayNet guidelines and requirements.
- e) Conducted audit of Related Party Transaction and Connected Parties for credit transactions and exposures.
- f) Shariah Audit ("SA") was embedded in the respective audit assignments planned for FY2021 in ensuring compliance with Shariah rules and principles. In 2021, SA conducted seven (7) specific shariah assignments and all Shariah audit findings, recommendations and the report issued in 2021 was presented to SAC for deliberation and notification.
- g) Provided quarterly reports on the status of internal audit activities to the BAC, Board and SAC which include follow-up on unresolved audit findings and completion of management action plans.
- h) Reviewed the quality of credit risk assessment as well as scope and effectiveness of credit risk monitoring activities under the Independent Credit Review ("ICR") team.

- i) Conducted annual reviews of the Business Contingency Plan and Disaster Recovery Plan testing to ensure compliance with BNM's Guidelines on Business Continuity Management.
- j) In 2021, the following assessments have been executed by an external assessor on co-sourcing basis:
  1. Assessment on SWIFT's Mandatory Customer Security Controls Framework 2021 (CSCF v2021);
  2. Assessment on Cyber Resilience for Participants of PayNet's Services and BNM RENTAS and FAST; and
  3. Post Assessment on the Bank's new Klang Valley Data Center ("KVDC") with regards to the BNM RMIT requirements.
- k) Provided advisory services to review operational guidelines and manuals to ensure pertinent controls in place are consistent with the changes in businesses and operations.
- l) The CIA was invited to attend various level of Committee's meeting at MBSB Bank as permanent invitee and observer in a consultative capacity to provide independent feedback on internal controls and governance aspects.

#### **INTERNAL AUDIT QUALITY ASSURANCE REVIEW**

A quality assurance and improvement program ("QAIP") is designed to enable an evaluation of the Internal Audit activity's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether Internal Auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the Internal Audit activity and identifies opportunities for improvement. The annual internal assessment is performed by the Internal Assurance Team within IAD, while the external assessment is conducted once every five (5) years by a qualified external assessor. The external assessment by QAIP was last conducted in 2019.

#### **INTERNAL AUDIT RESOURCES, PROFESSIONAL PROFICIENCY AND COST**

- a) As at 31 December 2021, there are 37 internal auditors and 6 staff under Independent Credit Review ("ICR") carrying out the IAD and ICR activities, respectively. The internal auditors and ICR staff are suitably qualified and have the necessary knowledge and skills to perform their roles and responsibilities and will continue to pursue the relevant certifications to achieve the desired level of proficiency and competency.
- b) The upskilling of internal auditors through continuous learning and development remains a key focus. This is achieved through structured and formalised training programmes. IAD staff acquired technical competencies demonstrated by various certifications such as those offered by the Institute of Internal Auditors ("IIA"), Information Systems Audit and Control Association ("ISACA") and Asian Institute of Chartered Bankers ("AICB").
- c) The cost incurred for the internal audit function in respect of the FY2021 amounted to RM6,323,380.

#### **CONCLUSION**

In the annual assessment of the effectiveness of the Board Committees for FY2021, each Board is satisfied that the AC and BAC members have discharged their function, duties and responsibilities in accordance with the TORs to provide independent oversight of the MBSB Group's internal and external audit functions, internal controls and ensuring checks and balances within the Group.

A black and white photograph of a snowy, rocky landscape. In the foreground, there is a wooden structure, possibly a fence or a bridge, partially covered in snow. The background shows a vast, open area with snow-covered ground and some rocky outcrops. The overall scene is bright and somewhat overexposed, with a high-contrast, grainy texture.

# FINANCIAL STATEMENTS





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## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are required by the Companies Act 2016 ("CA") to prepare financial statements for each financial year which have been made out in accordance with the applicable Malaysian Financial Reporting Standards ("MFRS"), the International Financial Reporting Standards ("IFRS") and the provisions of the CA in Malaysia and give a true and fair view of the state of affairs and of the results and cash flows of the Company and the Group for the financial year.

In preparing the financial statements, the Directors have used appropriate and relevant accounting policies that are consistently applied and supported by reasonable as well as prudent judgments and estimates, and that the financial statements is prepared on a going concern basis.

The Directors are responsible for ensuring that the Company and the Group keep proper accounting records which disclose with reasonable accuracy the financial position of the Group and Company and which enable them to ensure that the financial statements comply with the CA.

The Directors have the general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group, to detect and prevent fraud and other irregularities.

## DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

### Principal activities

The Company is principally engaged in investment holding. The Company had ceased providing new financing, but continues to manage its remaining conventional loans and advances.

The principal activities of the subsidiaries are described in Note 14. There have been no significant changes in the nature of the principal activities of the subsidiaries during the financial year.

### Ultimate holding body

The ultimate holding body is Employee Provident Fund ("EPF"), a statutory body established under the Employee Provident Fund Act 1991 (Act 452).

### Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 14 to the financial statements.

### Results

	Group RM'000	Company RM'000
Profit for the year	438,705	269,585

### Reserves and provisions

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements and notes to the financial statements.

### Dividends

Since the end of the previous financial year, the amount of dividends paid or declared by the Company are as follows:

	RM'000
In respect of the financial year ended 31 December 2021:	
- single-tier interim dividend of 3.0 sen per ordinary share on 7,171,483,803 ordinary shares declared on 17 December 2021 and paid on 12 January 2022	215,145
In respect of the financial year ended 31 December 2020:	
- single-tier final dividend of 2.0 sen per ordinary share on 6,975,388,546 ordinary shares declared on 23 April 2021 and paid on 30 July 2021	139,508
	354,653

## Directors

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

### The Company

Tan Sri Azlan bin Mohd Zainol (appointed on 1 March 2021)  
 Encik Mohamad Abdul Halim bin Ahmad  
 Encik Lim Tian Huat  
 Ir. Moslim bin Othman  
 Puan Lynette Yeow Su-Yin  
 Encik Sazaliza bin Zainuddin (appointed on 10 May 2021)  
 Dr. Loh Leong Hua (appointed on 10 May 2021)  
 Datin Hoi Lai Ping (appointed on 1 March 2022)  
 Tan Sri Abdul Halim bin Ali (resigned on 6 February 2021)  
 Puan Zaidatul Mazwin binti Idrus (resigned on 6 February 2021)

### MBSB Bank Berhad

Tan Sri Azlan bin Mohd Zainol (appointed on 1 March 2021)  
 Datuk Azrulnizam bin Abdul Aziz  
 Datuk Johar bin Che Mat  
 Encik Aw Hong Boo  
 Encik Kamarulzaman Ahmad  
 Encik Arul Sothy Mylvaganam  
 Encik Ho Kwong Hoong (appointed on 1 July 2021)  
 Encik Sazaliza bin Zainuddin (resigned on 6 February 2021 and reappointed on 3 May 2021)  
 Tan Sri Abdul Halim bin Ali (resigned on 6 February 2021)  
 Dr. Loh Leong Hua (resigned on 10 May 2021)  
 Puan Lynette Yeow Su-Yin (resigned on 11 June 2021)  
 Tunku Alina binti Raja Muhd Alias (retired on 17 June 2021)

### Other subsidiaries of the Company

Puan Azlina Mohd Rashad  
 Encik Asrul Hazli Salleh  
 Encik Edmund Lee Kwing Mun  
 Kew Thean Yew  
 Lim Choon Seng  
 Ms. Rupavathy a/p A.V. Govindasamy (appointed on 15 October 2021)  
 Encik Tang Yow Sai (resigned on 19 January 2021)  
 Cik Yam Kwai Ying Sharon (resigned on 15 October 2021)

### Directors' benefits

Since the end of the previous financial year, no Director, other than disclosed in Note 46 (c) to the financial statements has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors as shown in Note 41 to the financial statements) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by mean of the acquisition of shares in or debentures of the Company or its related corporations during the financial year, except for the share options granted to executives of the Company and its related corporations pursuant to the Malaysia Building Society Berhad Employee Share Options Scheme.

### Indemnity and Takaful cost

The Group Directors and Officers are covered by Directors' and Officers' Liability Takaful. The total takaful coverage amounts to RM50,000,000 and the annual insurance premium that is payable amounts to RM139,930.

### Directors' interests

None of the Directors in office at the end of the financial year had any interest in shares or options over shares in the Company or its related corporations during the financial year.

### Issue of shares and Debentures

During the financial year, the Company increased its issued and paid-up ordinary share capital by RM109,813,344 from RM7,088,254,726 to RM7,198,068,070 as follows:

	Number of new ordinary shares Units '000	RM'000	Issue/ exercise price
Issuance of new shares for cash pursuant to:			
Dividend Reinvestment Plan	196,095	109,813	0.56

The new ordinary shares issued during the financial year ranked *pari passu* in all respects with the existing ordinary shares of the Company.

Save as disclosed above, there were no other new shares or debentures issued during the financial year.

### Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

### Statement of Corporate Governance

The Board of Directors ("the Board") of the Company is pleased to report the application by the Company of the principles contained in the Malaysia Code on Corporate Governance ("the Code") and the extent of compliance with the best practices of the Code. The Board has endeavoured to apply the principles and comply with the relevant best practices of corporate governance as set out in the Code. The Company is also required to comply with Bank Negara Malaysia ("BNM")'s policy document on Corporate Governance ("BNM/RH/PD 029-9") issued on 3 August 2016.

### Statement of Shariah Governance

The MBSB Bank Board members have maintained regular engagement with members of the Shariah Advisory Committee ("SAC MBSB Bank") via their attendance to observe the SAC MBSB Bank meetings as well as their standing invitation for the Chairman or Deputy Chairman of SAC MBSB Bank to attend the Board meetings.

The MBSB Bank Board equally understands its role to be ultimately accountable and responsible for the Shariah governance and overall Shariah compliance of MBSB Bank and has put in place a robust Shariah governance arrangement and has performed an effective oversight over the implementation of SAC BNM rulings, SAC MBSB Bank resolutions, internal control framework as well as the performance of MBSB Bank in relation to the Shariah governance implementation.

Towards achieving this goal, the MBSB Bank Board has evaluated and is of the view that the planned resources to be put in place in 2022-2023 for the Shariah support and control functions which have been reviewed by the SAC MBSB Bank are in line to achieve this goal and to accommodate MBSB Bank's current and strategic initiatives.

### Statement of Shariah Governance (cont'd.)

Sound Shariah compliance culture within MBSB Bank is outlined in the existing policies and procedures which are also reviewed and approved by SAC MBSB Bank or its delegates to ensure that its overall operations, business, affairs and activities are conducted, at all times, in conformity with Shariah.

### Business review for 2021

The Group registered a profit before taxation and zakat of RM714 million for 2021 as compared to profit before taxation and zakat of RM428 million in prior year. As at 31 December 2021, the Group had assets of RM50,681 million (2020: RM48,438 million), gross loans, financing and advances of RM36,181 million (2020: RM35,728million), total deposits of RM33,251 million (2020: RM33,883 million) and shareholders' equity of RM8,679 million (2020: RM8,881 million).

Gross financing grew by 3.1%, reflecting moderation in financing demand amid re-imposition of stricter nationwide containment measures towards the end of the second quarter of 2021. The tighter mobility restrictions under the Full Movement Control Order were implemented in response to an escalation in COVID-19 cases.

The moratorium granted to eligible customers throughout the year had repercussions on performance, resulting in RM312 million in losses on modification of cash flows (2020: RM505 million). Nevertheless, Current Account Saving Account ("CASA") ratio grew from 2.35% in 2020 to 3.98% 2021, following capability enhancements and attractive product offerings, leading to new corporate and retail customer acquisitions. We also successfully launched a new Wakalah unrestricted investment account which stood at RM2,095 million as at 31 December 2021. The Group also made significant investments in technology, mainly to strengthen cyber-security, improve operational efficiency and enable new business capabilities.

### Outlook for 2022

The Group had developed a 2022 – 2023 Strategic Roadmap, which sets out a two-pronged strategy to enhance return on equity and stakeholder value: creating new businesses to expand revenue streams and accelerate growth; and enhancing existing businesses to improve competitiveness and meet evolving market expectations. The strategic initiatives planned will focus on business sectors with high growth potential and less vulnerability to pandemic risks.

To penetrate niche market segments and meet customers' demands, the pursuit of this strategy is guided by the principles of Differentiation, Demand-led and Sustainability. Thus, our products and services should provide a unique value proposition to differentiate them from others in the market, they must match customers' needs, and they should integrate ESG considerations and reflect our values as an Islamic bank. Our strategic initiatives are supported by our business enablers comprising our branch network, technology, marketing and branding and most importantly, people. We will also improve non-performing financing by enhancing our credit onboarding and hastening the resolution of our impaired financing.

The economy's growth is expected to gain further momentum in 2022, following a rebound in economic activity in the fourth quarter, in line with the relaxation of containment measures (BNM's Monetary Policy Statement, 20 January 2022). Our strategic initiatives, executed amidst the projected improved economic environment, are expected to improve financing growth in 2022 and enhance value for all our stakeholders.

**Other statutory information**

- (a) Before the statements of financial position and statements of profit or loss and other comprehensive income of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad loans, financing and advances, and the making of allowance for doubtful loans, financing and advances and had satisfied themselves that all known bad debts loans, financing and advances had been written off and that adequate allowance had been made for impaired loans, advances and financing and adequate allowance had been made for doubtful financing; and
  - (ii) to ascertain that any current assets, other than financing and advances, which were unlikely to be realised in the ordinary course of business, including the values of current assets as shown in the accounting records of the Group and of the Company, had been written down to an amount which the current assets 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 impaired loans, advances and financing in the financial statements of the Group and of the Company inadequate to any substantial extent; and
  - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company 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 methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than those arising in the normal course of business of the Group and of the Company as disclosed in Note 49 to the financial statements.
- (f) In the opinion of the Directors:
- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their 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 or of the Company for the financial year in which this report is made.

### Significant events during the financial year

Significant events during the financial year are disclosed in Note 56 to the financial statements.

### Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 39 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 13 April 2022.

Tan Sri Azlan bin Mohd Zainol  
Chairman

Mohamad Abdul Halim bin Ahmad  
Director

Petaling Jaya, Malaysia



## STATEMENT BY DIRECTORS

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

We, Tan Sri Azlan bin Mohd Zainol and Mohamad Abdul Halim bin Ahmad, being two of the Directors of Malaysia Building Society Berhad, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 157 to 324 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of the financial performance and cash flows of the Group and of the Company 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.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 13 April 2022.

Tan Sri Azlan bin Mohd Zainol  
Chairman

Mohamad Abdul Halim bin Ahmad  
Director

Petaling Jaya, Malaysia

## STATUTORY DECLARATION

PURSUANT TO SECTION 251(1)(B) OF THE COMPANIES ACT 2016

I, Ramanathan Rajoo, being the officer primarily responsible for the financial management of Malaysia Building Society Berhad, do solemnly and sincerely declare that the financial statements set out on pages 157 to 324 are to the best of my knowledge and belief, correct, and I make this solemn declaration conscientiously believing the declaration to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by  
the abovenamed Ramanathan Rajoo at  
Petaling Jaya in the State of  
Selangor Darul Ehsan on 13 April 2022.

Ramanathan Rajoo  
MIA No. CA7012

Before me,

## INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYSIA BUILDING SOCIETY BERHAD (197001000172 / 9417-K)(INCORPORATED IN MALAYSIA)

### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### Our opinion

In our opinion, the financial statements of Malaysia Building Society Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

#### What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 157 to 324.

#### Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Independence and other ethical responsibilities*

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

#### Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company 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 Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)**

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

Group key audit matters

Key audit matters	How our audit addressed the key audit matters
<p><b>Expected credit losses for loans, financing and advances</b></p> <p>Refer accounting policy 2(p) and Notes 5(i), 11 and 36 of the financial statements.</p> <p>We focused on this area due to the size of the carrying value of the loans, financing and advances, which represents 68% of total assets of the Group.</p> <p>In addition, the expected credit loss (“ECL”) impairment model under MFRS 9 “Financial Instruments” requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.</p> <p>The significant judgements in applying the accounting requirements for measuring ECL include the following:</p> <ul style="list-style-type: none"> <li>• Identification of loans, advances and financing that have experienced a significant increase in credit risk;</li> <li>• The ECL models are inherently complex and judgement is applied in determining the appropriate construct of the model; and</li> <li>• Assumptions used in the ECL models such as expected future cash flows, forwardlooking macroeconomic factors, probability weighted multiple scenarios and ECL overlay adjustments made, given the economic uncertainty arising from COVID-19 pandemic that may impact ECL.</li> </ul>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>• Understood and tested management’s controls over identification of loans, advances and financing that have experienced significant increase in credit risk or objective evidence of impairment in accordance with the Group’s policy and procedures, and the calculation of ECL provisions.</li> <li>• Examined a sample of loans, advances and financing with focus on loans, financing and advances identified by the Group as having lower credit quality, rescheduled and restructured, borrowers in high risk industries impacted by COVID-19, and formed our judgement as to whether there was a significant increase in credit risk or objective evidence of impairment.</li> <li>• Where objective evidence of impairment was identified by the Group and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the Group in the impairment loss calculation, challenged the assumptions and compared the assumptions to external evidence where available. Calculations of the discounted cash flows were also re-performed.</li> <li>• Assessed and tested the methodologies and significant assumptions inherent within the ECL models applied against the requirements of MFRS 9.</li> <li>• Tested the design and operating effectiveness of the controls relating to: <ul style="list-style-type: none"> <li>- Governance over ECL model development and model refinements, including model build, model approval, model monitoring and model validation; and</li> <li>- Data used to determine the allowances for credit losses.</li> </ul> </li> <li>• Assessed and considered reasonableness of forward-looking forecasts assumptions;</li> </ul>

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)**

**Key audit matters (cont'd)**

Group key audit matters (cont'd)

Key audit matters	How our audit addressed the key audit matters
<p><b>Expected credit losses for loans, financing and advances (cont'd)</b></p>	<ul style="list-style-type: none"> <li>• Checked the accuracy of data and calculation of the ECL amount, on a sample basis and assessed the reasonableness of the overlay adjustment to the ECL; and</li> <li>• Involved our financial risk modelling experts and IT specialists in areas such as reviewing appropriateness of the ECL models and data reliability.</li> </ul> <p>The assessment and conclusion on the more judgemental interpretations made by management were discussed with the Audit Committee.</p> <p>There were instances where the quantum of impairment required was different from that determined by management due to variance in the inputs used for ECL calculation purposes.</p> <p>Based on the procedures performed, we did not find any material exceptions to the Group's assessment on impairment of loans, financing and advances.</p>

We have determined that there are no key audit matters to report for the Company.

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company 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 Company, 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 Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, 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.

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

### Responsibilities of the Directors for the financial statements

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company 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 Company that are free from material misstatement, whether due to fraud or error.

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's Internal Control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company 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 Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)**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 Company for the current 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 auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 14 to the financial statements.

OTHER MATTERS

The financial statements of the Company for the year ended 31 December 2020 were audited by another firm of auditors whose report, dated 28 April 2021, expressed an unmodified opinion on those statements.

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

PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

Kuala Lumpur  
13 April 2022

ONG CHING CHUAN  
02907/11/2023 J  
Chartered Accountant

## STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Assets</b>					
Cash and short-term funds	6(a)	654,839	1,082,712	230,013	342,898
Deposits and placements with financial institutions	6(b)	843,856	781,682	574,580	-
Derivative financial assets	7	637	1,724	-	-
Financial investments at fair value through profit or loss	8	240,209	-	-	-
Financial investments at fair value through other comprehensive income	9	11,811,115	10,192,272	-	-
Financial investments at amortised cost	10	630,334	488,102	-	-
Loans, financing and advances	11	34,503,102	33,762,458	477,089	898,954
Trade and other receivables	12	129,367	141,899	190,902	231,460
Statutory deposits with Bank Negara Malaysia	13	650,000	620,000	-	-
Investments in subsidiaries	14	-	-	5,558,436	5,290,323
Inventories	15	50,516	69,374	-	-
Property and equipment	16	347,286	366,850	23,439	23,903
Right-of-use assets	17(a)	38,846	11,485	-	-
Intangible assets	18	150,760	162,058	-	-
Goodwill	19	148,031	148,031	-	-
Investment property	20	820	820	-	-
Deferred tax assets	21	24,176	7,261	3,458	3,835
Tax recoverable		454,794	589,154	452,745	503,534
Assets held for sale	22	2,600	12,612	-	-
<b>Total assets</b>		<b>50,681,288</b>	<b>48,438,494</b>	<b>7,510,662</b>	<b>7,294,907</b>

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

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Liabilities and shareholders' equity</b>					
Deposits from customers	23	24,601,750	24,353,435	-	-
Deposits and placements of banks and other financial institutions	24	8,649,581	9,529,305	-	-
Investment accounts of customers	25	2,094,914	-	-	-
Derivative financial liabilities	7	2,363	1,614	-	-
Trade and other payables	26	1,086,213	624,286	239,978	48,430
Lease liabilities	17(b)	38,998	11,148	-	-
Recourse obligation on financing sold	27	3,141,309	2,262,531	-	-
Sukuk - MBSB					
Structured Covered Murabahah	28	1,072,972	1,366,563	-	-
Sukuk Wakalah	29	1,294,247	1,293,335	-	-
Deferred tax liabilities	21	15,481	107,155	-	-
Provision for taxation and zakat		4,135	7,950	-	538
<b>Total liabilities</b>		42,001,963	39,557,322	239,978	48,968
Ordinary share capital	30	7,198,068	7,088,255	7,198,068	7,088,255
Reserves	31	(161,046)	234,666	-	-
Retained earnings		1,642,303	1,558,251	72,616	157,684
<b>Total equity</b>		8,679,325	8,881,172	7,270,684	7,245,939
<b>Total liabilities and shareholders' equity</b>		50,681,288	48,438,494	7,510,662	7,294,907
<b>Total Islamic banking assets</b>		49,135,301	45,984,780	-	-
<b>Commitments and contingencies</b>	48	3,265,007	2,743,268	11,668	18,519

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



## STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Revenue	32	2,624,703	3,145,502	276,618	93,123
Income derived from investment of deposits and Islamic capital funds	33	2,552,864	2,738,398	-	-
Income attributable to depositors		(822,524)	(1,077,896)	-	-
Income attributable to securitisation		(91,230)	(101,676)	-	-
Income attributable to sukuk		(132,603)	(147,016)	-	-
Income attributable to wakalah unrestricted investment account		(23,456)	-	-	-
Net income from Islamic operations		1,483,051	1,411,810	-	-
Interest income	34	57,921	141,090	39,227	87,716
Interest expense	35	-	(11)	-	(11)
Net interest income		57,921	141,079	39,227	87,705
Expected credit losses on loans, financing and advances and other impairment	36	(86,003)	(420,930)	37,259	(3,175)
Net loss on modification of cash flows	37	(311,686)	(504,750)	(21)	(73)
Operating income		1,143,283	627,209	76,465	84,457
Net other income	38	113,247	238,295	268,998	147,704
Net income		1,256,530	865,504	345,463	232,161
Operating expenses	39	(542,416)	(437,864)	(19,203)	(21,920)
Profit before taxation and zakat		714,114	427,640	326,260	210,241
Taxation	42(a)	(275,479)	(157,804)	(56,675)	(59,429)
Zakat	42(b)	142	363	-	-
Profit from continuing operations		438,777	270,199	269,585	150,812
Loss from discontinued operation		(72)	(881)	-	-
Profit for the year		438,705	269,318	269,585	150,812
Other comprehensive (expense)/income, net of tax:					
Movement in fair value reserve, which may be reclassified subsequently to profit or loss		(395,712)	79,672	-	-
<b>Total comprehensive income for the year, net of tax</b>		<b>42,993</b>	<b>348,990</b>	<b>269,585</b>	<b>150,812</b>
Earnings per share (sen)					
Basic	43	6.22	3.95		

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

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

Group	← Non-distributable Share →			Distributable	
	Share Capital RM'000	Option Reserve RM'000	Fair Value Reserves RM'000	Retained Earnings RM'000	Total RM'000
<b>At 1 January 2021</b>	7,088,255	-	234,666	1,558,251	8,881,172
Profit for the year	-	-	-	438,705	438,705
Other comprehensive expense for the year	-	-	(395,712)	-	(395,712)
<i>Contributions by and distributions to owners of the Company</i>					
Dividends to owners of the Company (Note 44)	-	-	-	(354,653)	(354,653)
Issuance of shares pursuant to Dividend Reinvestment Plan (Note 30)	109,813	-	-	-	109,813
Total transactions with owners of the Company	109,813	-	-	(354,653)	(244,840)
<b>At 31 December 2021</b>	7,198,068	-	(161,046)	1,642,303	8,679,325
<b>At 1 January 2020</b>	6,941,542	5,843	154,994	1,484,492	8,586,871
Profit for the year	-	-	-	269,318	269,318
Other comprehensive income for the year	-	-	79,672	-	79,672
<i>Contributions by and distributions to owners of the Company</i>					
Dividends to owners of the Company (Note 44)	-	-	-	(201,402)	(201,402)
Issuance of shares pursuant to Dividend Reinvestment Plan (Note 30)	146,713	-	-	-	146,713
Transfer of share option reserve to retained profits upon expiry of share options	-	(5,843)	-	5,843	-
Total transactions with owners of the Company	146,713	(5,843)	-	(195,559)	(54,689)
<b>At 31 December 2020</b>	7,088,255	-	234,666	1,558,251	8,881,172

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

Company	◀ Non-distributable ▶		Distributable	Total RM'000
	Share Capital RM'000	Share Option Reserve RM'000	Retained Earnings RM'000	
<b>At 1 January 2021</b>	7,088,255	-	157,684	7,245,939
Profit for the year	-	-	269,585	269,585
<i>Contributions by and distributions to owners of the Company</i>				
Dividends to owners of the Company (Note 44)	-	-	(354,653)	(354,653)
Issuance of shares pursuant to Dividend Reinvestment Plan (Note 30)	109,813	-	-	109,813
Total transactions with owners of the Company	109,813	-	(354,653)	(244,840)
<b>At 31 December 2021</b>	7,198,068	-	72,616	7,270,684
<b>At 1 January 2020</b>	6,941,542	5,843	202,431	7,149,816
Profit for the year	-	-	150,812	150,812
<i>Contributions by and distributions to owners of the Company</i>				
Dividends to owners of the Company (Note 44)	-	-	(201,402)	(201,402)
Issuance of shares pursuant to Dividend Reinvestment Plan (Note 30)	146,713	-	-	146,713
Transfer of share option reserve to retained profits upon expiry of share options	-	(5,843)	5,843	-
Total transactions with owners of the Company	146,713	(5,843)	(195,559)	(54,689)
<b>At 31 December 2020</b>	7,088,255	-	157,684	7,245,939

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

**STATEMENTS OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2021

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Cash flows from operating activities</b>				
Profit before taxation	714,114	427,640	326,260	210,241
Adjustments for:				
Depreciation of property and equipment	17,940	26,672	464	464
Amortisation of intangible assets	36,228	32,583	-	-
Depreciation of right-of-use asset	26,181	9,036	-	-
Reversal of impairment loss on property and equipment	-	(30,240)	-	-
Lease profit expense	1,581	-	-	-
(Gain)/loss on disposal of:				
Property and equipment	(5)	(859)	-	-
Foreclosed properties	3,725	9,097	3,725	9,097
Right-of-use assets	(185)	1,749	-	-
Assets held for sale	(389)	-	-	-
Gain on liquidation of subsidiaries	(8,018)	-	(8,388)	-
Loss/(gain) on sale of financial investments at FVOCI	8,029	(246,782)	-	-
Loss/(gain) on sale of FVTPL	7,825	(2,817)	-	-
Gain on financial investments at FVTPL	(221)	-	-	-
Allowance/(write back) for impairment of:				
- loans, financing and advances	30,140	397,146	(35,684)	11,876
- other receivables	27,831	44,704	2,318	(12,000)
- inventories	18,858	-	-	-
- financing commitments, financial guarantees	8,546	(21,348)	(1,198)	(1,161)
- investments at amortised cost	621	439	-	-
- investments at FVOCI	7	(11)	-	-
- amount due from subsidiaries	-	-	(2,695)	4,455
- investment in subsidiaries	-	-	-	5
Loss on modification of cash flows	311,686	504,750	21	73
Profit adjustments:				
- loans, financing and advances	56,608	-	-	-
- financial investments	(452,325)	(411,694)	-	-
- Sukuk - MBSB SC Murabahah	64,925	79,360	-	-
- Sukuk Wakalah	67,678	67,656	-	-
- recourse obligation on financing sold	91,230	101,676	-	-
Operating profit before working capital changes	1,032,610	988,757	284,823	223,050

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

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Working capital changes:				
(Increase)/decrease in deposits with financial institutions with maturity of more than one month	(62,174)	91,833	(574,580)	-
(Increase)/decrease in statutory deposits with Bank Negara Malaysia	(30,000)	470,000	-	-
(Increase)/decrease in loans, financing and advances	(1,101,495)	(710,532)	438,503	235,602
Decrease in derivative assets	1,087	2,515	-	-
(Increase)/decrease in trade and other receivables	(44,503)	17,022	(203,023)	(287,616)
Proceed from disposal of loans, financing and advances	19,025	-	19,025	-
Increase in assets held for sale	(2,122)	-	-	-
Decrease in deposits from customers, banks and other financial institutions	(631,409)	(2,010,980)	-	-
Increase in investment accounts	2,094,914	-	-	-
Increase in derivative liabilities	749	1,613	-	-
Increase in lease liabilities	-	17	-	-
Increase/(decrease) in other payables	254,611	(47,758)	(22,937)	(104,892)
Cash generated from/(used in) from operations	1,531,293	(1,197,513)	(58,189)	66,144
Tax paid	(149,450)	(169,297)	(4,233)	(17,592)
Tax refunded	27,005	4,276	-	-
Zakat paid	(4,165)	(3,462)	-	-
Net cash generated from/(used in) from operating activities	1,404,683	(1,365,996)	(62,422)	48,552

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

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from investing activities</b>				
Increase in investment in subsidiaries	-	-	(268,113)	-
Purchase of property and equipment	(55,555)	(62,360)	-	-
Purchase of intangible assets	(24,930)	(27,435)	-	-
Proceeds from disposal of inventories	-	31,040	-	-
Proceeds from disposal of right-of-use assets	254	-	-	-
Proceeds from disposal of assets held for sale	13,000	-	-	-
Proceeds from disposal of foreclosed properties	6,364	25,852	6,364	25,852
Proceeds from disposal of property and equipment	98	1,302	-	-
Proceeds from liquidation of subsidiary	8,388	-	8,388	-
Profit income from financial investments	550,246	411,694	-	-
Net (purchase)/sale of financial investments	(2,636,138)	862,981	-	-
Dividend received	-	-	232,593	133,657
Net cash (used in)/generated from investing activities	(2,138,273)	1,243,074	(20,768)	159,509
<b>Cash flows from financing activities</b>				
Issuance/(repayment) of recourse obligation on financing sold	880,460	(217,464)	-	-
Profit expense paid on recourse obligation on financing sold	(92,912)	(102,932)	-	-
Repayment of Sukuk - MBSB SC Murabahah	(292,253)	(296,973)	-	-
Profit expense paid on Sukuk - MBSB SC Murabahah	(66,263)	(80,797)	-	-
Payment of lease liabilities	(26,854)	(9,004)	-	-
Profit expense paid on Sukuk Wakalah	(66,766)	(67,396)	-	-
Dividends paid on ordinary shares	(29,695)	(54,689)	(29,695)	(54,689)
Net cash (used in)/generated from financing activities	305,717	(829,255)	(29,695)	(54,689)
<b>Net (decrease)/increase in cash and cash equivalents</b>	(427,873)	(952,177)	(112,885)	153,372
<b>Cash and cash equivalents at 1 January</b>	1,082,712	2,034,889	342,898	189,526
<b>Cash and cash equivalents at 31 December</b>	654,839	1,082,712	230,013	342,898
<b>Cash and cash equivalents is represented by:</b>				
Cash and short-term funds (Note 6(a))	654,839	1,082,712	230,013	342,898

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

An analysis of changes in liabilities arising from financing activities for the financial year is as follows:

Group	Recourse obligation on financing sold RM'000	Sukuk- MBSB SC Murabahah RM'000	Sukuk Wakalah RM'000	Lease liabilities RM'000	Total RM'000
<b>At 1 January 2021</b>	2,262,531	1,366,563	1,293,335	11,148	4,933,577
Profit expense during the year	91,230	64,925	67,678	1,581	225,414
Profit paid during the year	(92,912)	(66,263)	(66,766)	-	(225,941)
Additions	1,499,999	-	-	53,123	1,553,122
Repayment and redemption	(619,539)	(292,254)	-	(26,854)	(938,647)
<b>At 31 December 2021</b>	3,141,309	1,072,971	1,294,247	38,998	5,547,525
<b>At 1 January 2020</b>	2,481,251	1,664,973	1,293,075	8,919	5,448,218
Profit expense during the year	101,676	79,360	67,656	316	249,008
Profit paid during the year	(102,932)	(80,797)	(67,396)	-	(251,125)
Additions	-	-	-	11,233	11,233
Repayment and redemption	(217,464)	(296,973)	-	(9,320)	(523,757)
<b>At 31 December 2020</b>	2,262,531	1,366,563	1,293,335	11,148	4,933,577

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### Corporate information

The Company is a public limited liability company, incorporated under the Companies Act 2016 in Malaysia, domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad. The address of its registered office and principal place of business is as follows:

Level 25, Menara MBSB Bank,  
PJ Sentral,  
Lot 12, Persiaran Barat, Seksyen 52,  
46200 Petaling Jaya,  
Selangor

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2021 comprise the Company and its subsidiaries (together reported as "the Group") and individually referred to as ("Group entities").

The Company is principally engaged in investment holding. The Company had ceased providing new financing, but continues to manage its remaining conventional loans and advances.

The principal activities of the subsidiaries are described in Note 14. There have been no significant changes in the nature of the principal activities of the subsidiaries during the financial year.

The immediate and ultimate holding body of the Company is Employees Provident Fund ("EPF"), a statutory body established under the Employee Provident Fund Act 1991 (Act 452).

These financial statements were approved by the Board of Directors on 13 April 2022.

### 1. Basis of preparation

The consolidated and separate financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared on a historical cost convention except other than as disclosed in Note 2. The financial statements incorporate those activities relating to Islamic banking operations which have been undertaken by the Group. Islamic banking operations refer generally to the acceptance of deposits and granting of financing under the principles of Shariah. Disclosures relating to the Islamic banking operations are in Note 55.

The financial statements are presented in Ringgit Malaysia ("RM") which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand (RM'000) except when otherwise indicated.



## 2. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements unless otherwise stated.

### (a) Foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within net other income. All other foreign exchange gains and losses are presented in profit or loss on a net basis.

### (b) Basis of consolidation

#### (i) Subsidiaries

A subsidiary is an entity over which the Company has all of the following:

- power over the investee;
- exposure or rights to variable returns from its involvement with the investee; and
- the ability to use its power to affect those returns.

In the Company's separate financial statements, investment in subsidiary is accounted for at cost less any impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(p) below. On disposal of such investment, the difference between the net disposal proceeds and its carrying amount is included in profit or loss. Dividend income received from subsidiary is recognised in profit or loss on the date that the Company's right to receive payment is established.

#### (ii) Business combination

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The assessment of control is performed continuously to determine if control exists or continues to exist over an entity. Acquisitions of subsidiaries are accounted for using the acquisition method of accounting when the acquired sets of activities and assets meet the definition of a business. The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The identifiable assets acquired and the liabilities assumed, with limited exceptions, are measured at their fair values at the acquisition date. Acquisition costs are expensed as incurred and included in administrative expenses.

The difference between these fair values and the fair value of the consideration (including the fair value of any pre-existing investment in the acquiree) is goodwill or discount on acquisition. Discount on acquisition which represents gain on bargain purchase is recognised immediately in profit or loss.

In business combinations achieved in stages, previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

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

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

#### (ii) Business combination (cont'd.)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at the acquisition date either at fair value or at the proportionate share of the acquiree's identifiable net assets.

Changes in the Group's equity interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their respective interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in Group's reserves.

If the Group loses control over a subsidiary, at the date the Group loses control, it:

- derecognises the assets (including goodwill) and liabilities of the subsidiary at their respective carrying amounts;
- derecognises the carrying amount of any non-controlling interest;
- derecognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration or distribution received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

### (c) Transactions eliminated on consolidation

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

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

### (d) Intangible assets

#### (i) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired is allocated, from the acquisition date, to each of the Group's cash-generating units ("CGU") that are expected to benefit from the synergies of the combination in which goodwill arose, identified according to operating segment.

#### (ii) Software and licence

Computer software development costs recognised as assets are amortised from the point at which the asset is ready for use over their estimated useful lives. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

The useful life of software and license is assessed to be finite and is amortised on a straight-line basis over 5 years.

#### (iii) Other intangible assets

Intangible assets other than goodwill, software and licenses that are acquired are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, these intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Other intangible assets in the Group are as follows:

##### **Banking license**

Banking license was acquired from acquisition of banking subsidiary, MBSB Bank Berhad. The useful life of banking license is assessed to be infinite and are assessed for impairment annually.

##### **Core deposit**

Core deposit represents the current account deposits and saving account deposits that were acquired from acquisition of MBSB Bank Berhad. Core deposit is amortised over the expected economic benefit period of 6 years.

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

### (d) Intangible assets (cont'd.)

#### (iv) Amortisation

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in profit or loss.

Goodwill and intangible assets with indefinite useful lives, or which are not yet available for use, are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the CGU level. Such goodwill and intangible assets are not amortised. The useful life of a goodwill and intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

### (e) Property and equipment and depreciation

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

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

Depreciation of property and equipment is provided for on a straight-line basis to write down the cost of each asset to its residual value over the estimated useful life from the date they are available for use. The estimated useful life is as follows:

Work in progress	*
Building in progress	*
Buildings	40 years
Building renovation	5 years
Furniture and equipment	5 years
Motor vehicles	5 years
Data processing equipment	5 years

\* Property and equipment in progress will not be depreciated until they become ready for use.

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

### (e) Property and equipment and depreciation (cont'd.)

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

The residual values, useful lives and depreciation methods are reviewed at end of the reporting period, and adjusted prospectively, if appropriate.

An item of property and equipment 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 profit or loss in the year the asset is derecognised.

Freehold land has unlimited useful life and therefore is not depreciated.

### (f) Leases

#### (i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether:

- the contract involves the use of an identified asset - this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

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

### (f) Leases (cont'd.)

#### (ii) Recognition and initial measurement

##### (a) As a Lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivables;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated). The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term.

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

### (f) Leases (cont'd.)

#### (ii) Recognition and initial measurement (cont'd.)

##### (b) As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To clarify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

#### (iii) Subsequent measurement

##### (a) As a Lessee

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

##### (b) As a Lessor

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "revenue".

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

### (g) Investment property

Investment property, which is a freehold land, is owned for capital appreciation and is not occupied by the Group.

The investment property is initially recognised at cost and subsequently at cost less any accumulated impairment losses. The carrying amount of the investment property is reviewed at the end of each reporting period to determine whether there is any indication of impairment based on market value determined by independent qualified valuers. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

### (h) Inventories

Inventories of the Group comprise completed properties and hotel inventories. Inventories of completed properties are stated at the lower of cost (determined on specific identification basis) and net realisable value. Costs include costs associated with the acquisition of land, direct costs and appropriate development overheads.

Hotel inventories comprising food, beverage and hotel supplies are stated at the lower of cost (determined on a first-in, first-out basis) and net realisable value.

Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

### (i) Employee benefits

#### (i) Short-term benefits

Wages, salaries, bonuses and social security contributions are measured on an undiscounted basis and are expensed of in the year in which the associated services are rendered by employees of the Group. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

#### (ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"), a defined contribution pension scheme. Such contributions are recognised as an expense in profit or loss when incurred.



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

### (j) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

### (k) Commitments and contingencies

The Group and the Company issue financial guarantees, letter of credit and financing commitments but the nominal values of these instruments are not recorded in the statement of financial position. The same assessment criteria are used by the Group and the Company in making commitments and conditional obligations for off-balance sheet risks as it does for on-balance sheet financing assets.

The measurement of credit loss for these irrecoverable off-balance sheet assets is based on a three-stage ECL model as described in Note 2 (o).

### (l) Contingent assets and liabilities

The Group does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements.

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

### (m) Cash and cash equivalents

Cash and short-term funds in the statements of financial position consist of cash and balances with banks and other financial institutions, money at call and deposit placements with banks and other financial institutions with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the statements of cash flows, cash and cash equivalents consist of cash and short-term funds as defined above.

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

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

The Group and the Company assess at the end of each reporting period whether there is an indication that an asset may be impaired. If any such indication exists, or when an annual impairment assessment for an asset is required, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have an indefinite useful lives or that are not yet available for use, the recoverable amount is estimated at each period at the same time.

An asset's recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGU to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of CGU that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less cost of disposal. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

An impairment loss is recognised in profit or loss if the carrying amount of an asset exceeds its estimated recoverable amount. Impairment losses recognised in respect of CGU are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGU) and then to reduce the carrying amounts of the other assets in the CGU (groups of CGU) on a pro-rata basis.

An assessment is made at the end of each reporting period as to whether there is any indication that a previously recognised impairment loss 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 and/or amortisation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss. Impairment loss on goodwill is not reversed in a subsequent period.

### (o) Financial instruments

#### (i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

#### *Financial assets*

On initial recognition, a financial asset is classified as measured at: amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

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

### (o) Financial instruments (cont'd.)

#### (ii) Classification and subsequent measurement

Financial assets are not reclassified subsequent to their recognition unless the Group and Company change its business model for managing assets.

#### a) Business model assessment

The Group and the Company make an assessment of the objective of the business model ("BM") in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

The Group and the Company consider all relevant evidence that is available at the date of the assessment. Such relevant evidence includes, but is not limited to:

- i) the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual profit revenue, maintaining a particular profit rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- ii) how the performance of the portfolio (and the financial assets held within) is evaluated and reported to the management;
- iii) the risks that affect the performance of the portfolio (and the financial assets held within) and, in particular, the way that those risks are managed;
- iv) how managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- v) the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's and the Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

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

### (o) Financial instruments (cont'd.)

#### (ii) Classification and subsequent measurement (cont'd.)

##### b) Assessment of whether contractual cash flows are solely payments of principal and interest/profit ("SPPI")

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest/Profit' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Group and the Company consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Group and the Company consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's and the Company's claim to cash flows from specified assets (e.g. non-recourse financing); and
- features that modify consideration of the time value of money (e.g. periodical reset of profit rates).

##### c) Financial assets measured at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest/profit method. The amortised cost is reduced by impairment losses. Interest/profit income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest/profit income is recognised by applying effective interest/profit rate to the gross carrying amount except for credit-impaired financial assets where the effective interest/profit rate is applied to the amortised cost.

Included in financial assets measured at amortised cost are financing and advances based on Shariah contracts of Tawarruq, Bai', Ijarah and Istisna'.

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

### (o) Financial instruments (cont'd.)

#### (ii) Classification and subsequent measurement (cont'd.)

##### d) Financial assets measured at fair value through other comprehensive income ("FVOCI")

###### (i) Debt investments

This category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the debt investment, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Income calculated using the effective profit method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

###### (ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group and the Company may irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment by investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

##### e) Financial assets measured at fair value through profit or loss ("FVTPL")

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any profit or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through other comprehensive income, are subject to impairment assessment (Note 2(p)).

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

### (o) Financial instruments (cont'd.)

#### (ii) Classification and subsequent measurement (cont'd.)

##### **Financial liabilities**

The categories of financial liabilities at initial recognition are as follows:

#### **a) Financial liabilities measured at amortised cost**

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective profit method.

Profit expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

#### **b) Financial liabilities measured at fair value through profit or loss ("FVTPL")**

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) and financial liabilities that are specifically designated into this category upon initial recognition.

On initial recognition, the Group or the Company may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss:

- i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any profit expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group and the Company recognise the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

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

### (o) Financial instruments (cont'd.)

#### (ii) Classification and subsequent measurement (cont'd.)

##### The Group's financial liabilities

The financial liabilities include Sukuk - MBSB SC Murabahah, Sukuk Wakalah, trade payables, other payables, bank and other borrowings, recourse obligations on financing sold to Cagamas Berhad, deposits from customers and deposits and placements of banks and investment account of customers. The deposits are stated at placement values.

Sukuk - MBSB SC Murabahah and Sukuk Wakalah are classified as other financial liabilities as there are contractual obligation by the Group to make cash payments of either principal or profit or both to holders of the Sukuk and the Group is contractually obliged to settle the financial instrument in cash.

Subsequent to initial recognition, Sukuk issued is recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in profit or loss over the period of the Sukuk using the effective profit method.

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest/profit method.

Bank and other borrowings and recourse obligations on financing sold to Cagamas Berhad are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective profit method.

#### (iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- (a) the amount of the loss allowance; and
- (b) the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are included within "expected credit losses for commitment and contingencies" under other payables.

#### (iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

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

### (o) Financial instruments (cont'd.)

#### (v) Modifications of financial assets and financial liabilities

##### ***Financial assets***

Modification of financial assets involves any modification made to the original payment terms and conditions of the financing facility following an increase in the credit risk of the customer. This includes but is not limited to an extension of tenure and flexible payment schedule including payment vacation, profit payments, or capitalisation of principal or profit or both.

Once the financing assets have been modified, its satisfactory performance is monitored for a period of six months before it can be reclassified as non-credit impaired.

However, the financial assets will not be considered as modified if moratorium on financing repayments is granted or the financing is rescheduled/restructured by Agensi Kaunseling & Pengurusan Kredit ("AKPK").

The Group and the Company evaluate whether the cash flows of the modified asset are substantially different if the terms of a financial asset are modified.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value.

If the cash flows of the modified asset carried at amortised cost or FVOCI are not substantially different, the modification does not result in derecognition of the financial asset. In this case, the Group and the Company recalculate the gross carrying amount of the financial asset using the original effective profit rate of the asset and recognises the amount arising from adjusting the gross carrying amount as a modification gain or loss in profit or loss.

If such a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together with impairment losses. In other cases, it is presented as profit income, calculated using the effective interest/profit rate method.

##### ***Financial liabilities***

The Group and the Company derecognise a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in profit or loss.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective profit rate and the resulting gain or loss is recognised in profit or loss.

#### (vi) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, the Group and the Company currently have a legally enforceable right to set off the amounts and they intend either to settle them on a net basis or to realise the asset and settle the liability simultaneously.



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

### (o) Financial instruments (cont'd.)

#### (vii) Fair value of financial assets and liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal market for the asset or liability, or in the absence of a principal market, the most advantageous market to which the Group and the Company have access at that date. The fair value of a liability includes the risk that the Group and the Company will not be able to honour its obligations.

The fair value of financial instruments is generally measured on the basis of the individual financial instrument. However, when a group of financial assets and financial liabilities is managed on the basis of its net exposure to either market risk or credit risk, the fair value of the group of financial instruments is measured on a net basis.

The fair values of quoted financial assets and liabilities in active markets are based on current prices. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If the market for a financial instrument and for unlisted securities are not active, the Group and the Company establish fair value by using valuation techniques.

### (p) Impairment of financial assets

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at FVOCI is recognised in profit or loss and accumulated in a separate component of equity.

#### **Measurement**

The Group and the Company recognise loss allowances for expected credit losses ("ECL") on financial assets measured at amortised cost and financial investments measured at FVOCI (debt securities), but not on investments in equity instruments. ECL are a probability-weighted estimate of credit losses.

The Group and the Company measure loss allowances at an amount equal to lifetime ECL except for debt securities that are determined to have low credit risk at the reporting date and other financial instruments of which credit risk has not increased significantly since initial recognition, which are measured at 12-month ECL.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information, where available.

The key inputs into the measurement of ECL are the term structure of the following variables:

- probability of default ("PD");
- loss given default ("LGD"); and
- exposure at default ("EAD").

ECL for exposures in Stage 1 is calculated by multiplying the 12-month PD by LGD and EAD. Lifetime ECL is calculated by multiplying the lifetime PD by LGD and EAD.

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

### (p) Impairment of financial assets (cont'd.)

#### *Measurement (cont'd.)*

PD provides an estimate of the likelihood that a borrower will be unable to meet its debt obligation or default over a particular time horizon, usually in the course of 1 year.

LGD is the magnitude of the likely loss if there is a default. The Group and the Company estimate LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset.

EAD represents the expected exposure in the event of a default. The Group and the Company derive the EAD from the current exposure to the counterparty and potential changes to the current amount allowed under the contract and arising from amortisation. The EAD of a financial asset is its gross carrying amount at the time of default. For lending commitments, the EADs are potential future amounts that may be drawn under the contract, which are estimated based on historical observations and forward-looking forecasts. For financial guarantees, the EAD represents the amount of the guaranteed exposure when the financial guarantee becomes payable. For some financial assets, EAD is determined by modelling the range of possible exposure outcomes at various points in time using scenario and statistical techniques.

As described above, and subject to using a maximum of a 12-month PD for Stage 1 financial assets, the Group and the Company measure ECL considering the risk of default over the maximum contractual period (including any borrower's extension options) over which they are exposed to credit risk, even if, for credit risk management purposes, the Group and the Company consider a longer period. The maximum contractual period extends to the date at which the Group and the Company have the right to require repayment of an advance or terminate a financing commitment or guarantee.

However, for facilities that include both a financing and an undrawn commitment component, the Group and the Company measure ECL over a period longer than the maximum contractual period if the Group's and the Company's contractual ability to demand repayment and cancel the undrawn commitment does not limit the Group's and the Company's exposure to credit losses to the contractual notice period. These facilities do not have a fixed term or repayment structure. The Group and the Company can cancel them with immediate effect but this contractual right is not enforced in the normal day-to-day management, but only when the Group and the Company become aware of an increase in credit risk at the facility level. This longer period is estimated taking into account the credit risk management actions that the Group and the Company expect to take, and that serve to mitigate ECL. These include a reduction in limits, cancellation of the facility and/or turning the outstanding balance into a financing with fixed repayment terms.

Where modelling of a parameter is carried out on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics that include but not limited to:

- instrument type;
- credit risk gradings;
- collateral type;
- financing-to-value ("FTV") ratio for retail property financing;
- date of initial recognition;
- remaining term to maturity;
- industry; and
- geographic location of the borrower.

The groupings are subject to regular review to ensure that exposures within a particular group remain appropriately homogeneous. For portfolios in respect of which the Group has limited historical data, external benchmark information is used to supplement the internally available data.

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

### (p) Impairment of financial assets (cont'd.)

#### **Recognition**

Lifetime ECL is the ECL that results from all possible default events over the expected life of the asset, while 12-month ECL are the portion of ECL that result from default events that are possible within the 12 months after the reporting date. The maximum period considered when estimating ECL is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Financial assets are segregated into 3 stages depending on the changes in credit quality since initial recognition.

Stage 1 includes financial assets that do not have a significant increase in credit risk since initial recognition or those that have low credit risk at reporting date. For these assets, 12-month ECL are recognised and profit income is calculated on the gross carrying amount of the assets.

Stage 2 includes financial assets that have a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For those assets, lifetime ECL is recognised and profit income is still calculated on the gross carrying amount of the asset.

Stage 3 includes financial assets that have objective evidence of impairment at reporting date. For these assets, lifetime ECL is recognised and profit income is calculated on the net carrying amount.

#### **Significant increase in credit risk ("SICR")**

Obligatory triggers applied by the Group and the Company in determining whether there has been a significant increase in credit risk is where the principal or profit or both of the financing assets are overdue for more than 1 month, after grace period, but less than 3 months or hit any of the qualitative indicators but not limited to increase in internal credit spread of an existing facility, breach of covenants and decrease in securities prices.

The credit risk may also be deemed to have increased significantly since initial recognition based on qualitative factors linked to the Group's and the Company's credit risk management processes. This will be the case for exposures that meet certain heightened risk criteria, such as placement on a watchlist. Such qualitative factors are based on the management's expert judgement and relevant historical experiences.

The Group and the Company determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

If there is evidence that there is no longer a significant increase in credit risk relative to initial recognition, then the loss allowance on a financial asset returns to being measured as 12-month ECL. Some qualitative indicators of an increase in credit risk, such as delinquency or forbearance, may be indicative of an increased risk of default that persists after the indicator itself has ceased to exist. In these cases, the Group and the Company determine a probation period during which the financial asset is required to demonstrate good behaviour to provide evidence that its credit risk has declined sufficiently. When contractual terms of a financing have been modified, evidence that the criteria for recognising lifetime ECL are no longer met includes a history of up-to-date payment performance against the modified contractual terms.

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

### (p) Impairment of financial assets (cont'd.)

#### ***Credit-impaired (Default)***

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The Group and the Company consider a financial asset to be in default when:

#### (a) Payment conduct

- Where the principal or profit or both of the financing is past due for more than ninety (90) days or three (3) months;
- In the case of revolving facilities (e.g. revolving working capital or overdraft facilities), notwithstanding the first trigger above, where the outstanding amount has remained in excess of the approved limit for a period of more than ninety (90) days or three (3) months;
- Where payments are scheduled on intervals of three (3) months or longer, the account shall be classified as impaired as soon as a default occurs (i.e. when the customer is unable to meet the contractual payment terms), unless it does not exhibit any weakness that would render it classified as impaired according to the Group's and the Company's credit risk grading framework.

#### (b) Restructured and rescheduled ("R&R") financing; or

#### (c) Customer/Issuer is declared bankrupt/wound up

In assessing whether a borrower is in default, the Group and the Company consider indicators that are:

- qualitative: e.g. breaches of covenant;
- quantitative: e.g. overdue status and non-payment on another obligation of the same issuer to the Group or the Company; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial asset is in default and their significance may vary over time to reflect changes in circumstances. The definition of default largely aligns with that applied by the Group and the Company for regulatory capital purposes.

ECL against credit-impaired financial assets are determined based on an assessment of the recoverable cash flows, including the realisation of any collateral held where appropriate. The ECL held represent the difference between the present value of the cash flows expected to be recovered, discounted at the instrument's original effective profit rate, and the gross carrying value of the instrument prior to any credit impairment.

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

### (p) Impairment of financial assets (cont'd.)

#### ***Restructured financial assets***

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and ECL are measured as follows:

- If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective profit rate of the existing financial asset.

ECL for restructured financial assets that are not considered to be credit-impaired will be recognised on 12-month basis. However, if there is a significant increase in credit risk, the ECL will be recognised on a lifetime basis.

#### ***Incorporation of forward-looking information***

MFRS 9 specifically requires measurement of ECL using not only past and current information, but also including forecast information. Hence, the ECL calculations include forward-looking adjustment according to the expected future macroeconomic conditions. Forward-looking adjustment incorporated within the ECL model is a combination of statistical analysis and expert judgements based on the availability of detailed information. External information considered includes economic data and forecasts published by external rating agencies.

Key macroeconomic variables ("MEV") that are incorporated into the ECL calculations include, but not limited to House Price Index ("HPI") and Consumer Price Index ("CPI"). Forward-looking MEVs are supported with 3 economic scenarios i.e. baseline, best and worst case scenarios based on the available forecasts.

Methodology and assumptions including forecasts of future economic conditions are reviewed regularly.

#### ***Write-down/write-off***

Financial assets and related impairment allowances are normally written down/written off, either partially or in full, when there is no realistic prospect of recovery of the financial assets. This is generally the case when the Group and the Company determine that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-down/writeoff. This assessment is carried out at the individual asset level. Where financial assets are secured, the write-down/write-off is normally done after receipt of any proceeds from the realisation of security.

Financial assets that are written down/written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedures for recovery of amounts due.

### (q) Share capital

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised as a liability and deducted from equity in the period in which all relevant approvals have been obtained.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

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

### (r) Earnings per ordinary share

The Group and the Company present the basic earnings per share ("EPS") data for their ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group and the Company by the weighted average number of ordinary shares outstanding during the year.

### (s) Recognition of income

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and/or the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

#### (i) Interest/profit income and interest/profit expense

Interest/profit income is recognised in profit or loss for all income/profit-bearing assets and liabilities using the effective profit method in accordance with MFRS 9 requirements.

The effective interest/profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest/profit income or interest/profit expense over the relevant period. The effective interest/profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest/profit rate, the Group and the Company take into account 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 interest/profit rate, but not future credit losses.

Interest/profit on impaired financial assets is recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss.

Murabahah income is recognised on effective profit rate basis over the period of the contract-based on the financing amounts disbursed. Ijarah income is recognised on effective profit rate basis over the lease term of the financing amount. Tawarruq income is essentially Murabahah contract-based income and therefore recognised on the same basis as Murabahah income. Istisna' income is also recognised on effective profit rate basis over the contractual period based on financing amount disbursed.

#### (ii) Fee income

Financing arrangement fees, commissions and insurance fees are recognised as income at the time the underlying transactions are completed and there are no other contingencies associated with the fees.

Commitment and processing fees are recognised as income based on the amortised cost method.

#### (iii) Dividend income

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

#### (iv) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

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

### (t) Income tax

#### (i) Current tax

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

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

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

In order to support the Government's initiative to assist parties affected by the pandemic, the Finance Act 2021 has introduced a special one-off tax for year of assessment ('YA') 2022 which is called "Cukai Makmur" be imposed on non-Micro, Small and Medium Enterprises companies which generate high profits during the period of the pandemic. Chargeable income in excess of RM100.0 million will be charged an income tax rate of 33% for YA 2022.

#### (ii) Deferred tax

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

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

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

Deferred tax assets are recognised for all deductible temporary differences, unused tax credits and unused tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, and the unused tax credits and unused tax losses can be utilised except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

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

### (t) Income tax (cont'd.)

#### (ii) Deferred tax (cont'd.)

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

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

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

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

### (u) Zakat

This represents business zakat that is paid on the Group's portion. It is an obligatory amount payable by the Group to comply with the rules and principles of Shariah. The zakat is computed based on working capital method at a rate of 2.5%. The beneficiaries of zakat fund include schools, mosques, universities and non-government organisations.

The obligation and responsibility of specific payment of zakat on deposit fund lies with the muslim depositors. As such, no accrual of zakat expenses is recognised in the financial statements of the Group.

### (v) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### (w) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- in the principal market for the asset or liability; or
- in the absence of a principal market, in the most advantageous market for the asset or liability.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.



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

### (w) Fair value measurement (cont'd.)

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities that the Group can access at the measurement date;
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group and the Company determine whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

## 3. MFRSs, interpretations and amendments effective for the first time

### (a) MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

On 1 January 2021, where applicable, the Group and the Company adopted the following MFRSs and Amendments to MFRSs mandatory for annual financial periods beginning on or after 1 January 2021:

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

The Group and the Company have adopted the Interest Rate Benchmark Reform - Phase 2 amendments for the first time in its 2021 financial statements with the date of initial application of 1 January 2021.

The adoption of the amendments has no impact on the opening retained earnings as at 1 January 2021 because there were no interbank offered rate (“IBOR”)-based contracts of the Group and the Company were modified in 2020. There were no contracts modified as a result of IBOR reform during the year, the Group and the Bank applies the Phase 2 amendments.

- Amendment to MFRS 16, *Leases – Covid-19-Related Rent Concessions beyond 30 June 2021*

### 3. MFRSs, interpretations and amendments effective for the first time (cont'd.)

#### (b) MFRSs, interpretations and amendments issued but not yet effective

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

#### **MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2022**

- Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*
- Amendments to MFRS 9, *Financial Instruments (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to Illustrative Examples accompanying MFRS 16, *Leases (Annual Improvements to MFRS Standards 2018–2020)*
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*

#### **MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023**

- Amendments to MFRS 101, *Presentation of Financial Statements – Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*

#### **MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed**

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The initial application of the abovementioned accounting standards, amendments and interpretations is not expected to have material financial impact to the current period and prior period financial statements of the Group and the Company.

### 4. Measures to Assist Individuals, Small-Medium Enterprise ("SME") and Corporates Affected by Covid-19 announced by BNM

During the year, the Group and the Company continued providing repayment assistance to eligible individuals, SME and Corporates affected by the COVID-19. This includes moratorium and rescheduling of loans and financing to B40 and M40 group of individuals following Budget 2022, repayment assistance under People and Economic Strategic Empowerment Programme ("PEMERKASA") initiative, Financial Management and Resilience Program ("URUS") and the National People's Well-Being and Economic Recovery Package ("PEMULIH") initiative by the Government.

In applying the definition of defaulted exposures to loans/financing for which repayment assistance is extended:

- The determination of "days past due" should be based on the new repayment terms of a loan/financing that has been rescheduled and restructured. Where the repayment terms include a repayment deferral, the determination of days past due should exclude the deferred repayment period;
- For loans/financing to individuals or SMEs, a borrower/customer should not be considered to be in default based on "unlikelihood to repay" at the time the repayment assistance is granted, except where the loan/financing is sold by the banking institution at a material loss or the borrower/customer is subjected to bankruptcy actions; and

#### 4. Measures to Assist Individuals, Small-Medium Enterprise (“SME”) and Corporates Affected by Covid-19 announced by BNM (cont’d.)

In applying the definition of defaulted exposures under the above policies to loans/financing for which repayment assistance is extended (cont’d.):

- For loans/financing to corporates, the assessment of “unlikeliness to repay” should not be based solely on the borrower/customer taking up an offer of repayment assistance extended by the banking institution but based on a more holistic assessment of all relevant indicators and information available on the corporate borrower/customer.

To further support lending/financing activities, banking institutions are allowed to drawdown on the capital conservation buffer of 2.5%, to operate below the minimum liquidity coverage ratio of 100% and to reduce the regulatory reserves held against expected losses to 0%.

The moratorium should not automatically result in stage transfer under MFRS 9 in the absence of other factors relevant to the assessment. The financial impact of the moratorium is disclosed in Note 37.

#### 5. Significant accounting estimates and judgements

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. It also requires Directors to exercise their judgment in the process of applying the Group and Company’s accounting policies. Although these estimates and judgment are based on the Directors’ best knowledge of current events and actions, actual results may differ.

##### Key source of estimation uncertainty

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

##### (i) Expected credit losses (“ECL”) / Allowance for impairment of loans, financing and advances and other receivables

The Group’s and the Company’s ECL calculations involve a number of underlying assumptions and estimates such as:

- criteria that determine if there has been a significant increase in credit risk; and
- development of ECL models which includes the choice of inputs relating to the macroeconomic variables.

The calculation of credit impairment provisions also involves expert credit judgements to be applied by the credit risk management team based upon counterparty information from various sources including relationship managers and external market information.

The Group’s and the Company’s significant accounting policies on the impairment of financial assets are disclosed in Note 2(p) and the amount of impairment losses provided by the Group and the Company is disclosed in Notes 8, 9, 10, 11 and 27.

##### (ii) Goodwill from acquisition of MBSB Bank Berhad

Goodwill arising from consolidation represents the excess of the purchase consideration and the fair value of the net identifiable assets of the acquired banking entity.

Goodwill is not amortised but tested for impairment annually based on the recoverable amount of the investment with value-in-use (“VIU”) calculations. VIU was calculated with cash flow projections, of which the first 3 years of cash flow projections were based on the 2022 financial budgets approved by the Board of Directors and discounted using Weighted Average Cost of Capital (“WACC”) rates. Cash flows beyond the 3 years were estimated and discounted using WACC rates.

## 6. Cash and short-term funds and deposits and placements with financial institutions

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(a) Cash and short-term funds:				
Cash at banks and on hand	133,008	196,800	5,118	63,015
Money at call and deposit placements maturing within one month	521,831	885,912	224,895	279,883
	654,839	1,082,712	230,013	342,898
(b) Deposits and placements with financial institutions with original maturity of more than one month				
Licensed Banks	843,856	781,682	574,580	-
	1,498,695	1,864,394	804,593	342,898

The ECL for cash and short-term funds and deposits and placements above is nil (2020: nil).

## 7. Derivative financial assets/(liabilities)

The following table summarises the contractual or underlying principal amounts of derivative financial instruments held at fair value through profit or loss. The principal or contractual amount of these instruments reflects the volume of transactions outstanding at financial position date and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position and the unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

2021	Notional amount RM'000	Group Fair value	
		Assets RM'000	Liabilities RM'000
<b>Trading derivatives</b>			
<u>Foreign exchange contracts:</u>			
Currency forward			
- Less than one year	419,278	637	(2,363)
<b>2020</b>			
<b>Trading derivatives</b>			
<u>Foreign exchange contracts:</u>			
Currency forward			
- Less than one year	278,310	1,724	(1,614)

**8. Financial investments at FVTPL**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
<u>In Malaysia</u>		
Investment with fund manager - Money Market Securities	240,209	-

**9. Financial investments at FVOCI**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>At fair value</b>		
<b>Money Market Instruments</b>		
Malaysian Government Investment Issues	8,317,698	6,906,159
<b>Debt securities:</b>		
<u>In Malaysia</u>		
Private and Islamic debt securities	1,139,722	1,089,533
Government Guaranteed debt securities	2,353,695	2,196,580
	<b>11,811,115</b>	<b>10,192,272</b>

During the year, a total loss amounting to RM528,712,000 was recognised in other comprehensive income (2020: gain amounting to RM351,628,000). Upon sale of the financial investments, the Group recognised a loss of RM8,029,000 (2020: gain of RM246,782,000) to the profit and loss.

The carrying amount of financial investments measured at FVOCI is its fair value. Accordingly, the recognition of an impairment loss does not affect the carrying amount of those assets, but is reflected as a debit to profit or loss or retained earnings, and credit to other comprehensive income.

**9. Financial investments at FVOCI (cont'd.)**

ECL movement for financial investments at FVOCI:

	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
At 1 January 2021	7	-	-	7
Total charge to profit or loss (Note 36):	7	-	-	7
New financial investments purchased during the year	13	-	-	13
Matured financial investments during the year	(5)	-	-	(5)
Change in credit risk	(1)	-	-	(1)
At 31 December 2021	14	-	-	14
<hr/>				
At 1 January 2020	18	-	-	18
Total reversal to profit or loss (Note 36):	(11)	-	-	(11)
Change in credit risk	(11)	-	-	(11)
At 31 December 2020	7	-	-	7

**10. Financial investments at amortised cost**

	Group	
	2021 RM'000	2020 RM'000
<b>At amortised cost</b>		
<u>In Malaysia</u>		
Malaysian Government Investment Issues	20,666	-
Private and Islamic debt securities	610,880	488,693
	631,546	488,693
Less: ECL		
- Stage 1	(841)	(90)
- Stage 2	(371)	(501)
	630,334	488,102

**10. Financial investments at amortised cost (cont'd.)**

ECL movement for financial investments at amortised cost:

	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL at 1 January 2021	90	501	-	591
Charged to profit or loss (Note 36)	751	(130)	-	621
Changes in credit risk	(3)	(130)	-	(133)
New financial investments purchased during the year	754	-	-	754
ECL at 31 December 2021	841	371	-	1,212

	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL at 1 January 2020	152	-	-	152
Charged to profit or loss (Note 36)	(62)	501	-	439
Changes in the ECL				
- Transfer to stage 2	(45)	45	-	-
Changes in credit risk	(17)	456	-	439
ECL at 31 December 2020	90	501	-	591

**11. Loans, financing and advances**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>(i) By type</b>				
<b>At amortised cost</b>				
<i>Islamic:</i>				
Term financing:				
Personal financing	19,613,339	19,837,438	-	-
Property financing	7,266,303	6,084,956	-	-
Industrial hire purchase	679,199	761,732	-	-
Bridging financing	411,617	483,947	-	-
Auto financing	75,121	106,198	-	-
Other term financing	5,584,420	5,642,011	-	-
Revolving credit	175,464	190,840	-	-
Trade finance	1,341,912	1,007,549	-	-
Cashline	125,147	81,539	-	-
Staff financing	42,371	46,071	-	-

**11. Loans, financing and advances (cont'd.)**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>(i) By type (cont'd.)</b>				
<b>At amortised cost</b>				
<i>Conventional:</i>				
End finance:				
Normal housing programme	79,895	485,087	79,895	485,087
Low cost housing programme	423	534	423	534
Other term financing	588,564	750,866	588,564	750,866
Bridging financing	196,835	248,104	196,835	248,104
Auto financing	-	1,177	-	1,177
Staff financing	-	169	-	169
Gross loans, financing and advances	36,180,610	35,728,218	865,717	1,485,937
Less: ECL				
- Stage 1	(347,004)	(370,236)	(1,527)	(4,698)
- Stage 2	(597,878)	(648,474)	(8,984)	(60,822)
- Stage 3	(732,626)	(947,050)	(378,117)	(521,463)
Net loans, financing and advances	34,503,102	33,762,458	477,089	898,954

Included in Islamic personal financing and property financing are financing that have been assigned as security for financing facilities granted to the Group as shown below:

	Group	
	2021 RM'000	2020 RM'000
Islamic financing facility granted by:		
Cagamas Berhad - recourse obligation on financing sold (Note 27)	3,554,085	2,546,344
Sukuk - MBSB SC Murabahah (Note 28)	1,966,742	2,156,258

**(ii) By residual contractual maturity**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Maturing within one year	2,948,874	2,382,792	522,545	567,540
One year to three years	1,357,135	1,528,467	1,483	76,682
Three years to five years	1,832,713	1,899,493	17,631	110,563
Over five years	30,041,888	29,917,466	324,058	731,152
	36,180,610	35,728,218	865,717	1,485,937



**11. Loans, financing and advances (cont'd.)****(iii) By economic purpose**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Personal use	19,697,222	19,927,512	-	279
Construction	3,978,526	4,225,409	458,817	463,621
Purchase of landed property:				
- Residential	7,154,826	6,162,098	279,121	450,009
- Non-residential	912,562	813,571	69,971	76,686
Working capital	3,300,141	2,855,726	56,500	56,512
Purchase of transport vehicles	77,009	108,605	-	1,177
Purchase of other fixed assets	929,586	962,169	1,308	4,180
Purchase of other securities	432	466	-	-
Purchase of consumer durables	901	901	-	-
Others	129,405	671,761	-	433,473
	36,180,610	35,728,218	865,717	1,485,937

**(iv) By type of customers**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Individuals	26,969,997	26,443,178	53,182	446,878
Domestic business enterprises:				
- Small medium enterprises	2,887,059	2,924,451	588,349	817,118
- Non-bank financial institutions	739,048	740,803	-	-
- Government	-	51,161	-	-
- Others	5,553,169	5,537,528	224,186	221,941
Foreign entities	31,337	31,097	-	-
	36,180,610	35,728,218	865,717	1,485,937

**11. Loans, financing and advances (cont'd.)****(v) By sector**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Household sectors	26,969,997	26,443,178	53,182	446,878
Construction	3,870,020	3,983,687	513,189	723,878
Finance, insurance and business services	2,509,031	2,849,817	7,285	9,844
Wholesale & retail trade and restaurants & hotels	860,418	820,373	3,179	3,729
Manufacturing	968,893	552,283	61,422	62,631
Education, health and others	358,193	367,355	222,512	233,914
Electricity, gas and water	174,723	169,087	-	-
Transport, storage and communication	243,861	227,486	1,462	1,767
Agriculture	40,065	98,240	3,486	3,296
Mining and quarrying	185,409	216,712	-	-
	36,180,610	35,728,218	865,717	1,485,937

**(vi) By profit rate sensitivity**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed rate:				
Personal financing	16,092,439	16,721,791	-	-
Bridging, structured and term loans and financing	920,954	1,084,687	52,077	128,267
Mortgage and property Islamic	417,399	440,750	650	1,332
Auto financing	77,622	109,784	-	1,177
Variable rate:				
Bridging, structured and term loans and financing	8,182,608	8,082,320	733,322	870,703
Mortgage and property Islamic	6,958,289	6,159,138	79,668	484,458
Personal financing	3,531,299	3,129,748	-	-
	36,180,610	35,728,218	865,717	1,485,937

**(vii) By geographical distribution**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysia	36,180,610	35,728,218	865,717	1,485,937

**11. Loans, financing and advances (cont'd.)**
**(viii) Movement of gross loans, financing and advances**

2021	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Gross carrying amount as at 1 January 2021	28,856,494	4,976,739	1,894,985	35,728,218
Transfer to stage 1	1,639,149	(1,487,288)	(151,861)	-
Transfer to stage 2	(2,113,365)	2,202,567	(89,202)	-
Transfer to stage 3	(159,679)	(132,981)	292,660	-
New financing / disbursement during the year	4,314,854	1,282,980	31,537	5,629,371
Repayment during the year	(3,319,804)	(1,414,574)	(88,703)	(4,823,081)
Other movements	197,959	(8,391)	121,975	311,543
Loans, financing and advances sold	(179)	(759)	(89,575)	(90,513)
Loss on modification of cash flows	(239,812)	(71,874)	-	(311,686)
Reclassification to assets held for sale	-	-	(23,671)	(23,671)
Write-offs	(3,539)	(3,991)	(232,041)	(239,571)
	29,172,078	5,342,428	1,666,104	36,180,610

2020	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Gross carrying amount as at 1 January 2020	29,415,952	4,586,996	1,861,542	35,864,490
Transfer to stage 1	1,109,643	(1,064,223)	(45,420)	-
Transfer to stage 2	(1,600,302)	1,736,739	(136,437)	-
Transfer to stage 3	(205,397)	(229,602)	434,999	-
New financing / disbursement during the year	4,554,480	514,891	62,228	5,131,599
Repayment during the year	(4,447,482)	(606,982)	(84,955)	(5,139,419)
Other movements	493,600	79,670	152,483	725,753
Loss on modification of cash flows	(464,000)	(40,750)	-	(504,750)
Write-offs	-	-	(349,455)	(349,455)
	28,856,494	4,976,739	1,894,985	35,728,218

2021	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Gross carrying amount as at 1 January 2021	145,352	432,831	907,754	1,485,937
Transfer to stage 1	35,229	(10,526)	(24,703)	-
Transfer to stage 2	(23,328)	25,066	(1,738)	-
Transfer to stage 3	(861)	(2,644)	3,505	-
Repayment during the year	(113,809)	(324,688)	(22,174)	(460,671)
Other movements	3,927	5,082	24,189	33,198
Loans, financing and advances sold	(179)	(759)	(89,575)	(90,513)
Loss on modification of cash flows	(1)	(20)	-	(21)
Write-offs	(3,539)	(3,991)	(94,683)	(102,213)
	42,791	120,351	702,575	865,717

## 11. Loans, financing and advances (cont'd.)

## (viii) Movement of gross loans, financing and advances (cont'd.)

2020	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
Gross carrying amount as at 1 January 2020	350,665	480,287	1,043,517	1,874,469
Transfer to stage 1	38,532	(35,242)	(3,290)	-
Transfer to stage 2	(114,129)	153,126	(38,997)	-
Transfer to stage 3	(29)	(30,259)	30,288	-
Repayment during the year	(133,971)	(154,245)	(26,958)	(315,174)
Other movements	4,313	19,208	56,997	80,518
Loss on modification of cash flows	(29)	(44)	-	(73)
Write-offs	-	-	(153,803)	(153,803)
	145,352	432,831	907,754	1,485,937

## (ix) Movement of ECL for loans, financing and advances

2021	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL as at 1 January 2021	370,236	648,474	947,050	1,965,760
Charged to profit or loss (Note 36)	(23,226)	(50,486)	83,901	10,189
Changes in the ECL				
- Transfer to stage 1	240,357	(192,086)	(48,271)	-
- Transfer to stage 2	(30,742)	80,071	(49,329)	-
- Transfer to stage 3	(2,799)	(30,337)	33,136	-
New financing / disbursement during the year	58,927	122,807	17,576	199,310
Repayment during the year	(315,249)	(268,006)	(263,176)	(846,431)
Changes in credit risk parameters #	26,280	237,065	393,965	657,310
Reclassification to assets held for sale	-	-	(21,549)	(21,549)
Loans, financing and advances sold	(6)	(110)	(50,905)	(51,021)
Write-offs	-	-	(225,871)	(225,871)
ECL as at 31 December 2021	347,004	597,878	732,626	1,677,508

# The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

## 11. Loans, financing and advances (cont'd.)

## (ix) Movement of ECL for loans, financing and advances (cont'd.)

2020	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL as at 1 January 2020	411,822	433,194	1,065,652	1,910,668
Charged to profit or loss (Note 36)	(41,586)	215,280	230,491	404,185
Changes in the ECL				
- Transfer to stage 1	102,573	(74,847)	(27,726)	-
- Transfer to stage 2	(34,679)	115,462	(80,783)	-
- Transfer to stage 3	(4,290)	(28,630)	32,920	-
New financing / disbursement during the year	66,724	58,879	19,092	144,695
Repayment during the year	(182,798)	(164,075)	(133,447)	(480,320)
Changes in credit risk parameters #	10,884	308,491	420,435	739,810
Write-offs	-	-	(349,093)	(349,093)
ECL as at 31 December 2020	370,236	648,474	947,050	1,965,760

# The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

2021	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL as at 1 January 2021	4,698	60,822	521,463	586,983
Charged to profit or loss (Note 36)	(3,165)	(51,728)	(3,928)	(58,821)
Changes in the ECL				
- Transfer to stage 1	8,870	(2,194)	(6,676)	-
- Transfer to stage 2	(512)	1,706	(1,194)	-
- Transfer to stage 3	(21)	(427)	448	-
Repayment during the year	(11,632)	(56,564)	(153,185)	(221,381)
Changes in credit risk parameters #	130	5,751	156,679	162,560
Loans, financing and advances sold	(6)	(110)	(50,905)	(51,021)
Write-offs	-	-	(88,513)	(88,513)
ECL as at 31 December 2021	1,527	8,984	378,117	388,628

# The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

## 11. Loans, financing and advances (cont'd.)

## (ix) Movement of ECL for loans, financing and advances (cont'd.)

2020	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL as at 1 January 2020	10,532	64,260	653,172	727,964
Charged to profit or loss (Note 36)	(5,834)	(3,438)	22,094	12,822
Changes in the ECL				
- Transfer to stage 1	6,312	(4,165)	(2,147)	-
- Transfer to stage 2	(3,081)	21,694	(18,613)	-
- Transfer to stage 3	(1)	(6,687)	6,688	-
Repayment during the year	(9,252)	(35,575)	(73,840)	(118,667)
Changes in credit risk parameters <sup>#</sup>	188	21,295	110,006	131,489
Write-offs	-	-	(153,803)	(153,803)
ECL as at 31 December 2020	4,698	60,822	521,463	586,983

<sup>#</sup> The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

## (x) Movements of impaired loans, financing and advances

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Balance as at 1 January	1,894,985	1,861,542	907,754	1,043,517
Classified as impaired during the year	324,197	497,227	3,505	30,288
Reclassified as non-impaired	(241,063)	(181,857)	(26,441)	(42,287)
Amount recovered	(88,703)	(84,955)	(22,174)	(26,958)
Other movements	121,975	152,483	24,189	56,997
Loans, financing and advances sold	(89,575)	-	(89,575)	-
Reclassification to assets held-for-sale	(23,671)	-	-	-
Amount written off	(232,041)	(349,455)	(94,683)	(153,803)
Balance as at 31 December	1,666,104	1,894,985	702,575	907,754
Less: ECL stage 3	(732,626)	(947,050)	(378,117)	(521,463)
Net impaired loans, advances and financing	933,478	947,935	324,458	386,291
Net impaired as a percentage of net loans, financing and advances	2.71%	2.81%	68.01%	42.97%
Gross impaired as a percentage of gross loans, financing and advances	4.60%	5.30%	81.16%	61.09%

**11. Loans, financing and advances (cont'd.)**
**(xi) Impaired loans, financing and advances by economic purpose**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Personal use	75,824	80,585	-	-
Construction	939,584	924,439	416,040	360,921
Purchase of landed property:				
- Residential	346,694	291,103	233,740	102,679
- Non-residential	198,536	92,904	52,197	53,528
Working capital	73,606	47,500	-	-
Purchase of transport vehicles	3,585	6,650	-	133
Purchase of other fixed assets	27,298	43,096	598	1,055
Purchase of other securities	-	2,890	-	-
Purchase of consumer durables	792	789	-	-
Others	185	405,029	-	389,438
	1,666,104	1,894,985	702,575	907,754

**(xii) Impaired loans, financing and advances by sector**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Household sector	213,546	395,683	12,344	106,889
Construction	769,548	897,235	464,478	570,064
Finance, insurance and business services	210,920	146,704	-	-
Wholesale & retail trade and restaurants & hotels	26,248	25,288	-	137
Manufacturing	101,637	71,577	167	1,142
Education, health and others	310,262	311,894	222,100	226,226
Transport, storage and communication	4,032	3,995	-	-
Mining and quarrying	26,425	39,313	-	-
Agriculture	3,486	3,296	3,486	3,296
	1,666,104	1,894,985	702,575	907,754

## 11. Loans, financing and advances (cont'd.)

### (xiii) Impaired loans, financing and advances by geographical distribution

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysia	1,666,104	1,894,985	702,575	907,754

The credit risk of financial assets of the Group and the Company is mitigated by the collateral held against the financial assets and would reduce the extent of ECL for the assets subject to impairment review. In this respect, the individual impairment allowance as at the reporting date would have been higher for the Group by approximately RM442,622,000 (2020: RM418,667,000) and for the Company by approximately RM236,892,000 (2020: RM287,423,000) without the mitigating effect of collateral held.

## 12. Trade and other receivables

	Note	Group		Company	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<u>Non-trade:</u>					
Advances in respect of certain projects	(a)	596,628	571,263	-	-
Amount due from banking subsidiary, MBSB Bank	(b)	-	-	138,410	162,993
Amount due from other subsidiaries	(b)	-	-	50,172	54,729
Foreclosed properties	(c)	42,418	54,821	42,418	54,821
Prepayments and deposits	(d)	14,038	19,074	3,654	8,399
Sundry receivables		35,841	65,205	5,624	4,482
Public Low Cost Housing Programme ("PLCHP")		796	765	796	765
Deferred expenses		36,550	2,047	-	-
		726,271	713,175	241,074	286,189
<u>Trade:</u>					
Trade receivable	(e)	24,835	24,835	-	-
		751,106	738,010	241,074	286,189
Less:					
Expected credit losses					
- Non trade		(596,905)	(571,277)	(50,172)	(54,729)
- Trade		(24,834)	(24,834)	-	-
		129,367	141,899	190,902	231,460

(a) The unsecured advances in respect of certain projects relate to monies advanced and interest charged on these advances by a subsidiary of the Company to a third party. These advances bear interest of 10.50% per annum (2020: 10.50%).

(b) The amount due from MBSB Bank is unsecured, interest-free and is repayable on demand. The amount due from other subsidiaries is unsecured, bears weighted average effective interest rate of 5.50% per annum (2020: 5.50%) and is repayable on demand.



**12. Trade and other receivables (cont'd.)**

- (c) Foreclosed properties are stated at the lower of carrying amount and fair value less cost to sale. Independent valuation of the foreclosed properties was performed by valuers to determine the fair value of the foreclosed properties as at 31 December 2021. The fair values are within Level 2 of the fair value hierarchy. The fair values have been derived using comparison method.

Movements of allowance on impairment for foreclosed properties during the financial year are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Balance as at 1 January	15,341	23,479	15,341	23,479
Allowance made during the financial year (Note 36)	2,318	-	2,318	-
Disposal made during the financial year	(4,600)	(8,138)	(4,600)	(8,138)
Balance as at 31 December	13,059	15,341	13,059	15,341

- (d) Included in prepayments and deposits of the Group and of the Company are rental deposits paid to the Employees Provident Fund ("EPF"), the ultimate holding body, amounting to RM17,235 (2020: RM17,235).

- (e) Trade receivables are non-interest bearing and credit terms provided are generally on 7 to 30 days term (2020: 7 to 30 days).

Details of ECL of other assets are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Advances in respect of certain projects	592,440	567,075	-	-
Amount due from subsidiaries	-	-	50,174	54,731
Sundry receivables	4,467	4,204	-	-
Trade receivables	24,834	24,834	-	-
	621,741	596,113	50,174	54,731

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Movement in expected credit losses for other assets are as follows:				
Balance as at 1 January	596,113	551,173	54,731	77,041
Net expected credit losses made during the year:				
Charge/(reversal) for the year				
Sundry receivables	263	(12,000)	-	(12,000)
Advances in respect of certain projects	25,365	56,945	-	-
Amount due from subsidiaries (Note 36)	-	-	(2,695)	4,455
Write - off	-	(5)	(1,862)	(14,765)
Balance as at 31 December	621,741	596,113	50,174	54,731

### 13. Statutory deposits with Bank Negara Malaysia

The non-interest bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009 to satisfy the Statutory Reserve Requirement ("SRR"); which is determined at a set percentages of total eligible liabilities. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 December 2022.

### 14. Investments in subsidiaries

	Company	
	2021 RM'000	2020 RM'000
Unquoted shares at cost	5,595,040	5,369,963
Less: Accumulated impairment losses	(36,604)	(79,640)
	<hr/> 5,558,436	<hr/> 5,290,323

Movements in the cost of investments are as follows:

	Company	
	2021 RM'000	2020 RM'000
Balance as at 1 January	5,369,963	5,369,988
Subscription of shares in MBSB Bank Berhad	268,113	-
Less: Write off due to liquidation of subsidiary	(230)	(25)
Less: Disposal of subsidiary	(42,806)	-
	<hr/> 5,595,040	<hr/> 5,369,963

Movements of allowance for impairment is as follows:

	Company	
	2021 RM'000	2020 RM'000
Balance as at 1 January	79,640	79,660
Impairment during the year (Note 36)	-	5
Less: Write off due to liquidation	(230)	(25)
Less: Disposal	(42,806)	-
	<hr/> 36,604	<hr/> 79,640

#### 14. Investments in subsidiaries (cont'd.)

Details of the subsidiaries are as follows:

Name of subsidiaries	Effective interest held (%)		Principal activities
	2021	2020	
MBSB Bank Berhad	100	100	Islamic banking and related financial services
MBSB Properties Sdn. Bhd.	100	100	Leasing of real property
MBSB Development Sdn. Bhd.	100	100	Property development
Prudent Legacy Sdn. Bhd. #&^*	92	92	In liquidation
Ombak Pesaka Sdn. Bhd. ^^*	-	100	Hotel operations
Sigmaprise Sdn. Bhd. ^^*	-	100	Dormant
MBSB Project Management Sdn. Bhd. ^*	100	100	In liquidation
Definite Pure Sdn. Bhd. #	100	100	Property development
Malaya Borneo Building Society Limited ("MBBS") *#	100	100	Trading operation
Idaman Usahamas Sdn. Bhd. *	-	100	Liquidated
MBSB Tower Sdn. Bhd.	100	100	Property development
Jana Kapital Sdn. Bhd. @	100	100	Investment holding
88 Legacy Sdn. Bhd.	100	100	Property development

\* Audited by a firm of auditor other than PwC PLT

# Dormant entity

@ Subsidiary of MBSB Bank Berhad

& Subsidiary of MBSB Development Sdn Bhd

^ In liquidation and did not give rise significant impact to the result of the Group and the Company

^^ Disposed of during the year

All the above subsidiaries were incorporated in Malaysia except for MBBS which was incorporated in Singapore.

#### 15. Inventories

	Group	
	2021 RM'000	2020 RM'000
At cost:		
Hotel inventories	-	10
Transfer to assets held for sale (Note 22)	-	(10)
	-	-
At net realisable value:		
Freehold land held for sale	69,374	69,374
Less: Impairment	(18,858)	-
	50,516	69,374
Total inventories	50,516	69,374

## 16. Property and equipment

Group	Freehold land RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Building in progress RM'000	Work in progress RM'000	Total RM'000
<b>Cost</b>									
At 1 January 2021	5,933	15,189	41,929	19,056	980	62,272	329,677	3,804	478,840
Additions	-	-	1,062	2,711	377	34,629	16,776	-	55,555
Transfer to assets held for sale									
(Note 22)	-	(1,308)	-	-	-	-	-	-	(1,308)
Disposal	-	(247)	-	(27)	-	-	-	-	(274)
Reversal	-	-	-	-	-	-	(56,608)	-	(56,608)
Reclassification	-	240,375	-	-	-	3,804	(289,845)	45,666	-
At 31 December 2021	5,933	254,009	42,991	21,740	1,357	100,705	-	49,470	476,205
<b>Accumulated depreciation and impairment losses</b>									
At 1 January 2021:									
Accumulated depreciation	-	9,159	36,261	17,999	812	47,341	-	-	111,572
Accumulated impairment losses	-	418	-	-	-	-	-	-	418
Depreciation charge for the year	-	9,577	36,261	17,999	812	47,341	-	-	111,990
(Note 39)	-	5,749	2,196	752	132	9,111	-	-	17,940
Transfer to assets held for sale									
(Note 22)	-	(689)	-	-	-	-	-	-	(689)
Transfer to assets held for sale									
(Note 22)	-	(141)	-	-	-	-	-	-	(141)
Disposal	-	(154)	-	(27)	-	-	-	-	(181)
At 31 December 2021	-	14,342	38,457	18,724	944	56,452	-	-	128,919
Analysed as:									
Accumulated depreciation	-	14,065	38,457	18,724	944	56,452	-	-	128,642
Accumulated impairment losses	-	277	-	-	-	-	-	-	277
<b>Net book value</b>									
At 31 December 2021	5,933	239,667	4,534	3,016	413	44,253	-	49,470	347,286

**16. Property and equipment (cont'd.)**

Group	Freehold land RM'000	Buildings RM'000	Building renovation RM'000	Furniture and equipment RM'000	Motor vehicles RM'000	Data processing equipment RM'000	Building in progress RM'000	Work in progress RM'000	Total RM'000
<b>Cost</b>									
At 1 January 2020	6,217	36,977	40,558	19,305	980	59,264	277,468	-	440,769
Additions	-	-	2,972	255	-	3,120	52,209	3,804	62,360
Transfer to assets held for sale (Note 22)	-	(21,337)	(1,169)	(470)	-	(112)	-	-	(23,088)
Disposals	(284)	(451)	(432)	(34)	-	-	-	-	(1,201)
At 31 December 2020	5,933	15,189	41,929	19,056	980	62,272	329,677	3,804	478,840
<b>Accumulated depreciation and impairment losses</b>									
At 1 January 2020:									
Accumulated depreciation	-	(4,677)	35,848	17,775	731	42,470	-	-	92,147
Accumulated impairment losses	371	34,287	-	-	-	-	-	-	34,658
Depreciation charge for the year (Note 39)	371	29,610	35,848	17,775	731	42,470	-	-	126,805
Write-off of impairment loss (Note 39)	(371)	(29,869)	2,014	673	81	4,977	-	-	26,672
Transfer to assets held for sale (Note 22)	-	(4,799)	(1,169)	(415)	-	(106)	-	-	(6,489)
Transfer impairment loss to assets held for sale (Note 22)	-	(4,000)	-	-	-	-	-	-	(4,000)
Disposals	-	(292)	(432)	(34)	-	-	-	-	(758)
At 31 December 2020	-	9,577	36,261	17,999	812	47,341	-	-	111,990
Analysed as:									
Accumulated depreciation	-	9,159	36,261	17,999	812	47,341	-	-	111,572
Accumulated impairment losses	-	418	-	-	-	-	-	-	418
<b>Net book value</b>									
At 31 December 2020	5,933	5,612	5,668	1,057	168	14,931	329,677	3,804	366,850

The Group recorded write-off of impairment loss amounting to RM30,240,000 in 2020 arising from disposal of hotel building and freehold land.

## 16. Property and equipment (cont'd.)

## Company

	Freehold land RM'000	Buildings RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2021/31 December 2020	9,968	18,579	28,547
<b>Accumulated depreciation</b>			
At 1 January 2021	-	4,644	4,644
Depreciation charge for the year (Note 39)	-	464	464
At 31 December 2021	-	5,108	5,108
<b>Net book value</b>			
At 31 December 2021	9,968	13,471	23,439

	Freehold land RM'000	Buildings RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2020/31 December 2019	9,968	18,579	28,547
<b>Accumulated depreciation</b>			
At 1 January 2020	-	4,180	4,180
Depreciation charge for the year (Note 39)	-	464	464
At 31 December 2020	-	4,644	4,644
<b>Net book value</b>			
At 31 December 2020	9,968	13,935	23,903

## 17. Right-of-use assets and lease liabilities

The nature of the leases include lease of properties to be used as Bank branches, lease of office equipments and rental of network and security equipment.

### (a) Right-of-use assets

	Group	
	2021 RM'000	2020 RM'000
<b>Cost</b>		
At 1 January	29,967	17,598
Additions	53,612	11,216
Reclassification	-	1,153
Disposal	(403)	-
At 31 December	83,176	29,967
<b>Accumulated depreciation</b>		
At 1 January	18,482	8,814
Depreciation for the period (Note 39)	26,181	9,036
Reclassification	-	632
Disposal	(333)	-
At 31 December	44,330	18,482
	38,846	11,485

Leases of the Group are mainly contracts of leases with lease periods between one year and five years.

### (b) Lease liabilities

	Group	
	2021 RM'000	2020 RM'000
<b>Current</b>		
Lease liabilities	2,318	1,478
<b>Non-current</b>		
Lease liabilities	36,680	9,670
	38,998	11,148

**17. Right-of-use assets and lease liabilities (cont'd.)****(b) Lease liabilities (cont'd.)**

The movement of lease liabilities during the financial year is as follows:

	Group	
	2021	2020
	RM'000	RM'000
At 1 January	11,148	8,919
Additions	53,123	11,233
Profit expense on leases	1,581	316
Lease payments	(26,854)	(9,320)
At 31 December	38,998	11,148

Amount recognised in the statement of cash flows:

	Group	
	2021	2020
	RM'000	RM'000
<b>Included in net cash from financing activities</b>		
Profit expense on lease liabilities (Note 39)	1,581	316
Payment of lease liabilities	(26,854)	(9,320)
<b>Total cash outflow for leases</b>	(25,273)	(9,004)

**18. Intangible assets**

Group	Software license RM'000	Work in progress RM'000	Banking license RM'000	Core deposits RM'000	Total RM'000
<b>Cost</b>					
At 1 January 2021	262,667	8,661	47,415	6,216	324,959
Additions	18,536	6,394	-	-	24,930
Reclassification	12,527	(12,527)	-	-	-
At 31 December 2021	293,730	2,528	47,415	6,216	349,889
<b>Accumulated amortisation</b>					
At 1 January 2021	159,879	-	-	3,022	162,901
Amortisation charge for the year (Note 39)	35,195	-	-	1,033	36,228
At 31 December 2021	195,074	-	-	4,055	199,129
<b>Net book value</b>					
At 31 December 2021	98,656	2,528	47,415	2,161	150,760

Note 18.1      Note 18.2



**18. Intangible assets (cont'd.)**

Group	Software license RM'000	Work in progress RM'000	Banking license RM'000	Core deposits RM'000	Total RM'000
<b>Cost</b>					
At 1 January 2020	217,477	26,652	47,415	6,216	297,760
Additions	18,774	8,661	-	-	27,435
Transfer to assets held for sale (Note 22)	(236)	-	-	-	(236)
Reclassification	26,652	(26,652)	-	-	-
At 31 December 2020	262,667	8,661	47,415	6,216	324,959
<b>Accumulated amortisation</b>					
At 1 January 2020	128,565	-	-	1,986	130,551
Amortisation charge for the year (Note 39)	31,547	-	-	1,036	32,583
Transfer to assets held for sale (Note 22)	(233)	-	-	-	(233)
At 31 December 2020	159,879	-	-	3,022	162,901
<b>Net book value</b>					
At 31 December 2020	102,788	8,661	47,415	3,194	162,058
			Note 18.1	Note 18.2	

**18.1 Banking license**

	Group	
	2021 RM'000	2020 RM'000
<b>Allocation of banking license to cash-generating units ("CGUs")</b>		
Corporate Banking	46,846	46,846
Retail Banking	569	569
	47,415	47,415

Banking license represents intangible assets arising from legal rights to operate MBSB Bank as a banking institution. Banking license has indefinite useful life and been assessed for impairment. The recoverable amount is determined based on the value-in-use ("VIU") calculations derived from the same cash flow projections and assumptions that are used to determine the recoverable amount of goodwill in Note 19. As the recoverable amount was in excess of the carrying amount, no impairment was required.

**18.2 Core deposits**

Core deposits represent the current account deposits and saving account deposits that were acquired from the acquisition of MBSB Bank.

## 19. Goodwill

	Group	
	2021 RM'000	2020 RM'000
Goodwill	148,031	148,031

The aggregate carrying amounts of goodwill allocated for each CGU are as follows:

Corporate Banking	146,256	146,256
Retail Banking	1,775	1,775
	148,031	148,031

Goodwill arose from the finalisation of purchase price allocation of MBSB Bank Berhad which was acquired in February 2018. There is no impairment to goodwill since acquisition.

### Impairment testing for CGU containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's operating divisions which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The recoverable amount of CGUs is determined based on the value-in-use ("VIU") calculations. These calculations use pre-tax cash flow projections based on the 2022 financial budgets approved by the Board of Directors, projected for 3 years based on the average historical Gross Domestic Product ("GDP") growth of the country over the 3 years period, revised for current economic conditions. Cash flows beyond the 3 years period are extrapolated using the estimated terminal growth rates. The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rate are pre-tax and it reflects the specific risks relating to the CGUs.

In view of the uncertainty in the economic outlook as a result of COVID-19, management have revised the projected cash flows for all CGUs to reflect potential implications of COVID-19 to the CGUs. This includes estimation of the impact of prolonged economic downturn on the CGUs cash flow projections and a recovery to overall business outlook in the medium-term horizon.

In addition, the cash flow projections have incorporated probability-weighted multiple scenarios with variation in the assumptions used including growth rates to estimate the expected cash flow under the current uncertain economic condition.

The estimated terminal growth rates and discount rates used for VIU calculations are as follows:

	Terminal Growth rate		Pre-tax Discount rate	
	2021	2020	2021	2020
Corporate Banking	4.0%	4.6%	12.0%	13.2%
Retail Banking	4.0%	4.6%	12.2%	13.4%

Management has also considered variation in the discount rates and terminal growth rates by at least 100 basis points to assess the sensitivity of goodwill recoverable amounts. Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

**20. Investment property**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
<b>At cost</b>	<b>RM'000</b>	<b>RM'000</b>
Freehold land	820	820

The fair value of the investment property of RM1,250,000 which is categorised under Level 3 fair value has been generally derived using the sales comparison approach. Sales price of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

**21. Deferred tax (assets)/liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
At 1 January	99,894	98,389	(3,835)	(9,585)
Recognised in profit or loss (Note 42)	16,375	(23,658)	377	5,750
Recognised in other comprehensive income (Note 42)	(124,964)	25,163	-	-
At 31 December	(8,695)	99,894	(3,458)	(3,835)
Presented, after appropriate offsetting, as follows:				
Deferred tax assets	(24,176)	(7,261)	(3,458)	(3,835)
Deferred tax liabilities	15,481	107,155	-	-
	(8,695)	99,894	(3,458)	(3,835)

The components of deferred tax assets and liabilities during the financial year prior to offsetting of balances within the same tax jurisdiction are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Deferred tax assets (before offsetting)</b>				
Accelerated capital allowances	-	-	(528)	(548)
Fair value reserve of financial investment at FVOCI	(50,844)	-	-	-
Others	-	(28,885)	(7,096)	(7,453)
	(50,844)	(28,885)	(7,624)	(8,001)
Offsetting	26,668	21,624	4,166	4,166
	(24,176)	(7,261)	(3,458)	(3,835)

**21. Deferred tax (assets)/liabilities (cont'd.)**

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Deferred tax liabilities (before offsetting)</b>				
Accelerated capital allowances	32,341	24,247	-	-
Fair value reserve of financial investment at FVOCI	-	74,120	-	-
Impairment allowance	4,315	30,412	4,166	4,166
Others	5,493	-	-	-
	42,149	128,779	4,166	4,166
Offsetting	(26,668)	(21,624)	(4,166)	(4,166)
	15,481	107,155	-	-

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

Group Deferred tax (assets)/liabilities	Accelerated	Fair value	Impairment	Others	Total
	capital allowances RM'000	reserve of financial investments at FVOCI RM'000	allowances RM'000	RM'000	RM'000
At 1 January 2021	24,247	74,120	30,412	(28,885)	99,894
Recognised in profit or loss (Note 42)	8,094	-	(26,097)	34,378	16,375
Recognised in other comprehensive income	-	(124,964)	-	-	(124,964)
At 31 December 2021	32,341	(50,844)	4,315	5,493	(8,695)
At 1 January 2019	19,222	48,970	47,060	(16,863)	98,389
Recognised in profit or loss (Note 42)	5,025	(13)	(16,648)	(12,022)	(23,658)
Recognised in other comprehensive income	-	25,163	-	-	25,163
At 31 December 2020	24,247	74,120	30,412	(28,885)	99,894

## 21. Deferred tax (assets)/liabilities (cont'd.)

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

	<b>Accelerated capital allowances RM'000</b>	<b>Impairment allowances RM'000</b>	<b>Others RM'000</b>	<b>Total RM'000</b>
<b>Company</b>				
<b>Deferred tax (assets)/liabilities</b>				
At 1 January 2020	(548)	4,166	(7,453)	(3,835)
Recognised in profit or loss	20	-	357	377
At 31 December 2021	(528)	4,166	(7,096)	(3,458)
At 1 January 2019	(66)	4,170	(13,689)	(9,585)
Recognised in profit or loss	(482)	(4)	6,236	5,750
At 31 December 2020	(548)	4,166	(7,453)	(3,835)

Deferred tax assets have not been recognised in respect of the following items:

	<b>Group</b>	
	<b>2021 RM'000</b>	<b>2020 RM'000</b>
Unutilised tax losses	110,980	182,637
Unabsorbed capital allowances	4	62,308
Others	20,269	8,331

The unutilised tax losses of the Group are available for offsetting against future taxable profits of the respective entities within the Group for another 10 consecutive years effective from Year of Assessment 2019. The unabsorbed capital allowances of the Group are not subject to 7 year limitation period and available indefinitely for offsetting against future taxable profits of the respective entities within the Group.

This utilisation of carry forward of tax losses and allowances are also subject to no substantial change in shareholdings of those entities under Income Tax Act, 1967 and guidelines issued by the tax authority.

The expiry of unutilised tax losses:

	<b>Group</b>	
	<b>2021 RM'000</b>	<b>2020 RM'000</b>
Expiring 2025	109,843	171,124
Expiring 2026	836	5,218
Expiring 2027	301	6,295
	110,980	182,637

**22. Assets held for sale**

	Group	
	2021	2020
	RM'000	RM'000
Assets held for sale comprises:		
Financing held for sale (a)	2,122	-
Other assets held for sale (b)	478	12,612
	2,600	12,612

**(a) Financing held-for-sale**

	Group	
	2021	2020
	RM'000	RM'000
Balance as at 1 January	-	-
Reclassification from financing	23,671	-
Gross financing held for sale	23,671	-
Less impairment allowance:		
Balance as at 1 January	-	-
Reclassification from financing	(21,549)	-
Total impairment allowance	(21,549)	-
Net financing held for sale	2,122	-
<b>By economic purpose:</b>		
Purchase of residential properties	22,481	-
Purchase of non-residential properties	960	-
Purchase of other fixed assets	138	-
Purchase of transport vehicles	47	-
Others	45	-
	23,671	-

During the year, the Group entered into an agreement to dispose identified retail financing to an external party. The sale is expected to complete in 2022.

**(b) Other assets held for sale**

	Group	
	2021	2020
	RM'000	RM'000
Inventories (Note 15)	-	10
Property and equipment (Note 16)	478	12,599
Intangible assets (Note 18)	-	3
	478	12,612

**23. Deposits from customers****(i) By type of deposit:**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Commodity Murabahah Term Deposit	23,623,561	23,781,938
Demand deposits	592,593	288,418
Savings deposits	385,596	283,079
	24,601,750	24,353,435

**(ii) Maturity of deposits from customers:**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	15,402,982	16,316,307
More than six months to one year	6,347,608	5,079,445
More than one year to three years	1,638,915	2,020,109
More than three years	234,056	366,077
	23,623,561	23,781,938

**(iii) By type of customers:**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	12,283,703	12,058,760
Business enterprises	7,976,943	7,568,566
Individuals	4,341,104	4,726,109
	24,601,750	24,353,435

**(iv) By type of contract:**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Tawarruq	24,601,750	24,353,435
	24,601,750	24,353,435

**24. Deposits and placements of banks and other financial institutions****(i) By type of deposit:**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Non-Mudharabah Funds:</u>		
Other financial institutions:		
- Licensed investment banks	948	1,233
- Licensed islamic banks	534,051	100,010
- Other financial institutions	8,114,582	9,428,062
	<hr/> 8,649,581	<hr/> 9,529,305

**(ii) By type of contract:**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Tawarruq	8,649,581	9,529,305
	<hr/> 8,649,581	<hr/> 9,529,305

**25. Investment accounts of customers**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Wakalah unrestricted investment account	2,094,914	-
	<hr/> 2,094,914	<hr/> -

The banking subsidiary, MBSB Bank launched a new Wakalah unrestricted investment account during the year.

The investment account placements are used to fund personal financing.

**(i) By type of customers:**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	2,014,773	-
Other financial institutions	80,141	-
	<hr/> 2,094,914	<hr/> -



**25. Investment accounts of customers (cont'd.)**
**(ii) Movement of investment accounts of customers:**

	Group	
	2021 RM'000	2020 RM'000
At beginning of the financial period	-	-
New placement during the financial period	2,506,314	-
Redemption	(426,328)	-
Finance expense	23,456	-
Profit distributed	(8,528)	-
At end of financial period	2,094,914	-

**(iii) By Maturity:**

	Group	
	2021 RM'000	2020 RM'000
Due within six months	1,006,242	-
More than six months to one year	1,083,050	-
More than one year to three years	5,622	-
At end of financial period	2,094,914	-

**(iv) Rate of Return ("ROR") and Performance Incentive Fee based on residual maturity**

2021	Investment Account Holder Average ROR %	Group Performance incentive fee %
Unrestricted investment accounts:		
Due within six months	2.58	5.32
More than six months to one year	2.75	5.14
More than one year to three years	2.95	4.95
More than three years	-	-
<b>2020</b>		
Unrestricted investment accounts:		
Due within six months	-	-
More than six months to one year	-	-
More than one year to three years	-	-
More than three years	-	-

## 26. Trade and other payables

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non trade:				
Dividend payable	215,145	-	215,145	-
Sundry creditors	530,452	312,405	23,377	38,999
Al-Mudharabah security funds	147,604	144,168	-	-
Expected credit losses for commitments and contingencies (i)	54,446	46,518	259	2,075
Deferred income	22,574	28,382	917	1,554
Other provisions and accruals	115,992	92,811	280	5,802
	1,086,213	624,284	239,978	48,430
Trade:				
Trade payables	-	2	-	-
	1,086,213	624,286	239,978	48,430

Trade payables are unsecured and non-interest bearing. The normal trade credit terms granted to the Group range from 30 to 60 days (2020: 30 to 60 days).

## (i) Expected credit losses for commitments and contingencies

Movement of expected credit losses for commitments and contingencies are as follows:

2021	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL at 1 January 2021	19,073	13,481	13,964	46,518
Charge to profit or loss (Note 36)	(1,956)	22,448	(11,946)	8,546
Changes in the impairment allowance				
- Transfer to stage 1	2,916	(1,054)	(1,862)	-
- Transfer to stage 2	(768)	806	(38)	-
- Transfer to stage 3	(4)	(45)	49	-
New financing / disbursement during the year	8,719	26,614	590	35,923
Derecognised/converted to loans/ financing during the period (other than write-offs)	(5,834)	(8,513)	(11,340)	(25,687)
Changes in credit risk parameters #	(6,985)	4,640	655	(1,690)
Write - off	-	-	(618)	(618)
ECL at 31 December 2021	17,117	35,929	1,400	54,446

# The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

**26 Trade and other payables (cont'd.)**
**(i) Expected credit losses for commitments and contingencies (cont'd.)**

Movement of expected credit losses for commitments and contingencies are as follows (cont'd.):

2020	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL at 1 January 2020	44,196	17,978	8,506	70,680
Charge to profit or loss (Note 36)	(25,123)	(4,497)	8,272	(21,348)
Changes in the impairment allowance				
- Transfer to stage 1	791	(714)	(77)	-
- Transfer to stage 2	(2,951)	3,119	(168)	-
- Transfer to stage 3	(367)	(1,522)	1,889	-
New financing / disbursement during the year	9,416	3,176	66	12,658
Derecognised/converted to loans/ financing during the period (other than write-offs)	(18,566)	(8,479)	(2,414)	(29,459)
Changes in credit risk parameters #	(13,446)	(77)	8,976	(4,547)
Write - off	-	-	(2,814)	(2,814)
ECL as at 31 December 2020	19,073	13,481	13,964	46,518

# The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

2021	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL at 1 January 2021	195	207	1,673	2,075
Charge to profit or loss (Note 36)	(21)	(148)	(1,029)	(1,198)
Changes in the impairment allowance				
- Transfer to stage 1	55	(55)	-	-
- Transfer to stage 2	(4)	4	-	-
- Transfer to stage 3	(1)	(2)	3	-
Derecognised/drawdown to loans/ financing during the period	(16)	(38)	(1,672)	(1,726)
Changes in credit risk parameters #	(55)	(57)	640	528
Write - off	-	-	(618)	(618)
ECL as at 31 December 2021	174	59	26	259

# The changes in credit risk parameters include impact of forward-looking key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

**26 Trade and other payables (cont'd.)****(i) Expected credit losses for commitments and contingencies (cont'd.)**

Movement of expected credit losses for commitments and contingencies are as follows (cont'd.):

2020	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL at 1 January 2020	251	176	5,014	5,441
Charge to profit or loss (Note 36)	(56)	31	(1,136)	(1,161)
Changes in the impairment allowance				
- Transfer to stage 1	29	(29)	-	-
- Transfer to stage 2	(14)	76	(62)	-
- Transfer to stage 3	-	(3)	3	-
Derecognised/drawdown to loans/ financing during the period	(31)	(17)	(322)	(370)
Changes in credit risk parameters #	(40)	4	(755)	(791)
Write - off	-	-	(2,205)	(2,205)
<b>ECL as at 31 December 2020</b>	<b>195</b>	<b>207</b>	<b>1,673</b>	<b>2,075</b>

# The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEV") and changes to loss rate for the ECL model.

**27. Recourse obligation on financing sold**

	Group	
	2021 RM'000	2020 RM'000
Repayments due within 12 months	1,074,653	401,240
Repayments due after 12 months	2,066,656	1,861,291
	<b>3,141,309</b>	<b>2,262,531</b>

These amounts relate to proceeds received from the sale of Islamic house and personal financing to Cagamas Berhad with recourse to MBSB Bank Berhad ("MBSB Bank"), subsidiary of the Company. Under the agreement, MBSB Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy back any financing which are regarded as defective based on a set of pre-determined criteria. In November 2014, the Group started its first sale of financing portfolios with recourse directly to Cagamas Berhad without participation of intermediary banks.

The recourse obligation on financing sold facilities granted by Cagamas Berhad are secured on a portfolio of property and personal islamic financing amounting to RM3,554,085,000 (2020: RM2,546,344,000) as disclosed in Note 11(i).

**28. Sukuk - MBSB Structured Covered ("SC") Murabahah**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Sukuk - MBSB SC Murabahah	1,072,972	1,366,563
Maturity of Sukuk - MBSB SC Murabahah:		
Within one year	245,992	294,388
More than one year	826,980	1,072,175
	1,072,972	1,366,563

On 25 October 2013, MBSB's Sukuk - MBSB SC Murabahah programme ("the Programme") was approved by the Securities Commission of Malaysia. The salient terms of the Programme as prescribed in its Principal Terms and Conditions are as follows:

- (i) The Programme is available for issue within a period of 5 years from the first issuance date and is issued in tranches ("Tranche") from time to time, at the discretion of MBSB;
- (ii) Each Tranche will consist of multiple series of Sukuk with different maturities;
- (iii) Each Tranche will be backed by an identified pool of Financing Receivables ("Tranche Cover Assets") held by the Company's Special Purpose Vehicle ("SPV"), Jana Kapital Sdn. Bhd. ("JKSB"); JKSB who will issue an unconditional and irrecoverable Covered Sukuk Guarantee to the holders of the Sukuk - MBSB SC Murabahah;
- (iv) Tranche Cover Assets will be pledged by JKSB as security for the Covered Sukuk Guarantee. These Tranche Cover Assets are assigned to the Sukuk Trustee for this purpose;
- (v) In the event of default as defined in the Principal Terms and Conditions, the Tranche Cover Assets will be liquidated by the Sukuk Trustee in favour of the holders of the Sukuk - MBSB SC Murabahah; and
- (vi) From time to time, additional Tranche Cover Assets will be purchased by JKSB in line with additional Tranches drawdown by MBSB.

As at 31 December 2021, the carrying amount of Financing Receivables identified to back the outstanding Sukuk - MBSB SC Murabahah amounted to RM1,966,742,000 (2020: RM2,156,258,000) as disclosed in Note 11(i).

## 29. Sukuk Wakalah

	Group	
	2021 RM'000	2020 RM'000
Sukuk Wakalah	1,294,247	1,293,335
Maturity of Sukuk Wakalah:		
Within one year	2,201	2,018
More than one year	1,292,046	1,291,317
	1,294,247	1,293,335

MBSB Bank's Sukuk Wakalah Programme of up to RM10.0 billion nominal value was approved by Bank Negara Malaysia and endorsed by the Securities Commission in November 2019. The Sukuk Wakalah Programme comprises:

- (i) Senior Sukuk Wakalah, and/or
- (ii) Tier-2 Sukuk Wakalah, and/or
- (iii) Additional Tier-1 Sukuk Wakalah

In December 2019, MBSB Bank issued Tier-2 Sukuk Wakalah in nominal value of RM1,300 million, comprising RM650 million at 5.05% p.a. and RM650 million at 5.25% p.a. The salient terms of the Tier-2 Sukuk Wakalah are as follows:

- (i) subject to call option, with minimum tenure of at least 5 years
- (ii) not pledged to any security
- (iii) non convertible

## 30. Ordinary share capital

	Number of Shares		Amount	
	2021 Units'000	2020 Units'000	2021 RM'000	2020 RM'000
Ordinary shares Issued and fully paid:				
At 1 January	6,975,389	6,713,402	7,088,255	6,941,542
Issued during the year:				
Issue of ordinary shares pursuant to Dividend Reinvestment Plan ("DRP")	196,095	261,987	109,813	146,713
At 31 December	7,171,484	6,975,389	7,198,068	7,088,255

### Ordinary shares

The holder of ordinary shares are entitled to receive dividends from time to time, as and when declared by the Group, after obtaining the regulatory approval from Bank Negara Malaysia prior to the declaration of dividends.

All ordinary shares are entitled to one vote per share at meetings of the Group.

During the year, the issued and paid up capital of the company increased from RM7,088,254,726 to RM7,198,068,070 via the issuance of 196,095,257 shares at 56 sen per share amounting to RM109,813,344 arising from the DRP as disclosed in Note 44. The new ordinary shares rank *pari passu* in all respects with the existing ordinary shares of the Company.

**31. Reserves**

	<b>Share option reserve RM'000 Note (a)</b>	<b>Fair value reserve RM'000 Note (b)</b>	<b>Total RM'000</b>
<b>Group</b>			
At 1 January 2021	-	234,666	234,666
Other comprehensive income for the year	-	(395,712)	(395,712)
At 31 December 2021	-	(161,046)	(161,046)
At 1 January 2020	5,843	154,994	160,837
Other comprehensive income for the year	-	79,672	79,672
Transfer of share option reserve to retained profits upon expiry of share options	(5,843)	-	(5,843)
At 31 December 2020	-	234,666	234,666

	<b>Share option reserve RM'000 Note (a)</b>	<b>Total RM'000</b>
<b>Company</b>		
At 1 January 2021	-	-
Other comprehensive income for the year	-	-
At 31 December 2021	-	-
At 1 January 2020	5,843	5,843
Transfer of share option reserve to retained profits upon expiry of share options	(5,843)	(5,843)
At 31 December 2020	-	-

- (a) The share option reserve relates to the equity-settled share options granted to employees. This reserve is made up of the cumulative value of services received from employees recorded on grant of share options and is transferred to retained earnings upon expiry of the share options. All the equity-settled share options have expired in August 2020.
- (b) The fair value reserve includes the cumulative net changes in the fair value of financial investments at FVOCI and the expected credit losses arising from financial investments at FVOCI, until the financial investments are derecognised.

### 32. Revenue

Revenue of the Company comprises interest income from placements with financial institutions and loans and advances, fee income, commission income and dividend income.

Revenue of the Group comprises all types of revenue derived from the business of granting of financing and loans and hotel operations.

### 33. Income derived from investment of deposits and Islamic capital funds

	Group	
	2021 RM'000	2020 RM'000
Financing	2,073,681	2,275,804
Income from financial investments at FVOCI	418,725	391,915
Income from financial investments at amortised cost	29,119	19,589
Income from financial investments at FVTPL	4,481	190
Deposits with financial institutions	26,858	50,900
	2,552,864	2,738,398

The amounts reported above include finance income and hibah calculated using the effective profit rate method that relate to the following:

	Group	
	2021 RM'000	2020 RM'000
Financial assets at amortised cost	2,129,658	2,346,293
Financial assets at FVOCI	418,725	391,915
	2,548,383	2,738,208

### 34. Interest income

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income from:				
- Loans and advances	56,546	136,563	34,120	83,189
- Deposits and placements with banks and other financial institutions	1,375	4,527	5,107	4,527
	57,921	141,090	39,227	87,716



**35. Interest expense**

	<b>Group and Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Others	-	11

**36. Expected credit losses on loans, financing and advances and other impairment**

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Expected credit losses on loans, advances and financing made/(written back)</u>				
Loans, financing and advances (Note 11(ix))				
- Stage 1	(23,226)	(41,586)	(3,165)	(5,834)
- Stage 2	(50,486)	215,280	(51,728)	(3,438)
- Stage 3	83,901	230,491	(3,928)	22,094
Credit impaired loans, financing and advances:				
- Write - off	23,773	4,740	18,097	1,948
- Recovered	(24,289)	(11,779)	(15,427)	(2,894)
Loss on sale of loans, financing and advances	20,467	-	20,467	-
	30,140	397,146	(35,684)	11,876
<u>Other expected credit losses and impairment allowances made/(written back):</u>				
Financial investments at FVOCI (Note 9)	7	(11)	-	-
Financial investments at amortised cost (Note 10)	621	439	-	-
Other receivables (Note 12)	25,513	44,704	-	(12,000)
Foreclosed properties (Note 12)	2,318	-	2,318	-
Inventories (Note 15)	18,858	-	-	-
Amount due from subsidiaries	-	-	(2,695)	4,455
Investment in subsidiaries	-	-	-	5
Financing commitments and financial guarantees (Note 26)	8,546	(21,348)	(1,198)	(1,161)
	55,863	23,784	(1,575)	(8,701)
	86,003	420,930	(37,259)	3,175

**37. Net loss on modification of cash flows**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Net loss on modification of cash flows	311,686	504,750	21	73

The Group and the Company granted loans, financing and advances moratorium to eligible individuals, SMEs and Corporates following the continuous Government initiatives to ease the cash flows of those who affected by COVID-19 pandemic. This offer is applicable to performing loans and financing, denominated in Malaysian Ringgit, and have not been in arrears for more than 90 days upon granting the loans, financing and advances moratorium.

As a result of loans, financing and advances moratorium granted, the Group and the Company recognised the loss on modification of cash flows arising from difference of the gross carrying amount recalculated at the present value of the modified contractual cash flows. The Group's loss on modification of cash flows are material for 2021 and 2020 following the high exposure to fixed rate personal financing mainly at the banking subsidiary, MBSB Bank.

The loans, financing and advances moratorium does not automatically result in stage transfer under MFRS 9.

**38. Net other income**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Rental income	8	164	3,807	3,797
Loan related fees	16,208	4,371	4,685	5,407
Insurance commission	13,342	12,041	113	-
Ta'widh/penalty	13,518	16,040	8,944	14,457
(Loss)/gain from sale of FVOCI	(8,029)	246,782	-	-
(Loss)/gain from sale of FVTPL	(7,825)	2,817	-	-
Gain on financial investments at FVTPL	221	-	-	-
Gain/(loss) on foreign exchange transactions	42,126	(19,511)	-	-
Sundry income/(expenses)	47,583	(6,696)	22,581	(517)
Dividend income	-	-	232,593	133,657
Gain/(loss) from disposal of:				
Property and equipment	5	859	-	-
Foreclosed properties	(3,725)	(9,097)	(3,725)	(9,097)
Inventories	-	(1,749)	-	-
Right-of-use assets	185	-	-	-
Others	(370)	(7,726)	-	-
	113,247	238,295	268,998	147,704

**39. Operating expenses**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Personnel expenses (Note 40)	258,978	288,251	1,664	1,653
Establishment related expenses	152,890	80,411	1,264	1,541
Promotion and marketing related expenses	14,053	12,946	-	-
General administrative expenses	84,865	37,882	4,198	4,074
Intercompany charges <sup>^</sup>	-	-	11,930	13,890
Commission fees	31,630	18,374	147	762
	542,416	437,864	19,203	21,920

<sup>^</sup> The intercompany charges of the Company were charges by MBSB Bank for services provided to the Company. The charges are unsecured, interest free and repayable on demand.

Included in operating expenses are the following:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Auditors' remuneration:				
- Statutory audit	1,535	1,670	280	346
- Regulatory related services	270	210	70	10
- Non-audit fees	161	-	50	-
Professional fees	16,870	9,058	-	1,804
Depreciation:				
- property and equipment (Note 16)	17,940	26,672	464	464
Depreciation of right-of-use asset (Note 17(a))	26,181	9,036	-	-
Lease profit expenses	1,581	316	-	-
Amortisation:				
- intangible assets (Note 18)	36,228	32,583	-	-
Reversal of impairment loss on property and equipment (Note 16)	-	(30,240)	-	-
Directors' remuneration (Note 41)	4,145	4,301	1,660	1,448

**40. Personnel expenses**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Wages and salaries	194,013	222,782	-	-
Contributions to Employees Provident Fund	32,238	36,784	-	-
Social security costs	1,734	1,918	-	-
Directors fees (Note 41)	4,145	4,301	1,660	1,448
Shariah Committee remuneration	490	415	-	-
Other staff related expenses	26,358	22,051	4	205
	258,978	288,251	1,664	1,653

**41. Directors' remuneration**

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors of the Company				
Non-Executive:				
Fees	2,215	2,190	946	818
Other emoluments	1,930	2,111	714	630
	4,145	4,301	1,660	1,448

The number of directors of the Group and the Company whose total remuneration during the financial year fell within the following bands are analysed below:

	Number of Directors			
	Group		Company	
	2021	2020	2021	2020
Non-executive directors:				
RM1,000 - RM50,000	1	-	2	-
RM50,001 - RM100,000	1	-	-	-
RM100,001 - RM150,000	1	-	2	-
RM150,001 - RM200,000	1	1	1	1
RM200,001 - RM250,000	-	3	-	2
RM250,001 - RM300,000	3	5	2	2
RM300,001 - RM350,000	8	3	2	1
RM350,001 - RM400,000	1	-	-	-
RM400,001 - RM450,000	-	-	-	-
RM450,001 - RM500,000	-	-	-	-
RM500,001 - RM550,000	-	-	-	-
RM550,001 - RM600,000	-	2	-	-

**41. Directors' remuneration (cont'd.)**

Details of the directors' remuneration of each director during the financial year ended 31 December 2021 are as follows:

<b>Group 31 December 2021 Directors</b>	<b>Director fees RM'000</b>	<b>Allowance RM'000</b>	<b>Benefit in kind RM'000</b>	<b>Total RM'000</b>
1. Tan Sri Azlan bin Mohd Zainol	234	89	26	349
2. Encik Aw Hong Boo	153	150	-	303
3. Encik Lim Tian Huat	160	144	-	304
4. Ir. Moslim Othman	145	125	-	270
5. Encik Szalizi Zainuddin	177*	135	-	312
6. Datuk Johar bin Che Mat	157	162	-	319
7. Datuk Azrulnizam bin Abdul Aziz	144	160	-	304
8. Encik Kamarulzaman bin Ahmad	145	129	-	274
9. Encik Arul Sothy Mylvaganam	140	141	-	281
10. Encik Ho Kwong Hoong	83	86	-	169
11. Encik Mohamad Abdul Halim bin Ahmad	165	159	-	324
12. Tan Sri Abdul Halim bin Ali	46	37	-	83
13. Dr. Loh Leong Hua	169	142	-	311
14. Puan Lynette Yeow Su-Yin	210	175	-	385
15. Tunku Alina binti Raja Muhd Alias	70	61	-	131
16. Puan Zaidatul Mazwin Idrus	17*	9	-	26
	2,215	1,904	26	4,145

<b>Group 31 December 2020 Directors</b>	<b>Director fees RM'000</b>	<b>Allowance RM'000</b>	<b>Total RM'000</b>
1. Tan Sri Abdul Halim bin Ali	280	278	558
2. Encik Aw Hong Boo	152	125	277
3. Encik Lim Tian Huat	175	139	314
4. Ir. Moslim Othman	148	121	269
5. Encik Szalizi Zainuddin	120*	123	243
6. Datuk Johar bin Che Mat	155	159	314
7. Puan Lynette Yeow Su Yin	273	284	557
8. Tunku Alina binti Raja Muhd Alias	140	151	291
9. Datuk Azrulnizam bin Abdul Aziz	133	145	278
10. Dr. Loh Leong Hua	163	173	336
11. Encik Kamarulzaman bin Ahmad	141	136	277
12. Puan Zaidatul Mazwin Idrus	100*	72	172
13. Encik Arul Sothy Mylvaganam	93	107	200
14. Encik Mohamad Abdul Halim bin Ahmad	117	98	215
	2,190	2,111	4,301

\* 50% of the directors' fees are paid to the organisation to whom the director represents.

**41. Directors' remuneration (cont'd.)**

<b>Company</b> <b>31 December 2021</b> <b>Directors</b>	<b>Director fees</b> <b>RM'000</b>	<b>Allowance</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
1. Tan Sri Azlan bin Mohd Zainol	117	33	150
2. Encik Lim Tian Huat	160	144	304
3. Ir. Moslim Othman	145	125	270
4. Puan Lynette Yeow Su Yin	142	116	258
5. Encik Sazaliza bin Zainuddin	77*	40	117
6. Dr. Loh Leong Hua	100	82	182
7. Encik Mohamad Abdul Halim bin Ahmad	165	159	324
8. Tan Sri Abdul Halim bin Ali	23	6	29
9. Puan Zaidatul Mazwin Idrus	17*	9	26
	946	714	1,660

<b>Company</b> <b>31 December 2020</b> <b>Directors</b>	<b>Director fees</b> <b>RM'000</b>	<b>Allowance</b> <b>RM'000</b>	<b>Total</b> <b>RM'000</b>
1. Tan Sri Abdul Halim bin Ali	140	75	215
2. Encik Lim Tian Huat	175	139	314
3. Ir. Moslim Othman	148	121	269
4. Puan Lynette Yeow Su Yin	138	125	263
5. Puan Zaidatul Mazwin Idrus	100*	72	172
6. Encik Mohamad Abdul Halim bin Ahmad	117	98	215
	818	630	1,448

\* 50% of the directors' fees are paid to the organisation to whom the director represents.

## 42. Taxation and zakat

### (a) Taxation

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysian income tax:				
Current income tax	210,973	127,002	22,309	20,470
Under provision in prior year	48,131	54,460	33,989	33,209
	259,104	181,462	56,298	53,679
Deferred tax (Note 21):				
Origination and reversal of temporary differences	(15,418)	(30,426)	(244)	(486)
Under provision in prior years	31,793	6,768	621	6,236
	16,375	(23,658)	377	5,750
Total income tax expense for the year	275,479	157,804	56,675	59,429
Tax recognised directly in equity:				
Fair value reserve (Note 21)	(124,964)	25,163	-	-

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

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before taxation and zakat	714,114	427,640	326,260	210,241
Taxation at Malaysian statutory tax rate of 24% (2020: 24%)	171,387	102,634	78,302	50,458
Effect of income not subject to tax	(12,271)	(34,339)	(56,469)	(32,077)
Effect of expenses not deductible for tax purposes	32,481	26,909	232	1,603
Deferred tax assets not recognised	4,618	2,643	-	-
Reversal of deferred tax assets not previously recognised	(17)	-	-	-
Under provision of income tax in prior years	48,131	54,460	33,989	33,209
Under provision of deferred tax in prior years	31,793	6,768	621	6,236
Reversal of deferred tax liabilities	(643)	(1,271)	-	-
Tax expense for the year	275,479	157,804	56,675	59,429

### (b) Zakat

During the year, the Board of Directors of MBSB Bank approved zakat for the financial year ended 31 December 2020 amounting to RM358,571. The amount offsets with the reversal of zakat provision made in 2020.

### 43. Earnings per share

#### Basic

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	2021	2020
Net profit for the year (RM'000)	438,705	269,318
Weighted average number of ordinary shares in issue ('000)	7,058,434	6,814,331
Basic earnings per share (sen)	6.22	3.95

### 44. Dividends

Dividend declared by the Group and the Company:

	Sen per share	Total amount RM'000	Date of payment
<b>2021</b>			
Single-tier interim dividend for 2021	3.0	215,145	12 January 2022
Single-tier final dividend for 2020	2.0	139,508	30 July 2021
<b>2020</b>			
Single-tier final dividend for 2019	3.0	201,402	12 August 2020

#### Malaysia Building Society Berhad ("MBSB") Dividend Reinvestment Plan

On 10 December 2013, the shareholders of the Company approved the Dividend Reinvestment Plan ("DRP") to enable the Company's efforts to enhance and maximise shareholders' value. The DRP is part of the Company's capital management plan in retaining capital for future expansion of the business.

It should be noted that the Company is not obliged to undertake the DRP and provide the option to reinvest for every dividend declared.

The DRP provides shareholders with the opportunity to reinvest their dividends in new MBSB shares in lieu of receiving cash. This provides greater flexibility for the shareholders in meeting their investment objective with the choice of receiving cash or reinvesting in the Company via the subscription of new additional MBSB shares.

Under the DRP, shareholders will have the following options in respect of the electable portion:

- (a) elect to exercise the option to reinvest and thereby reinvest the entire electable portion (or a part thereof) at the issue price of the new MBSB shares ("Issue Price") and to receive cash for the remaining portion of the dividend (in the event that only part of the electable portion is reinvested); or
- (b) elect not to exercise the option to reinvest and thereby receive their entire dividend entitlement wholly in cash.

There will be no brokerage fees and other related transaction costs payable by shareholders on the new MBSB shares allotted pursuant to the DRP.



#### 44. Dividends (cont'd.)

##### Malaysia Building Society Berhad ("MBSB") Dividend Reinvestment Plan (cont'd.)

The Issue Price shall be at a discount of not more than ten percent (10%) of the five (5)-day volume weighted average market price ("VWAP") of MBSB Shares immediately prior to the date of fixing of the Issue Price provided that the Issue Price shall not be less than the par value of MBSB Shares of RM1.00 each at the material time. The VWAP shall be adjusted ex-dividend before applying the discount in fixing the Issue Price. The Issue Price shall be announced on or before the announcement of the books closure date ("Books Closure Date").

An approval for the listing of and quotation for the new MBSB Shares on the Main Market of Bursa Securities pursuant to the DRP will be obtained from Bursa Securities and the announcement on the Books Closure Date will be made after receipt of the said approval from Bursa Securities and such approval from other relevant authorities (if any).

Subsequent to the Books Closure Date, a notice of election pursuant to the DRP ("Notice of Election") will be dispatched to shareholders. Instructions will be provided in the Notice of Election in respect of the action to be taken by shareholders should they wish to exercise the option to reinvest. The Notice of Election will also state, inter-alia, the last day (which will be a date to be fixed and announced by the Board) by which an election to be made by shareholders in relation to the electable portion must be received by the Company ("Expiry Date").

An announcement will also be made in respect of the day on which the new MBSB shares will be listed and quoted on the Main Market of Bursa Securities.

#### 45. Capital adequacy

The Group and the Company have complied and computed the capital adequacy ratios in accordance with Bank Negara Malaysia's Capital Adequacy Framework for Islamic Banks (Capital Components and Risk-Weighted Assets). The total risk-weighted assets are computed based on Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk.

In December 2020, Bank Negara Malaysia issued a revised Policy Document on the Capital Adequacy Framework for Islamic Banks (Capital Components) ("CAFIB") and with immediate effect, superseding the version previously issued in February 2020. The revised CAFIB has provided for an optional transitional arrangement for regulatory capital treatment of expected credit losses ("ECL") provisions.

This new optional transitional arrangement allows financial institutions to add back the amount of loss allowance measured at an amount equal to 12-month and lifetime ECL to the extent they are ascribed to non-credit impaired exposures (hereinafter referred to as Stage 1 and Stage 2 provisions) to CET1 capital on a gradual phase-out basis either over a four-year period from the financial year beginning 2020, or over a three-year period from the financial year beginning 2021.

The Group and the Company have elected to apply this transitional arrangement ("TA") for four financial years from the financial year beginning 1 January 2020 to 31 December 2023.

For the purpose of disclosures in the financial statements, the capital adequacy of the Group and the Company are disclosed 'with TA' and 'without TA'.

## 45. Capital adequacy (cont'd.)

	Group			
	with TA 2021 RM'000	without TA 2021 RM'000	with TA 2020 RM'000	without TA 2020 RM'000
<b>Common Equity Tier 1 ("CET1") Capital</b>				
Ordinary share capital	7,198,068	7,198,068	7,088,255	7,088,255
Retained earnings exclude merger reserve	1,642,303	1,642,303	1,558,251	1,558,251
Fair value reserve	(161,046)	(161,046)	234,666	234,666
	8,679,325	8,679,325	8,881,172	8,881,172
Less : Regulatory adjustments				
Goodwill	(148,031)	(148,031)	(148,031)	(148,031)
Deferred tax assets	(24,176)	(24,176)	(7,261)	(7,261)
Cumulative gains of financial investments at FVOCI	(57,882)	(57,882)	(191,046)	(191,046)
Intangible assets	(150,760)	(150,760)	(162,058)	(162,058)
Other CET1 regulatory adjustments	79,645	-	144,075	-
Total CET1 Capital	8,378,121	8,298,476	8,516,851	8,372,776
<b>Tier 1 Capital</b>				
Additional Tier 1 capital instruments	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-
Total Tier 1 capital	8,378,121	8,298,476	8,516,851	8,372,776
<b>Tier 2 Capital</b>				
Stage 1 and Stage 2 ECL allowances	452,174	452,174	479,868	479,868
Tier 2 capital instruments	1,294,247	1,294,247	1,293,335	1,293,335
Total Tier 2 capital	1,746,421	1,746,421	1,773,203	1,773,203
Total capital base	10,124,542	10,044,897	10,290,054	10,145,979

#### 45. Capital adequacy (cont'd.)

Breakdown of risk weighted assets in various categories of risk weights are as follows:

	Group			
	with TA 2021 RM'000	without TA 2021 RM'000	with TA 2020 RM'000	without TA 2020 RM'000
<u>Total risk weighted assets ("RWA")</u>				
- Credit risk	36,173,916	36,173,916	38,389,455	38,389,455
- Market risk	62,619	62,619	36,226	36,226
- Operational risk	2,735,512	2,735,512	2,581,745	2,581,745
<b>Total RWA</b>	<b>38,972,047</b>	<b>38,972,047</b>	<b>41,007,426</b>	<b>41,007,426</b>
<u>Capital adequacy ratios</u>				
CET1 capital ratio	21.498%	21.293%	20.769%	20.418%
Tier 1 capital ratio	21.498%	21.293%	20.769%	20.418%
Total capital ratio	25.979%	25.775%	25.093%	24.742%

	Company			
	with TA 2021 RM'000	without TA 2021 RM'000	with TA 2020 RM'000	without TA 2020 RM'000
<b>Common Equity Tier 1 ("CET1") Capital</b>				
Ordinary share capital	7,198,068	7,198,068	7,088,255	7,088,255
Retained earnings	72,616	72,616	157,684	157,684
	7,270,684	7,270,684	7,245,939	7,245,939
Less : Regulatory adjustments				
Deferred tax assets	(3,458)	(3,458)	(3,835)	(3,835)
<b>Total CET1 Capital</b>	<b>7,267,226</b>	<b>7,267,226</b>	<b>7,242,104</b>	<b>7,242,104</b>
<b>Tier 1 Capital</b>				
Additional Tier 1 capital instruments	-	-	-	-
Less: Tier 1 regulatory adjustments	-	-	-	-
<b>Total Tier 1 capital</b>	<b>7,267,226</b>	<b>7,267,226</b>	<b>7,242,104</b>	<b>7,242,104</b>
<b>Tier 2 Capital</b>				
Stage 1 and Stage 2 ECL allowances	10,744	10,744	65,922	65,922
<b>Total Tier 2 capital</b>	<b>10,744</b>	<b>10,744</b>	<b>65,922</b>	<b>65,922</b>
<b>Total capital base</b>	<b>7,277,970</b>	<b>7,277,970</b>	<b>7,308,026</b>	<b>7,308,026</b>

#### 45. Capital adequacy (cont'd.)

Breakdown of risk weighted assets in various categories of risk weights are as follows:

	Company			
	with TA 2021 RM'000	without TA 2021 RM'000	with TA 2020 RM'000	without TA 2020 RM'000
<u>Total risk weighted assets ("RWA")</u>				
- Credit risk	6,828,086	6,828,086	6,948,160	6,948,160
- Market risk	-	-	-	-
- Operational risk	187,921	187,921	393,593	393,593
<b>Total RWA</b>	<b>7,016,007</b>	<b>7,016,007</b>	<b>7,341,753</b>	<b>7,341,753</b>
<u>Capital adequacy ratios</u>				
CET1 capital ratio	103.581%	103.581%	98.643%	98.643%
Tier 1 capital ratio	103.581%	103.581%	98.643%	98.643%
Total capital ratio	103.734%	103.734%	99.541%	99.541%

#### 46. Significant related party transactions/balances

(a) Transactions and balances with government-related entities are as follows:

EPF, the ultimate holding body, is a shareholder with control over the Group, with direct shareholdings of 65.87% as at 31 December 2021 (2020: 65.39%). EPF is also a government-linked entity. EPF and entities directly controlled by EPF are collectively referred to as government-related entities to the Group.

All the transactions entered into by the Group with government-related entities are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not government-related.

(i) Individually significant transactions and balances with EPF are as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Expenses</b>				
Profit expense paid on sukuk to EPF	52,001	57,283	-	-
Profit expense paid on fixed deposits to EPF	26,458	35,018	-	-
Interest expenses paid on time deposit to EPF	385	7	-	-
Rental paid	50	50	-	-

**46. Significant related party transactions/balances (cont'd.)**

(a) Transactions and balances with government-related entities are as follows (cont'd.):

(i) Individually significant transactions and balances with EPF are as follows (cont'd.):

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Balances</b>				
Sukuk MBSB-SC Murabahah	968,331	1,077,654	-	-
Accrued profit on sukuk due to EPF	7,090	7,483	-	-
Fixed deposits by EPF	1,400,000	1,300,000	-	-
Accrued profit on fixed deposits due to EPF	1,634	1,618	-	-
Time deposits by EPF	24,557	14,089	-	-
Accrued interest on time deposit due to EPF	5	7	-	-
Rental deposit	17	17	17	17

(ii) Individually significant balances with the RHB Banking Group of companies, comprising RHB Bank Berhad and RHB Islamic Bank Berhad, being companies directly controlled by EPF, are as follows:

	Group	
	2021 RM'000	2020 RM'000
<b>Income/(Expense)</b>		
Profit income from deposit placements	1	1
Profit expense to depositors	(2,418)	(2,501)
<b>Balances</b>		
Cash and short-term funds	404,304	84,863
Deposits and placements with financial institutions	32	32

The Group and the Company have balances with other government-related entities including but not limited to provision of loans, financing and advances, deposits placements and borrowings.

**46. Significant related party transactions/balances (cont'd.)**

(a) Transactions and balances with government-related entities are as follows (cont'd.):

(iii) Collectively, but not individually, significant balances:

For the financial year ended 31 December 2021, the aggregate amount of the Group and the Company's significant balances with other government-related entities other than the RHB Banking Group of companies are as disclosed below:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Income/(expenses)</b>		
Profit from financing	3,065	18,379
Profit to depositors	(170)	(3,398)
<b>Balances</b>		
Financing	-	81,943
Deposits from customers	6,499	210,879

(b) Transactions and balances with subsidiaries and related entities of the Group and the Company are as follows:

The related entities include other entities whereby any of the directors have interest via directorship.

	<b>Group</b>		<b>Company</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Income/(expenses)</b>				
Interest charged on loans and advances	-	-	2,841	3,318
Other expenses	(3,097)	(6,975)	-	(811)
Profit to depositors	(3,461)	(4,949)	-	-
<b>Balances</b>				
Amount due from subsidiaries	-	-	50,172	54,729
Deposits from customer	281,708	185,642	-	-

Other expenses include transactions for services provided by related entities including takaful expenses.

The Directors are of the opinion that all the transactions and balances above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

**46. Significant related party transactions/balances (cont'd.)**

(c) The remuneration of Directors and other members of key management during the year is as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Short-term employee benefits	18,163	17,950
Pension costs: EPF	2,235	2,204
	20,398	20,154

Included in the total key management personnel are:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Remuneration comprising salary, bonus, allowances and other emoluments of:		
Chief Executive Officer	5,864	4,010
Acting Chief Executive Officer	523	-
	6,387	4,010

(d) Transactions and balances with Directors and key management:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Expense</b>		
Profit income earned on financing	26	-
Interest cost incurred on savings and deposits	(59)	(51)
<b>Balance</b>		
Amount due from in respect of financing	936	-
Amount due to in respect of savings and deposits	4,049	3,144

**47. Credit exposures arising from transactions with connected parties**

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	1,088,880	1,353,050
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	2.72%	3.47%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	0.26%	0.50%

	<b>Company</b>	
	<b>2021</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Outstanding credit exposures with connected parties	68	61,888
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	0.01%	4.11%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	0.01%	4.07%

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks, which are effective on 1 January 2008.



#### 48. Commitments and contingencies

In the normal course of business, the Group and the Company make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

##### Group

31 December 2021

	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
Direct credit substitutes	22,786	22,786	22,786
Trade-related contingencies	81,815	40,908	40,908
Short term self liquidating trade related contingencies	82,062	16,412	16,412
Irrevocable commitments to extend credit:			
- one year or less	906,430	190,286	190,286
- over one year to five years	1,750,332	873,769	777,541
- over five years	2,304	1,150	1,150
Foreign exchange related contracts#			
- one year or less	419,278	6,924	5,241
	3,265,007	1,152,235	1,054,324

##### Company

31 December 2021

	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
Irrevocable commitments to extend credit:			
- over one year to five years	11,668	5,808	4,352
	11,668	5,808	4,352

**48. Commitments and contingencies (cont'd.)****Group****31 December 2020**

	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
Direct credit substitutes	61,797	52,254	52,254
Trade-related contingencies	96,956	47,416	47,416
Short term self liquidating trade related contingencies	107,698	21,540	21,540
Irrevocable commitments to extend credit:			
- one year or less	612,780	155,399	155,399
- over one year to five years	1,577,419	785,452	707,057
- over five years	8,308	4,153	4,152
Foreign exchange related contracts#			
- one year or less	278,310	5,896	3,344
	<b>2,743,268</b>	<b>1,072,110</b>	<b>991,162</b>

**Company****31 December 2020**

	<b>Principal amount RM'000</b>	<b>Credit equivalent amount RM'000</b>	<b>Risk weighted amount RM'000</b>
Trade-related contingencies	3,530	703	703
Irrevocable commitments to extend credit:			
- over one year to five years	14,989	6,883	5,073
	<b>18,519</b>	<b>7,586</b>	<b>5,776</b>

# Foreign related contracts represents the notional amount of the derivative financial instruments recognised as derivative assets/liabilities.

<b>Group</b>	
<b>2021</b>	<b>2020</b>
<b>RM'000</b>	<b>RM'000</b>

**(i) Capital Commitments**

Property and equipment /intangible assets:  
Contracted but not provided for

11,766	52,872
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#### 49. Contingent liabilities (Unsecured)

KCSB Konsortium Sdn Bhd and Kausar Corporation Sdn Bhd (collectively referred to as “the Plaintiffs/the Appellant”) have instituted a civil suit against the Company and its subsidiary, Definite Pure Sdn. Bhd. for an alleged breach of facility agreement.

The High Court dismissed the Plaintiffs’ claim with costs and allowed the Company’s counterclaim. The Plaintiffs appealed to the Court of Appeal who in November 2016, allowed the appeal with no order as to costs and sent the case back to the High Court for retrial before a different Judge on the Ground that the Judgement were wholly inadequate as they could not be certain as to the basis on which the decision was reached.

The High Court fixed the matter for full trial on 11, 12 and 15 September 2017. The parties filed Striking-Out Applications on 18 July 2017. On 8 September 2017, the Court found that both claims were time barred and struck out both the claims. Both parties have appealed to the Court of Appeal and the matter was subsequently heard on 28 August 2018. The Court of Appeal dismissed both appeals and directed the matter to be fixed for trial before a different judge.

On 27 January 2021, the High Court has decided in favour of part of the Plaintiffs’ claims including a monetary claim of RM35.3 million with interest at 5% to be calculated thereon. Both the Company and KCSB have appealed against the decision.

The parties’ appeals to the Court of Appeal are fixed for hearing on 6 July 2022.

The Directors after obtaining advice from the Company’s solicitors are of the opinion that the Company has a reasonably fair chance in respect of the civil suit against the Company and its subsidiary.

#### 50. COVID-19 specific disclosures

Exposures to COVID-19 impacted sectors

Group	Loans, financing and advances	
	On-balance sheet (net of impairment)	
	2021	2020
	RM'000	RM'000
Airline/aviation, construction, oil and gas, retail and wholesale/trading, hotels and tourism, property development, food and beverage services/restaurants	3,460,845	3,730,895
<b>Company</b>		
	Loans, financing and advances	
	On-balance sheet (net of impairment)	
	2021	2020
	RM'000	RM'000
Airline/aviation, construction, oil and gas, retail and wholesale/trading, hotels and tourism, property development, food and beverage services/restaurants	38,762	19,030

## 50. COVID-19 specific disclosures (cont'd.)

## COVID-19 customer relief and support measures

Group	Retail customers as at 31 December 2021				Non-retail customers as at 31 December 2021	Grand total RM'000
	Personal RM'000	Property/ mortgage RM'000	Auto RM'000	Total RM'000	Total RM'000	
Total 6-month automatic payment moratorium granted	-	-	-	-	-	-
Total repayment assistances, rescheduling and restructuring ("R&R")	13,165,631	3,836,265	40,590	17,042,486	924,742	17,967,228
<b>Grand total</b>	<b>13,165,631</b>	<b>3,836,265</b>	<b>40,590</b>	<b>17,042,486</b>	<b>924,742</b>	<b>17,967,228</b>
<i>Of which:</i>						
Resumed repayment	13,155,248	3,823,531	40,186	17,018,965	795,968	17,814,933
Missed payments	10,383	12,734	404	23,521	128,774	152,295
<i>As a percentage of total:</i>						
Resumed repayment	99.9%	99.7%	99.0%	99.9%	86.1%	99.2%
Missed payments	0.1%	0.3%	1.0%	0.1%	13.9%	0.8%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

**50. COVID-19 specific disclosures (cont'd.)**

COVID-19 customer relief and support measures (cont'd.)

Group	Retail customers as at 31 December 2020				Non-retail customers as at 31 December 2020	Grand total RM'000
	Personal RM'000	Property/mortgage RM'000	Auto RM'000	Total RM'000	Total RM'000	
Total 6-month automatic payment moratorium granted	18,747,866	5,519,914	102,265	24,370,045	3,864,914	28,234,959
Total repayment assistances, rescheduling and restructuring ("R&R")	21,195	46,995	333	68,523	39,729	108,252
<b>Grand total</b>	<b>18,769,061</b>	<b>5,566,909</b>	<b>102,598</b>	<b>24,438,568</b>	<b>3,904,643</b>	<b>28,343,211</b>
<i>Of which:</i>						
Resumed repayment	18,197,330	4,408,468	67,540	22,673,338	2,903,429	25,576,767
Extended and repaying as per revised schedules	180,678	659,561	11,260	851,499	759,757	1,611,256
Missed payments	391,053	498,880	23,798	913,731	241,457	1,155,188
<i>As a percentage of total:</i>						
Resumed repayment	97.0%	79.2%	65.8%	92.8%	74.4%	90.2%
Extended and repaying as per revised schedules	0.9%	11.8%	11.0%	3.5%	19.4%	5.7%
Missed payments	2.1%	9.0%	23.2%	3.7%	6.2%	4.1%
	100%	100.0%	100.0%	100.0%	100.0%	100.0%

## 50. COVID-19 specific disclosures (cont'd.)

COVID-19 customer relief and support measures (cont'd.)

Company	Retail customers as at 31 December 2021			Non-retail customers as at 31 December 2021	Grand total RM'000
	Mortgage RM'000	Auto RM'000	Total RM'000	Total RM'000	
Total 6-month automatic payment moratorium granted	-	-	-	-	-
Total repayment assistances, rescheduling and restructuring ("R&R")	37,157	-	37,157	-	37,157
Grand total	37,157	-	37,157	-	37,157
<i>Of which:</i>					
Resumed repayment	37,157	-	37,157	-	37,157
Missed payments	-	-	-	-	-
<i>As a percentage of total:</i>					
Resumed repayment	100.0%	0.0%	100.0%	0.0%	100.0%
Missed payments	0.0%	0.0%	0.0%	0.0%	0.0%
	100.0%	0.0%	100.0%	0.0%	100.0%

**50. COVID-19 specific disclosures (cont'd.)**COVID-19 customer relief and support measures (cont'd.)

Company	Retail customers as at 31 December 2020			Non-retail customers as at 31 December 2020	Grand total RM'000
	Mortgage RM'000	Auto RM'000	Total RM'000	Total RM'000	
Total 6-month automatic payment moratorium granted	369,857	805	370,662	203,101	573,763
Total repayment assistance, rescheduling and restructuring ("R&R")	7,375	71	7,446	-	7,446
<b>Grand total</b>	<b>377,232</b>	<b>876</b>	<b>378,108</b>	<b>203,101</b>	<b>581,209</b>
<i>Of which:</i>					
Resumed repayment	232,206	247	232,453	100,402	332,855
Extended and repaying as per revised schedules	60,219	218	60,437	102,699	163,136
Missed payments	84,807	411	85,218	-	85,218
<i>As a percentage of total:</i>					
Resumed repayment	61.5%	28.2%	61.5%	49.4%	57.2%
Extended and repaying as per revised schedules	16.0%	24.9%	16.0%	50.6%	28.1%
Missed payments	22.5%	46.9%	22.5%	0.0%	14.7%
	100.0%	100.0%	100.0%	100.0%	100.0%

Overlays and adjustments for expected credit loss amid COVID-19 environment

Given the degree of uncertainty surrounding the economic impact of COVID-19 and irregular underlying data in expected credit loss ("ECL") models following containment efforts and government support measures, overlays have been applied for the year ended 31 December 2021.

These overlays were applied to reflect the potential impact of delinquencies and defaults when the various relief and support measures are uplifted.

Adjustments to non-retail exposures principally reflect the outcome of management judgements for high-risk and vulnerable sectors.

For retail portfolio, adjustments reflect management's view of possible defaults which has been temporarily suppressed by government support and customer relief measures. The retail portfolio default is closely monitored and updated prospectively to align with latest government support and customer relief programs.

The 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 were generally made at account level in determining the sufficient level of ECLs.

These overlays amount to approximately 6% of total ECL as at 31 December 2021 for MBSB Group.

## 51. Financial risk management

The Group and the Company have exposure to one or more of the following risks:

(i) Credit risk

Arising from the possibility of losses due to an obligor or, market counterparty or issuer of securities or other instruments held, having failed to perform its contractual obligations to the Group;

(ii) Market risk

Arising from fluctuations in the market value of the trading; or investment exposure arising from changes to market risk factors such as profit rates, currency exchange rates, credit spreads, commodity prices and their associated volatility;

(iii) Liquidity risk

Arising from a Group's ability to efficiently meet its present and future funding needs or regulatory obligations, when they come due, which may adversely affect its daily operations and incur unacceptable losses;

(iv) Operational risk

Arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

(v) Profit rate/rate of return risk in the banking book

Current and potential risk to the Group's earning and economic value arising from movement in the profit rates/rate of return;

(vi) Capital risk

Arising from the failure to meet the minimum regulatory and internal requirements; and

(vii) Shariah Non Compliance risk

Arising from possible failure to comply with the Shariah requirements as determined by Shariah Advisory Council ("SAC") of Bank Negara Malaysia ("BNM") and Securities Commission ("SC"), the Shariah Committee and other Shariah regulatory authorities.



## 51. Financial risk management (cont'd.)

### (a) Financial risk management objectives and policies

Risk management forms an integral part of the Group and the Company's activities and remains an important feature in all its business, operations, delivery channels and decision-making processes. The extent to which the Group and the Company are able to identify, assess, monitor, manage and report each of the various types of risk is critical to its strength, soundness and profitability. The Group's and the Company's risk management function is independent of its operating units. All new businesses, introduction of new products, engagement in new activities or entrance into new strategic alliances are subject to endorsement by the Risk Management Division and submitted to the Audit Committee ("AC"), Risk Management Committee ("RMC") and/or Board of Directors for approvals.

In essence, the objectives of the Group and the Company's risk management activities are to:

- (i) Identify and monitor the various risk exposures and risk requirements;
- (ii) Ensure risk-taking activities are consistent with the approved policies and the aggregated risk positions are within the risk appetite as approved by the Board; and
- (iii) Help create shareholder value through proper allocation of risk and the facilitation of independent risk assessments of new business and products.

### (b) Risk management framework

The Group and the Company employ an Enterprise-wide Risk Management Framework to manage its risks effectively. The framework involves an on-going process of identifying, evaluating, monitoring, managing and reporting significant risks affecting the Group and the Company which is implemented through a number of committees established by the Board of Directors. This framework provides the Board and the management with a tool to anticipate and manage both existing and potential risks, taking into consideration dynamic risk profiles as dictated by changes in business strategies, regulatory environment and functional activities throughout the year.

Key features of the Risk Management Framework include:

- (i) Governance and Organisation

A strong governance structure is important to ensure an effective and consistent implementation of the Risk Management Framework. The Board is ultimately responsible for the Group's and the Company's strategic directions, which is supported by the Risk Appetite and Risk Management Frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group's and the Company's Risk Management Framework is effectively maintained.

- (ii) Internal Capital Adequacy Assessment Process ("ICAAP")

The Group's and the Company's ICAAP framework ensures that all material risks are identified, measured and reported; and that adequate capital levels consistent with the risk profiles, including capital buffers, are maintained to support the current and projected demand for capital, under existing and stressed conditions. For non-measurable risks, relevant framework and control mechanisms are implemented to mitigate and manage the same.

## 51. Financial risk management (cont'd.)

### (b) Risk management framework (cont'd.)

#### (iii) Risk Appetite

It is defined as the amount and types of risk that the Group and the Company is able and willing to accept in pursuit of its strategic and business objectives. The development of the risk appetite is integrated into the annual strategic planning process and is adaptable to changing business and market conditions. As the risk appetite is dynamic, the Board sets the risk appetite based on the business and financial targets, while incorporating macroeconomic and global outlook. The Board also considers the actual and targeted risk profile of the Group and the Company proposed by senior management and business units when setting the risk appetite. The risk appetite is also being reviewed annually or as and when required.

#### (iv) Risk Management Process

- **Business Planning:** Risk Management Division is an element of the business planning process, which encompasses setting frameworks for risk appetite, risk structure and new product or new business activities.
- **Risk Identification:** Risks are systematically identified through the robust application of the Group's and the Company's Risk Management Framework, policies and procedures.
- **Measure and Assess:** Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.
- **Manage and Controls:** Controls and limits are used to manage risk exposures within the risk appetite set by the Board. Controls and limits are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- **Monitor and Report:** Risks on an individual as well as a portfolio basis are regularly monitored and reported to ensure they remain within the Group's and the Company's risk appetite.

#### (v) Risk Management Infrastructure

- **Risk Policies, Procedures and Methodologies:** Well-defined risk policies by risk type provide the principles by which the Group and the Company manages its risks. Procedures provide guidance for day-to-day risk-taking activities. Methodologies provide specific requirements, rules or criteria that must be met to comply with the policy.
- **People:** Attracting the right talent and skills are the key to ensuring a well-functioning risk management framework. The organization continuously evolves and proactively responds to the increasing complexity of the Group and the Company as well as the economic and regulatory environment.
- **Technology and Data:** Appropriate technology and sound data management are enablers to support risk management activities.

## 51. Financial risk management (cont'd.)

### (b) Risk management framework (cont'd.)

#### (vi) Risk Culture

The Group and the Company embraces risk management as an integral part of its culture and decision-making processes. The Group's and the Company's risk management philosophy is embodied in the Three Lines of Defense approach, whereby risks are managed at the point of a risk-taking activity. There is clear accountability of risk ownership across the Group and the Company. Guided by the said principle, the Group has launched a Risk Awareness Culture which comprises training, awareness campaigns and roadshows within the Group and the Company to promote a healthy risk culture. A strong risk culture minimizes the Group's and the Company's exposure to financial and non-financial risks including reputational impact, over time.

In addition, the Group and the Company have implemented the Regional Compliance and Risk Officers ("RCROs") and Designated Compliance and Risk Officers ("DCOROs") to cultivate proactive risk and compliance management and to establish a robust risk culture. The DCOROs are appointed at the respective branches, business and functional units across the Group and the Company to provide real time advisory on risk and compliance matters.

### (c) Risk organisation

At the apex of the Group and the Company's risk management structure is the Board of Directors, which comprises Non-Executive Directors. In line with best practices, the Board determines the risk policy objectives for the Group and the Company, and assumes responsibility for the supervision of risk management.

The day-to-day responsibility for risk management and control is delegated to the RMC which undertakes the oversight function for overall risk limits of the Group and the Company to ensure that they are within risk appetites established by the Board. Other than the RMC, the Board is also supported by specialised and supervisory committees, the details of which are as follows:

- (i) Asset and Liability Committee ("ALCO"): The ALCO is responsible for the Group's and the Company's liquidity management by focusing on the maturity gap, liquidity position, loans portfolio concentration, deposits composition and depositors' concentration. The ALCO also manages the interest rate exposures and interest margin of the Group and the Company by reviewing the lending rates, cost of funds, interest margin and the repricing gaps.
- (ii) Credit and Rehabilitation Assessment Committee ("CARAC"): The CARAC deliberates and approves decisions on the remaining conventional corporate and retail financing, within the authority limit delegated by MBSB's Board. Where the proposals of the existing corporate and retail financing are not within CARAC's authority limit, it would recommend the proposals to MBSB Board for approval. No new financings are being carried out at MBSB as all new financings are being undertaken by the Bank.
- (iii) Management Committee ("MANCO"): The MANCO deliberates the implementation of the enterprise-wide Risk Management Framework which addresses credit, market and operational and strategic risks and also resolves operational issues within the policies established by the Board and recommends policy changes to the Board.

## 51. Financial risk management (cont'd.)

### (c) Risk organisation (cont'd.)

The Group's and the Company's risk management approach is based on the 'Three Lines of Defence' concept.

1st line of defence - the risk owner or risk-taking unit ie Business or Support unit is accountable for putting in place a robust control environment within their respective units. They are responsible for the day-to-day management of operational risk.

2nd line of defence - Risk Management Division is responsible for establishing and maintaining the Risk Management Framework, developing various risk management tools to facilitate the management of operational risk, monitoring the effectiveness of risk management, assessing operational risk issues from the risk owner and escalating the issues to the relevant governance level with recommendations on appropriate risk mitigation strategies. In creating a strong risk culture, the Risk Management Division is also responsible to promote risk awareness across the Group and the Company.

Compliance Division is responsible for ensuring effective oversight on compliance-related risks such as regulatory compliance risk, compliance risk as well as money laundering and terrorism financing risks through proper classification of risks and developing, reviewing and enhancing compliance-related training programme as well as conducting training that promotes awareness creation.

3rd line of defence - Internal Audit provides independent assurance to the Board and senior management on the effectiveness of the risk management process.

### (d) Risk reporting and monitoring

The Group and the Company's credit portfolios are monitored through early alert reporting to ensure credit deterioration is promptly detected and mitigated through the implementation of risk remediation strategies. All business units undertake regular and comprehensive analyses of their credit portfolios and report to the relevant committees and are overseen by the Group Risk Management Division ("GRM"). The GRM provides independent reporting to the business units and the Board to ensure independence in relation to the prompt identification and communication of emerging credit issues of the Group and the Company to the Board.

### (e) Credit risk mitigation

All credit facilities are granted based on the credit standing of the borrower, source of repayment, debt servicing ability and the collateral provided. The valuation of the collateral is conducted periodically. The main types of collateral taken by the Group and the Company are marketable securities, real estate, inventory and receivables. Personal guarantees are also taken as a part of the collateral to support moral commitment from the principal shareholders and directors. Corporate guarantees are often obtained when the borrower's credit worthiness is insufficient to justify the granting of credit facilities.

### (f) Concentration risk

Concentration of credit risk arises when several customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group and the Company monitor their portfolios to identify and assess risk concentrations. The credit portfolios are monitored and periodically reviewed to identify, assess and guard against unacceptable risk concentrations. The GRM also applies single customer counterparty limits to protect against unacceptably large exposures to a single risk. The GRM conducts analyses and reports concentration risk to the Board of Directors on a quarterly basis.

**51. Financial risk management (cont'd.)**
**(g) Financial instruments**
**(i) Financial instruments by category**

The tables below provide an analysis of financial instruments categorised as follows:

- (a) Amortised cost ("AC")
- (b) Fair value through other comprehensive income ("FVOCI")
- (c) Fair value through profit or loss ("FVTPL")

2021	Carrying amount RM'000	AC RM'000	FVOCI RM'000	FVTPL RM'000
<b>Group</b>				
<b>Financial assets</b>				
Cash and short-term funds	521,831	521,831	-	-
Deposits and placements with other financial institutions	843,856	843,856	-	-
Derivative financial assets	637	-	-	637
Financial investments at FVTPL	240,209	-	-	240,209
Financial investments at FVOCI	11,811,115	-	11,811,115	-
Financial investments at amortised cost	630,334	630,334	-	-
Loans, financing and advances	34,503,102	34,503,102	-	-
Other financial assets ^	40,307	40,307	-	-
Statutory deposits with Bank Negara Malaysia	650,000	650,000	-	-
Assets held for sale	2,600	2,600	-	-
	49,243,991	37,192,030	11,811,115	240,846
<b>Financial liabilities</b>				
Deposits from customers	24,601,750	24,601,750	-	-
Deposits and placements of banks and other financial institutions	8,649,581	8,649,581	-	-
Investment accounts of customers	2,094,914	2,094,914	-	-
Derivative financing liabilities	2,363	-	-	2,363
Other financial liabilities#	1,062,133	1,062,133	-	-
Lease liabilities	38,998	38,998	-	-
Recourse obligation on sold	3,141,309	3,141,309	-	-
Sukuk - MBSB SC Murabahah	1,072,972	1,072,972	-	-
Sukuk Wakalah	1,294,247	1,294,247	-	-
	41,958,267	41,955,904	-	2,363

## 51. Financial risk management (cont'd.)

## (g) Financial instruments (cont'd.)

## (i) Financial instruments by category (cont'd.)

2021	Carrying amount RM'000	AC RM'000	FVOCI RM'000	FVTPL RM'000
<b>Company</b>				
<b>Financial assets</b>				
Cash and short-term funds	224,895	224,895	-	-
Deposits and placements with other financial institutions	574,580	574,580	-	-
Loans, financing and advances	477,089	477,089	-	-
Other financial assets ^	148,482	148,482	-	-
	1,425,046	1,425,046	-	-
<b>Financial liabilities</b>				
Other financial liabilities #	239,061	239,061	-	-
	239,061	239,061	-	-
<b>2020</b>				
<b>Group</b>				
<b>Financial assets</b>				
Cash and short-term funds	1,082,712	1,082,712	-	-
Deposits and placements with other financial institutions	781,682	781,682	-	-
Derivative financial assets	1,724	-	-	1,724
Financial investments at FVOCI	10,192,272	-	10,192,272	-
Financial investments at amortised cost	488,102	488,102	-	-
Loans, financing and advances	33,762,458	33,762,458	-	-
Other financial assets ^	65,190	65,190	-	-
Statutory deposits with Bank Negara Malaysia	620,000	620,000	-	-
	46,994,140	36,800,144	10,192,272	1,724

**51. Financial risk management (cont'd.)**
**(g) Financial instruments (cont'd.)**
**(i) Financial instruments by category (cont'd.)**

2020	Carrying amount RM'000	AC RM'000	FVOCI RM'000	FVTPL RM'000
<b>Financial liabilities</b>				
Deposits from customers	24,353,435	24,353,435	-	-
Deposits and placements of banks and other financial institutions	9,529,305	9,529,305	-	-
Derivative financing liabilities	1,614	-	-	1,614
Other financial liabilities <sup>#</sup>	503,093	503,093	-	-
Lease liabilities	11,148	11,148	-	-
Recourse obligation on financing sold	2,262,531	2,262,531	-	-
Sukuk - MBSB SC Murabahah	1,366,563	1,366,563	-	-
Sukuk Wakalah	1,293,335	1,293,335	-	-
	39,321,024	39,319,410	-	1,614
<b>Company</b>				
<b>Financial assets</b>				
Cash and short-term funds	342,898	342,898	-	-
Loans, financing and advances	898,954	898,954	-	-
Other financial assets <sup>^</sup>	167,475	167,475	-	-
	1,409,327	1,409,327	-	-
<b>Financial liabilities</b>				
Other financial liabilities <sup>#</sup>	41,074	41,074	-	-
	41,074	41,074	-	-

<sup>^</sup> Other financial assets exclude foreclosed properties, prepayments and deferred expenses.

<sup>#</sup> Other financial liabilities exclude deferred income.

## 51. Financial risk management (cont'd.)

## (g) Financial instruments (cont'd.)

## (ii) Net gains and losses arising from financial instruments

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Net gains arising on:</b>				
Financial instruments measured at amortised cost:				
- Income derived from loans, financing and advances	2,130,227	2,412,367	34,120	83,189
- Income derived from financial investments at amortised cost	29,119	19,589	-	-
- Income derived from deposits and placements	28,233	55,427	5,107	4,527
- Impairment on loans, financing and advances	-	-	35,684	-
- Reversal of impairment on commitments and contingencies	-	21,348	1,198	1,161
- Reversal of impairment on other financial assets	-	-	-	12,000
	2,187,579	2,508,731	76,109	100,877
Financial instruments measured at FVOCI:				
- Income derived from financial investments at FVOCI	418,725	391,915	-	-
- Gain from sale of financial investments	-	246,782	-	-
- Reversal of impairment on financial investments at FVOCI	-	11	-	-
	418,725	638,708	-	-
Financial instruments measured at FVTPL:				
- Income derived from financial investments at FVTPL	4,481	190	-	-
- Gain from sale of financial investments	-	2,817	-	-
	4,481	3,007	-	-
	2,610,785	3,150,446	76,109	100,877



## 51. Financial risk management (cont'd.)

## (g) Financial instruments (cont'd.)

## (ii) Net gains and losses arising from financial instruments (cont'd.)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Net losses on:</b>				
Financial instruments measured at amortised cost:				
- Impairment on loans, financing and advances	(30,140)	(397,146)	-	(11,876)
- Impairment on financial investments at amortised cost	(621)	(439)	-	-
- Impairment on other financial assets	(46,689)	(44,704)	(2,318)	-
- Net loss on modification of cash flows on loans, financing and advances	(311,686)	(504,750)	(21)	(73)
- Income attributable to depositors	(822,524)	(1,077,896)	-	-
- Income attributable to securitisation	(91,230)	(101,676)	-	-
- Income attributable to sukuk	(132,603)	(147,016)	-	-
- Income attributable to investment account	(23,456)	-	-	-
- Interest expense	-	(11)	-	(11)
- Reversal of impairment on commitments and contingencies	(8,546)	-	-	-
	(1,467,495)	(2,273,638)	(2,339)	(11,960)
Financial instruments measured at FVOCI:				
- Loss from sale of financial investments	(8,029)	-	-	-
- Impairment on financial investments at FVOCI	(7)	-	-	-
	(8,036)	-	-	-
Financial instruments measured at FVTPL:				
- Loss from sale of financial investments	(7,825)	-	-	-
	(7,825)	-	-	-
	(1,483,356)	(2,273,638)	(2,339)	(11,960)
Net gains arising from financial instruments	1,127,429	876,808	73,770	88,917

## 51. Financial risk management (cont'd.)

### 51.1 Credit risk

Credit risk is the risk of loss to the Group and the Company due to the deterioration in credit worthiness of its borrowers and, consequently, their ability to discharge their contractual obligations to the Group and the Company. Credit risk remains the most significant risk to which the Group and the Company are exposed. The purpose of credit risk management is to keep credit risk exposure to an acceptable level in line with the Group and the Company's risk appetite and to ensure that the returns are commensurate to the risk underwritten.

The primary objective of the Group and the Company's credit platform is to enhance the efficiency and effectiveness of the credit oversight and credit approval processes for all retail and corporate loans. Credit proposals are submitted to the relevant credit committees for approval or concurrence, and are subsequently submitted to the GRM for independent assessment. Credit exposures are evaluated by the GRM and are monitored against approved limits on a periodic basis on a portfolio and individual basis, individually and on a portfolio level.

#### (i) Maximum exposure to credit risk

The following analysis represents the Group and the Company's maximum exposure to credit risk on-balance sheet financial assets and off-balance sheet exposure, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposure, the maximum exposure to credit risk is the maximum amount that the Group and the Company would have to pay if the obligations of the instruments issued are called upon.

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Credit exposure for on-balance sheet financial assets</b>				
Cash and short-term funds	521,831	1,082,712	224,895	342,898
Deposits and placements with financial institutions	843,856	781,682	574,580	-
Derivative financial assets	637	1,724	-	-
Financial investments at FVTPL	240,209	-	-	-
Financial investments at FVOCI	11,811,115	10,192,272	-	-
Financial investments at amortised cost	630,334	488,102	-	-
Loans, financing and advances	34,503,102	33,762,458	477,089	898,954
Other financial assets	40,307	65,190	148,482	167,475
Statutory deposits with Bank Negara Malaysia	650,000	620,000	-	-
Asset held for sale	2,600	12,612	-	-
<b>Total financial assets</b>	<b>49,243,991</b>	<b>47,006,752</b>	<b>1,425,046</b>	<b>1,409,327</b>

## 51. Financial risk management (cont'd.)

### 51.1 Credit risk (cont'd.)

#### (i) Maximum exposure to credit risk (cont'd.)

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Credit exposure for off-balance sheet financial assets</b>				
Direct credit substitutes	22,786	61,797	-	-
Trade-related contingencies	81,815	96,956	-	3,530
Short term self-liquidating trade-related contingencies	82,062	107,698	-	-
Irrevocable commitments	2,659,066	2,198,507	11,668	14,989
	2,845,729	2,464,958	11,668	18,519

#### (ii) Credit quality

##### (a) Loans, financing and advances

Internal rating is defined as follows:

Risk Level	Description
Excellent	Superior capability for payment of financial commitments with little susceptibility to adverse effects to changes in circumstances and economic conditions.
Good	Strong capacity to meet financial commitments and are less susceptible to adverse effects to changes in circumstances and economic conditions.
Average	Moderate capacity to meet financial commitments and may be susceptible to adverse changes in circumstances and economic conditions.
Below Average	Weak in terms of overall credit risk, with some apparent risk of default. May face problems in meeting commitments in the long term.
Poor	Poor credit quality and high risk of default.

**51. Financial risk management (cont'd.)****51.1 Credit risk (cont'd.)****(ii) Credit quality (cont'd.)****(a) Loans, financing and advances (cont'd.)**

Classification of loans, financing and advances is as follows:

<b>Classification</b>	<b>Description</b>
Neither past due nor impaired	Loans, financing and advances which the customer has not missed a contractual payment (profit/interest or principal) when contractually due and is not impaired and there is no objective evidence of impairment.
Past due but not impaired	Loans, financing and advances where the customer has failed to make a principal or interest payment when contractually due, but the Group and the Company believe that impairment is not appropriate on the basis of collateral available and/or the stage of collection amounts owed to the Group and the Company.
Impaired	This refers to financial assets in respect of loans, financing and advances for which exposures are assessed individually and considered impaired based on the Group and the Company's policies.

The credit quality of the Group and the Company's loans, financing and advances are summarised as follows:

<b>2021</b>	<b>Group</b>			<b>Total RM'000</b>
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	
<b>Neither past due nor impaired</b>				
Corporate financing				
Excellent	111,667	-	-	111,667
Good	2,450,734	271,536	-	2,722,270
Average	2,558,625	1,530,769	-	4,089,394
Below Average	49,568	464,003	-	513,571
Poor	1,048	87,033	-	88,081
Retail financing Unrated	24,000,436	2,073,990	-	26,074,426
<b>Total neither past due nor impaired</b>	<b>29,172,078</b>	<b>4,427,331</b>	<b>-</b>	<b>33,599,409</b>

## 51. Financial risk management (cont'd.)

### 51.1 Credit risk (cont'd.)

#### (ii) Credit quality (cont'd.)

##### (a) Loans, financing and advances (cont'd.)

The credit quality of the Group and the Company's loans, financing and advances are summarised as follows (cont'd.):

2021	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>Past due but not impaired</b>				
Corporate financing				
Good	-	13,397	-	13,397
Average	-	116,508	-	116,508
Poor	-	686	-	686
Retail financing Unrated	-	784,506	-	784,506
<b>Total past due but not impaired</b>	-	915,097	-	915,097
<b>Impaired</b>	-	-	1,666,104	1,666,104
<b>Gross loans, financing and advances (Note 11(viii))</b>	29,172,078	5,342,428	1,666,104	36,180,610
<b>Less: ECL (Note 11(ix))</b>	(347,004)	(597,878)	(732,626)	(1,677,508)
<b>Net loans, financing and advances</b>	28,825,074	4,744,550	933,478	34,503,102

**51. Financial risk management (cont'd.)****51.1 Credit risk (cont'd.)****(ii) Credit quality (cont'd.)**

## (a) Loans, financing and advances (cont'd.)

The credit quality of the Group and the Company's loans, financing and advances are summarised as follows (cont'd.):

2021	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>Neither past due nor impaired</b>				
Corporate financing				
Below Average	-	75,340	-	75,340
Poor	-	23,938	-	23,938
Retail financing Unrated	42,791	17,344	-	60,135
<b>Total neither past due nor impaired</b>	42,791	116,622	-	159,413
<b>Past due but not impaired</b>				
Retail financing Unrated	-	3,729	-	3,729
<b>Total past due but not impaired</b>	-	3,729	-	3,729
<b>Impaired</b>	-	-	702,575	702,575
<b>Gross loans, financing and advances (Note 11(viii))</b>	42,791	120,351	702,575	865,717
<b>Less: ECL (Note 11(ix))</b>	(1,527)	(8,984)	(378,117)	(388,628)
<b>Net loans, financing and advances</b>	41,264	111,367	324,458	477,089

## 51. Financial risk management (cont'd.)

### 51.1 Credit risk (cont'd.)

#### (ii) Credit quality (cont'd.)

##### (a) Loans, financing and advances (cont'd.)

The credit quality of the Group and the Company's loans, financing and advances are summarised as follows (cont'd.):

2020	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>Neither past due nor impaired</b>				
Corporate financing				
Excellent	573	-	-	573
Good	2,033,957	192,991	-	2,226,948
Average	3,812,752	835,067	-	4,647,819
Below Average	135,071	201,557	-	336,628
Poor	26,650	266,272	-	292,922
Retail financing Unrated	22,847,491	2,181,231	-	25,028,722
<b>Total neither past due nor impaired</b>	<b>28,856,494</b>	<b>3,677,118</b>	<b>-</b>	<b>32,533,612</b>
<b>Past due but not impaired</b>				
Corporate financing				
Good	-	18,219	-	18,219
Average	-	150,819	-	150,819
Retail financing Unrated	-	1,130,583	-	1,130,583
<b>Total past due but not impaired</b>	<b>-</b>	<b>1,299,621</b>	<b>-</b>	<b>1,299,621</b>
<b>Impaired</b>	<b>-</b>	<b>-</b>	<b>1,894,985</b>	<b>1,894,985</b>
<b>Gross loans, financing and advances (Note 11(viii))</b>	<b>28,856,494</b>	<b>4,976,739</b>	<b>1,894,985</b>	<b>35,728,218</b>
<b>Less: ECL (Note 11(ix))</b>	<b>(370,236)</b>	<b>(648,474)</b>	<b>(947,050)</b>	<b>(1,965,760)</b>
<b>Net loans, financing and advances</b>	<b>28,486,258</b>	<b>4,328,265</b>	<b>947,935</b>	<b>33,762,458</b>

## 51. Financial risk management (cont'd.)

### 51.1 Credit risk (cont'd.)

#### (ii) Credit quality (cont'd.)

##### (a) Loans, financing and advances (cont'd.)

The credit quality of the Group and the Company's loans, financing and advances are summarised as follows (cont'd.):

2020	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>Neither past due nor impaired</b>				
Corporate financing				
Average	-	56,512	-	56,512
Poor	19,850	126,740	-	146,590
Retail financing Unrated	125,502	152,111	-	277,613
<b>Total neither past due nor impaired</b>	145,352	335,363	-	480,715
<b>Past due but not impaired</b>				
Retail financing Unrated	-	97,468	-	97,468
<b>Total past due but not impaired</b>	-	97,468	-	97,468
<b>Impaired</b>	-	-	907,754	907,754
<b>Gross loans, financing and advances (Note 11(viii))</b>	145,352	432,831	907,754	1,485,937
<b>Less: ECL (Note 11(ix))</b>	(4,698)	(60,822)	(521,463)	(586,983)
<b>Net loans, financing and advances</b>	140,654	372,009	386,291	898,954



## 51. Financial risk management (cont'd.)

### 51.1 Credit risk (cont'd.)

#### (ii) Credit quality (cont'd.)

##### (a) Loans, financing and advances (cont'd.)

The credit quality of the Group and the Company's commitments and financial guarantees are summarised as follows:

2021	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>Financing commitments</b>				
Corporate financing				
Excellent	11,080	-	-	11,080
Good	480,288	57,967	-	538,255
Average	844,995	461,909	-	1,306,904
Below Average	10,985	20,820	-	31,805
Poor	-	218	-	218
Unrated	-	-	5	5
Retail financing Unrated	729,820	36,370	4,609	770,799
<b>Gross financing commitments</b>	<b>2,077,168</b>	<b>577,284</b>	<b>4,614</b>	<b>2,659,066</b>
<b>Less: ECL (Note 26(i))</b>	<b>(15,802)</b>	<b>(33,554)</b>	<b>(1,400)</b>	<b>(50,756)</b>
<b>Net financing commitments</b>	<b>2,061,366</b>	<b>543,730</b>	<b>3,214</b>	<b>2,608,310</b>
<b>Financial guarantees</b>				
Corporate financing				
Excellent	1,149	-	-	1,149
Good	107,303	2,593	-	109,896
Average	17,826	41,924	-	59,750
Below Average	1,979	418	-	2,397
Poor	13,471	-	-	13,471
<b>Gross financing guarantees</b>	<b>141,728</b>	<b>44,935</b>	<b>-</b>	<b>186,663</b>
<b>Less: ECL (Note 26(i))</b>	<b>(1,315)</b>	<b>(2,375)</b>	<b>-</b>	<b>(3,690)</b>
<b>Net financing guarantees</b>	<b>140,413</b>	<b>42,560</b>	<b>-</b>	<b>182,973</b>

## 51. Financial risk management (cont'd.)

### 51.1 Credit risk (cont'd.)

#### (ii) Credit quality (cont'd.)

##### (a) Loans, financing and advances (cont'd.)

The credit quality of the Group and the Company's commitments and financial guarantees are summarised as follows (cont'd.):

2021	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>Financing commitments</b>				
Retail financing Unrated	10,412	1,176	80	11,668
<b>Gross financing commitments</b>	10,412	1,176	80	11,668
<b>Less: ECL (Note 26(i))</b>	(174)	(59)	(26)	(259)
<b>Net financing commitments</b>	10,238	1,117	54	11,409
2020	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>Financing commitments</b>				
Corporate financing				
Good	527,592	5,156	-	532,748
Average	699,157	302,090	-	1,001,247
Below Average	2,368	9,916	-	12,284
Poor	10,000	7,500	6,525	24,025
Retail financing Unrated	597,187	26,465	4,551	628,203
<b>Gross financing commitments</b>	1,836,304	351,127	11,076	2,198,507
<b>Less: ECL (Note 26(i))</b>	(17,353)	(11,946)	(3,360)	(32,659)
<b>Net financing commitments</b>	1,818,951	339,181	7,716	2,165,848

## 51. Financial risk management (cont'd.)

### 51.1 Credit risk (cont'd.)

#### (ii) Credit quality (cont'd.)

##### (a) Loans, financing and advances (cont'd.)

The credit quality of the Group and the Company's commitments and financial guarantees are summarised as follows (cont'd.):

2020	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>Financial guarantees</b>				
Corporate financing				
Good	69,508	-	-	69,508
Average	84,522	41,808	-	126,330
Below Average	4,731	4,400	-	9,131
Poor	17,724	3,472	40,286	61,482
<b>Gross financing guarantees</b>	176,485	49,680	40,286	266,451
<b>Less: ECL (Note 26(i))</b>	(1,720)	(1,535)	(10,604)	(13,859)
<b>Net financing guarantees</b>	174,765	48,145	29,682	252,592
<b>2020</b>				
	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>Financing commitments</b>				
Retail financing Unrated	11,077	1,975	1,937	14,989
<b>Gross financing commitments</b>	11,077	1,975	1,937	14,989
<b>Less: ECL (Note 26(i))</b>	(195)	(207)	(611)	(1,013)
<b>Net financing commitments</b>	10,882	1,768	1,326	13,976
<b>Financial guarantees</b>				
Poor	-	-	3,530	3,530
<b>Gross financing guarantees</b>	-	-	3,530	3,530
<b>Less: ECL (Note 26(i))</b>	-	-	(1,062)	(1,062)
<b>Net financing guarantees</b>	-	-	2,468	2,468

**51. Financial risk management (cont'd.)**
**51.1 Credit risk (cont'd.)**
**(ii) Credit quality (cont'd.)**

## (a) Loans, financing and advances (cont'd.)

Credit quality of financial assets that are neither past due nor impaired by credit quality is as follows:

Group	RM'000	2021 % to Gross financing	RM'000	2020 % to Gross financing
By ageing				
Months-in-arrears 1	748,658	2.07%	969,168	2.71%
Months-in-arrears 2	166,439	0.46%	330,453	0.92%
	915,097	2.53%	1,299,621	3.63%

Company	RM'000	2021 % to Gross financing	RM'000	2020 % to Gross financing
By ageing				
Months-in-arrears 1	2,802	0.32%	70,818	4.77%
Months-in-arrears 2	927	0.11%	26,650	1.79%
	3,729	0.43%	97,468	6.56%

Credit quality of financial assets that are impaired by credit quality is as follows:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Impaired:				
<i>Individually assessed of which:</i>				
Months-in-arrears 0	122,473	15	-	-
Months-in-arrears 1	3,563	-	-	-
Months-in-arrears 2	361	9,066	-	-
Months-in-arrears 3 and above	1,321,384	1,002,274	686,122	707,950
<i>Collectively assessed</i>	218,323	883,630	16,453	199,804
	1,666,104	1,894,985	702,575	907,754

## 51. Financial risk management (cont'd.)

### 51.1 Credit risk (cont'd.)

#### (ii) Credit quality (cont'd.)

##### (a) Loans, financing and advances (cont'd.)

Impaired loans, financing and advances of which are rescheduled and restructured financing:

	Group		Company	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Consumer	16,212	73,494	167	13,536
Business	234,483	253,388	191,281	189,327
	250,695	326,882	191,448	202,863

Rescheduled or restructured financings are financings where the original contractual terms have been modified due to deterioration in the customers' financial positions and the Group has made concessions that it would not otherwise consider. Once the financing is rescheduled or restructured, its satisfactory performance is monitored for a period of six months before it can be reclassified to non-credit impaired.

##### (b) Other financial assets

#### Credit rating mapping table for other financial assets

The credit mapping table below provides information to users of financial statements in understanding the Group and the Company's risk management practices and evaluating the nature of risks arising from financial instruments. The Group and the Company's internal rating scale and mapping of external ratings are set out below:

Rating for disclosures in the financial statements	RAM RATINGS	MARC	MOODY'S
AAA	AAA	AAA	Aaa
AA and below	BBB3 to AA1	BBB- to AA+	Baa3 to Aa1

**51. Financial risk management (cont'd.)****51.1 Credit risk (cont'd.)****(ii) Credit quality (cont'd.)**

## (b) Other financial assets (cont'd.)

Credit quality of other financial assets is as follows. The rating is based on available rating by external credit agencies.

2021	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>Cash and short-term funds</b>				
AAA	521,831	-	-	521,831
	521,831	-	-	521,831
<b>Deposits and placements with banks and other financial institutions</b>				
AAA	743,731	-	-	743,731
AA and below	100,125	-	-	100,125
	843,856	-	-	843,856
<b>Debt investments</b>				
AAA	977,336	-	-	977,336
AA and below	162,386	-	-	162,386
Unrated*	11,541,936	204,894	-	11,746,830
	12,681,658	204,894	-	12,886,552
<b>Other financial assets</b>				
Unrated	40,307	-	-	40,307
	40,307	-	-	40,307

\* Unrated debt investments for the Group include government guaranteed securities of RM10,671,393,000 (2020: RM9,102,739,000)

## 51. Financial risk management (cont'd.)

## 51.1 Credit risk (cont'd.)

## (ii) Credit quality (cont'd.)

(b) Other financial assets (cont'd.)

2021	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>Cash and short-term funds</b>				
AAA	1,806	-	-	1,806
AA and below	223,089	-	-	223,089
	224,895	-	-	224,895
<b>Deposits and placements with banks and other financial institutions</b>				
AA and below	574,580	-	-	574,580
	574,580	-	-	574,580
<b>Other financial assets</b>				
Unrated	148,482	-	-	148,482
	148,482	-	-	148,482
<b>2020</b>				
	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>Neither past due nor impaired</b>				
<b>Cash and short-term funds</b>				
AAA	992,947	-	-	992,947
AA and below	34,082	-	-	34,082
Unrated	55,683	-	-	55,683
	1,082,712	-	-	1,082,712
<b>Deposits and placements with banks and other financial institutions</b>				
AAA	781,650	-	-	781,650
AA and below	32	-	-	32
	781,682	-	-	781,682

## 51. Financial risk management (cont'd.)

### 51.1 Credit risk (cont'd.)

#### (ii) Credit quality (cont'd.)

(b) Other financial assets (cont'd.)

2020	Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>Neither past due nor impaired (cont'd.)</b>				
<b>Debt investments</b>				
AAA	955,534	-	-	955,534
AA and below	133,999	-	-	133,999
Unrated*	9,391,275	199,566	-	9,590,841
	10,480,808	199,566	-	10,680,374
<b>Other financial assets</b>				
Unrated	61,002	-	-	61,002
	61,002	-	-	61,002
<b>2020</b>				
	Company			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>Neither past due nor impaired</b>				
<b>Cash and short-term funds</b>				
AAA	342,898	-	-	342,898
	342,898	-	-	342,898
<b>Other financial assets</b>				
Unrated	167,475	-	-	167,475
	167,475	-	-	167,475



**51. Financial risk management (cont'd.)**
**51.1 Credit risk (cont'd.)**
**(iii) Concentration of credit risk**

Group	31 December 2021	Cash and short-term funds and deposits and placements with financial institutions* RM'000	Derivative financial assets RM'000	Financial investments at FVTPL RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, financing and advances RM'000	Asset held for sale RM'000	Other financial assets RM'000	Statutory deposits with Bank Negara Malaysia RM'000	On balance sheet total RM'000	Financial guarantees RM'000	Commitment and contingencies <sup>^</sup> RM'000
Government and central banks	-	-	-	8,317,699	20,666	-	-	-	-	650,000	8,988,365	-	-
Household sectors	-	-	-	-	26,264,339	2,122	-	-	-	-	26,266,461	-	764,253
Agriculture	-	-	-	37,647	-	-	-	-	-	-	37,647	-	44,565
Mining and quarrying	-	-	-	83,969	152,249	-	-	-	-	-	236,218	-	6,427
Manufacturing	-	-	-	30,395	895,304	-	-	-	-	-	925,699	41,403	180,751
Electricity, gas and water	-	-	-	562,986	172,142	20,298	-	-	-	-	755,426	-	1,347
Construction	2,710	-	-	844,946	-	3,356,764	478	-	8,922	-	4,213,820	56,021	1,182,933
Wholesale & retail trade and restaurants & hotels	-	-	-	-	-	799,118	-	-	-	-	799,118	38,733	145,112
Transport, storage and communication	-	-	-	45,405	-	237,753	-	-	-	-	283,158	45,217	81,367
Finance, insurance and business services	1,362,977	-	240,209	1,925,715	589,370	2,379,865	-	-	-	-	6,498,136	5,289	248,839
Education, health and others	-	-	-	-	-	176,633	-	-	-	-	176,633	-	3,472
Others	-	637	-	-	-	31,288	-	-	31,385	-	63,310	-	-
		1,365,687	637	240,209	11,811,115	630,334	34,503,102	2,600	40,307	650,000	49,243,991	186,663	2,659,066

\* Cash and short-term funds and deposit placements with banks and other financial institutions exclude cash at bank and in hand.

<sup>^</sup> Commitments and contingencies exclude foreign exchange related contracts.

## 51. Financial risk management (cont'd.)

## 51.1 Credit risk (cont'd.)

## (iii) Concentration of credit risk (cont'd.)

Company	Cash and short-term funds and deposits and placements with financial institutions* RM'000	Loans, financing and advances RM'000	Asset held for sale RM'000	Other financial assets RM'000	On balance sheet total RM'000	Financial guarantees RM'000	Commitment and contingencies^ RM'000
<b>31 December 2021</b>							
Household sectors	-	38,573	-	-	38,573	-	11,525
Agriculture	-	1,229	-	-	1,229	-	-
Mining and quarrying	-	-	-	-	-	-	-
Manufacturing	-	60,482	-	-	60,482	-	108
Electricity, gas and water	-	-	-	-	-	-	-
Construction	-	292,607	-	-	292,607	-	-
Wholesale & retail trade and restaurants & hotels	-	3,031	-	-	3,031	-	35
Transport, storage and communication	-	1,400	-	-	1,400	-	-
Finance, insurance and business services	574,580	6,992	-	-	581,572	-	-
Education, health and others	-	72,775	-	-	72,775	-	-
Others	-	-	-	148,482	148,482	-	-
	574,580	477,089	-	148,482	1,200,151	-	11,668

**51. Financial risk management (cont'd.)**
**51.1 Credit risk (cont'd.)**
**(iii) Concentration of credit risk (cont'd.)**

Group	Cash and short-term funds and deposits and placements with financial institutions* RM'000	Derivative financial assets RM'000	Financial investments at FVOCI RM'000	Financial investments at amortised cost RM'000	Loans, financing and advances RM'000	Other financial assets RM'000	Statutory deposits with Bank Negara Malaysia		On balance sheet total RM'000	Financial guarantees RM'000	Commitment and contingencies <sup>^</sup> RM'000
							RM'000	RM'000			
<b>31 December 2020</b>											
Government and central banks	618,119	-	6,906,158	-	-	-	620,000	8,144,277	-	-	-
Household sectors	-	-	-	-	25,353,771	-	-	25,353,771	-	-	627,424
Agriculture	-	-	-	-	103,940	-	-	103,940	-	-	26,278
Mining and quarrying	-	-	34,916	-	227,036	-	-	261,952	32,583	-	20,486
Manufacturing	-	-	30,674	-	448,799	-	-	479,473	11,396	-	142,070
Electricity, gas and water	-	-	561,636	20,317	167,788	-	-	749,741	-	-	9,222
Construction	8,558	-	768,988	-	3,688,964	8,736	-	4,475,246	119,712	-	988,816
Wholesale & retail trade and restaurants & hotels	97	-	-	-	587,292	1,630	-	589,019	48,152	-	175,056
Transport, storage and communication	-	-	99,625	-	223,065	-	-	322,690	50,239	-	65,632
Finance, insurance and business services	1,237,620	-	1,790,254	467,785	2,754,739	53,618	-	6,304,016	4,369	-	142,447
Education, health and others	-	-	-	-	176,076	-	-	176,076	-	-	1,076
Others	-	1,724	21	-	30,988	1,206	-	33,939	-	-	-
	1,864,394	1,724	10,192,272	488,102	33,762,458	65,190	620,000	46,994,140	266,451	-	2,198,507

## 51. Financial risk management (cont'd.)

## 51.1 Credit risk (cont'd.)

## (iii) Concentration of credit risk (cont'd.)

Company	Cash and short-term funds and deposits and placements with financial institutions RM'000	Loans, financing and advances RM'000	Other financial assets RM'000	On balance sheet total RM'000	Financial guarantees RM'000	Commitment and contingencies <sup>^</sup> RM'000
<b>31 December 2020</b>						
Household sectors	-	322,652	-	322,652	-	14,749
Agriculture	-	1,336	-	1,336	-	-
Mining and quarrying	-	59,520	-	59,520	-	-
Manufacturing	-	-	-	-	-	108
Electricity, gas and water	-	-	-	-	-	-
Construction	-	410,737	-	410,737	3,530	50
Wholesale & retail trade and restaurants & hotels	-	3,323	-	3,323	-	58
Transport, storage and communication	-	1,606	-	1,606	-	24
Finance, insurance and business services	342,898	9,281	-	352,179	-	-
Education, health and others	-	90,499	-	90,499	-	-
Others	-	-	167,475	167,475	-	-
	342,898	898,954	167,475	1,409,327	3,530	14,989

## 51. Financial risk management (cont'd.)

### 51.1 Credit risk (cont'd.)

#### (iv) Collateral

The credit risk of financial assets of the Group and the Company is mitigated by the collateral in respect of financial assets.

The collateral mitigates credit risk and would reduce the extent of impairment losses for assets subject to impairment review.

The main types of collateral obtained by the Group and the Company to mitigate credit risk are as follows:

- For conventional mortgage and Islamic property financing - charges over properties;
- For auto loans and financing - ownership claims over vehicles financed;
- For project loans and financing - charges over projects being financed; and
- For other loans, advances and financing - charges over business assets such as premises, inventories, marketable securities, real estate, and trade receivables or deposits.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, financing and advances for the Group is 31.41% (2020: 29.52%) and the Company is at 84.71% (2020: 93.07%). The financial effect of collateral held for the remaining financial assets are not significant.

#### (v) Key macroeconomic variables

In computing the Expected Credit Losses ("ECL") of financing and advances, the Group and the Company incorporate the impact of forward-looking key macroeconomic variables ("MEVs") according to respective portfolios. The Group and the Company performed statistical analysis based on historical experience and identified the MEVs impacting credit risk and ECL for each portfolio. The relationship of the MEVs on the components of ECL has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and the components. Sources of forecasts of the MEVs are external research houses.

## 51. Financial risk management (cont'd.)

### 51.1 Credit risk (cont'd.)

#### (v) Key macroeconomic variables (cont'd.)

The MEVs incorporated into the ECL calculations are supported with 3 economic scenarios i.e. baseline, best and worst case scenarios. The following table shows the MEVs applied but not limited to by the Group and the Company in the ECL models.

Macroeconomic Variables ("MEVs")	Base scenario		Best scenario		Worst scenario	
	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period	Next 12 months	Remaining forecast period
<b>Year 2021</b>						
Household Disposable Income (in Billion)	882.11	1,055.39	887.49	1,090.47	874.20	1,011.10
Private Consumption (in Billion)	845.72	982.83	861.01	997.46	833.01	977.13
Interbank Offered Rate - 3 months ("KLIB3M") (%)	1.87	2.89	1.88	3.02	1.28	2.27
House Price Index ("HPI")	205.68	219.55	209.19	228.11	203.79	207.59
Unemployment Rate (%)	3.38	3.17	3.24	3.04	4.44	3.68
Overnight Policy Rate ("OPR")(%)	1.84	2.90	1.85	3.03	1.25	2.28
Brent Crude Oil Future Prices (USD/barrel)	71.24	65.95	73.06	71.60	57.45	62.18
Consumer Price Index ("CPI")	126.34	133.03	128.19	135.44	125.93	132.56
Exchange Rate (USD/MYR)	4.14	4.16	3.81	4.12	4.31	4.17
Total Unemployed (in Million)	0.55	0.53	0.53	0.51	0.72	0.62
<b>Year 2020</b>						
Household Disposable Income (in Billion)	945.85	1,042.17	951.24	1,075.65	939.33	1,003.22
Private Consumption (in Billion)	879.85	856.53	898.91	875.06	862.85	849.03
Interbank Offered Rate - 3 months ("KLIB3M") (%)	1.77	1.92	1.77	21.15	1.27	1.43
House Price Index ("HPI")	200.13	213.20	203.54	220.43	198.56	202.66
Unemployment Rate (%)	3.17	3.06	3.03	2.92	3.83	3.44
Overnight Policy Rate ("OPR")(%)	1.75	1.91	1.75	2.14	1.25	1.41
Brent Crude Oil Future Prices (USD/barrel)	47.68	62.12	52.70	68.32	38.72	58.82
Consumer Price Index ("CPI")	120.81	130.49	122.58	132.85	120.11	129.10
Exchange Rate (USD/MYR)	4.09	4.03	3.77	3.97	4.26	4.04
Total Unemployed (in Million)	0.51	0.51	0.49	0.48	0.62	0.57

During the year, the Group and the Company improved the ECL models by incorporating additional MEVs to account for potential impact from various external factors.

## 51. Financial risk management (cont'd.)

### 51.2 Market risk

Market risk is the risk of potential loss as a result of changes in the intrinsic value of financial instruments caused by movements in market variables such as interest rates, equity pricing and other related macroeconomic factors that will eventually affect the Group and the Company's profitability and capital preservation.

The Group and the Company's market risk management includes the monitoring of fluctuations in net interest income or investment value due to changes in relevant market risk factors. The ALCO monitors the exposure on a monthly basis through reports produced by the Treasury Division. The GRM, via its presence in the ALCO, provides advisory services and input on the Group and the Company's market risk management.

In managing interest rate risk, the Group and the Company intend to maximise net interest income and net interest margin and minimise the significant volatilities that may arise in relation to the Group and the Company's assets and liabilities.

#### Sensitivity analysis for interest/profit rate risk

At the reporting date, if interest/profit rates had been 100 basis points lower/higher, with all other variables held constant, the Group and the Company's net profit and shareholders' equity would have been as per the following table, arising mainly as a result of changes in interest expenses from floating rate borrowings and fixed deposits placed by customers and interest income from floating rate loans, financing and advances.

	Group		Company	
	+100 basis points RM'000	-100 basis points RM'000	+100 basis points RM'000	-100 basis points RM'000
<b>2021</b>				
Impact to profit after tax	(135,775)	135,775	689	(689)
Impact on equity	(466,657)	(507,743)	-	-
<b>2020</b>				
Impact to profit after tax	(107,351)	107,351	184	(184)
Impact on equity	(439,518)	482,946	-	-

During the financial year, the Group has adjusted the sensitivity analysis for interest/profit rate risk and restated its comparative disclosures to include the impact of profit rate sensitivity to the fair value of financial instruments at fair value through other comprehensive income. The impact to profit after tax and equity for the Group reported in the previous year amounted to RM128,702,000 lower for a 100 basis points increase in profit rate and RM128,702,000 higher for a 100 basis points decrease in profit rate.

## 51. Financial risk management (cont'd.)

## 51.2 Market risk (cont'd.)

## Interest/profit rate risk

The table below summarises the Group's and the Company's exposure to interest/profit rate risk. The table indicates effective average interest/profit rates at the reporting date and the periods in which the financial instruments repriced or mature, whichever is earlier. Assets classified as non-interest/profit sensitive are either non-interest/profit bearing or, if interest/profit-bearing, the cash flows arising from these assets are not expected to change significantly if interest/profit rates change.

Group 2021	← Within 1 year →					Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Average interest/ profit rate % per annum
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000						
<b>Financial Assets</b>										
Cash and short-term funds	521,831	-	-	-	-	-	133,008	-	654,839	1.75
Deposits and placements with financial institutions	32	100,093	743,731	-	-	-	-	-	843,856	1.97
Derivative financial assets	616	5	16	-	-	-	-	-	637	
Financial assets at FVTPL	-	-	-	-	-	-	-	240,209	240,209	
Financial assets at FVOCI	65,115	60,187	627,014	3,587,463	7,342,616	128,720	-	-	11,811,115	3.59
Financial assets at amortised cost	-	19,999	1,999	310,877	291,271	6,188	-	-	630,334	5.51
Loans, financing and advances:										
- non-impaired, net of ECL	407,116	771,429	961,617	3,147,053	29,227,291	(944,882)	-	-	33,569,624	6.36
- impaired, net of ECL*	-	-	-	-	-	933,478	-	-	933,478	-
Assets held for sale	-	-	-	-	-	2,600	-	-	2,600	-
Statutory deposits with Bank Negara Malaysia®	-	-	-	180,000	470,000	-	-	-	650,000	4.27
Other financial assets	-	-	-	-	-	40,307	-	-	40,307	
<b>Total financial assets</b>	994,710	951,713	2,334,377	7,225,393	37,331,178	299,419	240,209	49,376,999		

\* This is arrived after deducting ECL from gross impaired loans, financing and advances.

® This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021 and subsequently extended until 31 December 2022.



## 51. Financial risk management (cont'd.)

## 51.2 Market risk (cont'd.)

## Interest/profit rate risk (cont'd.)

Group 2021	Within 1 year					Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Average interest/ profit rate % per annum
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	>5 years RM'000					
<b>Financial Liabilities</b>										
Deposits from customers	4,263,626	6,846,433	11,428,759	1,862,354	10,616	189,962	-	24,601,750	2.39	
Deposits and placements of banks and other financial institutions	3,377,956	1,098,057	3,647,683	503,837	-	22,048	-	8,649,581	2.38	
Investment accounts of customers	10,089	695,188	1,369,096	5,614	-	14,927	-	2,094,914	2.70	
Derivative financial liabilities	2,339	-	24	-	-	-	-	2,363	-	
Other financial liabilities	-	-	-	-	-	1,062,133	-	1,062,133	-	
Lease liabilities	1,852	3,675	14,248	19,223	-	-	-	38,998	4.18	
Recourse obligation on financing sold	5,712	47,031	1,011,062	2,066,656	-	10,848	-	3,141,309	3.90	
Sukuk - MBSB SC										
Murabahah	24	-	238,437	684,447	142,533	7,531	-	1,072,972	4.83	
Sukuk Wakalah	-	-	-	-	1,292,046	2,201	-	1,294,247	5.24	
<b>Total financial liabilities</b>	<b>7,661,598</b>	<b>8,690,384</b>	<b>17,709,309</b>	<b>5,142,131</b>	<b>1,445,195</b>	<b>1,309,650</b>	<b>-</b>	<b>41,958,267</b>		
<b>Total interest/profit sensitivity gap</b>	<b>(6,666,888)</b>	<b>(7,738,671)</b>	<b>(15,374,932)</b>	<b>2,083,262</b>	<b>35,885,983</b>	<b>(1,010,231)</b>	<b>240,209</b>	<b>7,418,732</b>		

## 51. Financial risk management (cont'd.)

## 51.2 Market risk (cont'd.)

## Interest/profit rate risk (cont'd.)

Group 2020	← Within 1 year →					Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Average interest/ profit rate % per annum
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000						
<b>Financial Assets</b>										
Cash and short-term funds	885,912	-	-	-	-	-	196,800	-	1,082,712	2.04
Deposits and placements with financial institutions	32	-	781,650	-	-	-	-	-	781,682	1.92
Derivative financial assets	1,724	-	-	-	-	-	-	-	1,724	
Financial assets at FVOCI	5,106	80,923	276,566	3,268,004	6,561,673	-	-	-	10,192,272	3.64
Financial assets at amortised cost	-	-	-	30,315	457,787	-	-	-	488,102	4.97
Loans, financing and advances:										
- non-impaired, net of ECL	438,350	643,410	429,643	3,303,420	29,018,410	(1,018,710)	-	-	32,814,523	6.50
- impaired, net of ECL*	-	-	-	-	-	-	947,935	-	947,935	
Statutory deposits with Bank Negara Malaysia®	-	-	-	110,000	510,000	-	-	-	620,000	4.25
Other financial assets	-	-	-	-	-	-	65,190	-	65,190	
<b>Total financial assets</b>	1,331,124	724,333	1,487,859	6,711,739	36,547,870	191,215	-	-	46,994,140	

\* This is arrived after deducting ECL from gross impaired loans, financing and advances.

® This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 May 2021 and subsequently extended until 31 December 2022.

## 51. Financial risk management (cont'd.)

## 51.2 Market risk (cont'd.)

## Interest/profit rate risk (cont'd.)

Group 2020	Within 1 year					Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Average interest/ profit rate % per annum
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000	>5 years RM'000					
<b>Financial Liabilities</b>										
Deposits from customers	4,989,066	5,993,254	10,832,533	2,325,089	61,097	152,396	-	24,353,435	2.81	
Deposits and placements of banks										
and other financial institutions	4,791,428	2,053,058	1,805,196	866,742	-	12,881	-	9,529,305	3.00	
Derivative financial liabilities	1,614	-	-	-	-	-	-	1,614		
Other financial liabilities	-	-	-	-	-	503,093	-	503,093		
Lease liabilities	13	50	1,415	9,670	-	-	-	11,148	3.67	
Recourse obligation on financing sold	19,030	321,470	60,740	1,861,291	-	-	-	2,262,531	4.31	
Sukuk - MBSB SC	-	-	294,388	858,635	213,540	-	-	1,366,563	5.00	
Murabahah	-	-	2,018	-	1,291,317	-	-	1,293,335	5.24	
Sukuk Wakalah	-	-	-	-	-	-	-	-		
<b>Total financial liabilities</b>	9,801,151	8,367,832	12,996,290	5,921,427	1,565,954	668,370	-	39,321,024		
<b>Total interest/profit sensitivity gap</b>	(8,470,027)	(7,643,499)	(11,508,431)	790,312	34,981,916	(477,155)	-	7,673,116		

## 51. Financial risk management (cont'd.)

## 51.2 Market risk (cont'd.)

## Interest/profit rate risk (cont'd.)

Company 2021	← Within 1 year →				Over 5 years	Non- interest/ profit sensitive	Trading book	Total	Average interest/ profit rate % per
	Up to 1 month	>1-3 months	>3-12 months	>1-5 years					
<b>Financial Assets</b>									
Cash and short-term funds	224,895	-	-	-	-	5,118	-	230,013	1.60
Deposits and placements with financial institutions	-	-	-	574,580	-	-	-	574,580	2.30
Loans, financing and advances:									
- non-impaired	637	16	71,909	3,105	87,476	(10,512)	-	152,631	6.09
- impaired, net of ECL*	-	-	-	-	-	324,458	-	324,458	
Other financial assets	-	-	-	-	-	148,482	-	148,482	5.50
<b>Total financial assets</b>	225,532	16	71,909	577,685	87,476	467,546	-	1,430,164	
<b>Financial Liabilities</b>									
Other financial liabilities	-	-	-	-	-	239,061	-	239,061	
<b>Total financial liabilities</b>	-	-	-	-	-	239,061	-	239,061	
<b>Total interest/profit sensitivity gap</b>	225,532	16	71,909	577,685	87,476	228,485	-	1,191,103	

\* This is arrived after deducting ECL from gross impaired loans, financing and advances.

## 51. Financial risk management (cont'd.)

## 51.2 Market risk (cont'd.)

## Interest/profit rate risk (cont'd.)

Company 2020	Within 1 year					Over 5 years RM'000	Non- interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Average interest/ profit rate % per annum
	Up to 1 month RM'000	>1-3 months RM'000	>3-12 months RM'000	>1-5 years RM'000						
<b>Financial Assets</b>										
Cash and short-term funds	279,883	-	-	-	-	63,015	-	342,898	1.44	
Loans, financing and advances:										
- non-impaired	862	96	812	184,135	392,277	(65,519)	-	512,663	6.58	
- impaired, net of ECL*	-	-	-	-	-	386,291	-	386,291		
Other financial assets	-	-	-	-	-	167,475	-	167,475	5.50	
<b>Total financial assets</b>	280,745	96	812	184,135	392,277	551,262	-	1,409,327		
<b>Financial Liabilities</b>										
Other financial liabilities	-	-	-	-	-	41,074	-	41,074		
<b>Total financial liabilities</b>	-	-	-	-	-	41,074	-	41,074		
<b>Total interest/profit sensitivity gap</b>	280,745	96	812	184,135	392,277	510,188	-	1,368,253		

\* This is arrived after deducting ECL from gross impaired loans, financing and advances.

## 51. Financial risk management (cont'd.)

### 51.2 Market risk (cont'd.)

#### Foreign Exchange Risk

The Group is exposed to transactional foreign exchange exposures which are exposures on assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Group takes minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group and the Company manages its exposure to foreign exchange currencies at each entity level.

#### Sensitivity Analysis

The table below shows sensitivity of the Group's profit and reserves to movement in foreign exchange rates. The Company's profit and reserves are not exposed to foreign exchange risk.

	Group	
	2021 RM'000	2020 RM'000
+1%	(1,447)	(1,157)
-1%	1,447	1,157

Group 2021	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
<b>Assets</b>				
Cash and short-term funds	641,229	9,165	4,445	654,839
Deposits and placements with banks and other financial institutions	843,856	-	-	843,856
Derivative financial assets	637	-	-	637
Investments with fund manager	240,209	-	-	240,209
Financial investments at FVOCI	11,811,115	-	-	11,811,115
Financial investments at amortised cost	630,334	-	-	630,334
Financing and advances	33,684,313	818,789	-	34,503,102
Other financial assets	40,307	-	-	40,307
Statutory deposits with Bank Negara Malaysia	650,000	-	-	650,000
Assets held for sale	2,600	-	-	2,600
<b>Total assets</b>	<b>48,544,600</b>	<b>827,954</b>	<b>4,445</b>	<b>49,376,999</b>

## 51. Financial risk management (cont'd.)

## 51.2 Market risk (cont'd.)

## Foreign Exchange Risk (cont'd.)

## Sensitivity Analysis (cont'd.)

Group 2021	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
<b>Liabilities</b>				
Deposits from customers	23,911,781	688,852	1,117	24,601,750
Deposits and placements of banks and other financial institutions	8,316,348	333,233	-	8,649,581
Investment accounts of customers	2,094,914	-	-	2,094,914
Derivative financial liabilities	2,363	-	-	2,363
Other financial liabilities	1,062,133	-	-	1,062,133
Lease liabilities	38,998	-	-	38,998
Recourse obligation on financing sold	3,141,309	-	-	3,141,309
Sukuk-MBSB Structured Covered ("SC") Murabahah	1,072,972	-	-	1,072,972
Sukuk Wakalah	1,294,247	-	-	1,294,247
<b>Total liabilities</b>	<b>40,935,065</b>	<b>1,022,085</b>	<b>1,117</b>	<b>41,958,267</b>
<b>Net on-balance sheet financial position</b>	<b>7,609,535</b>	<b>(194,131)</b>	<b>3,328</b>	<b>7,418,732</b>
<b>Group 2020</b>				
<b>Assets</b>				
Cash and short-term funds	1,056,869	10,439	15,404	1,082,712
Deposits and placements with banks and other financial institutions	781,682	-	-	781,682
Derivative financial assets	1,724	-	-	1,724
Financial investments at FVOCI	10,192,272	-	-	10,192,272
Financial investments at amortised cost	488,102	-	-	488,102
Financing and advances	33,202,856	559,602	-	33,762,458
Other financial assets	141,899	-	-	141,899
Statutory deposits with Bank Negara Malaysia	620,000	-	-	620,000
Assets held for sale	12,612	-	-	12,612
<b>Total assets</b>	<b>46,498,016</b>	<b>570,041</b>	<b>15,404</b>	<b>47,083,461</b>

## 51. Financial risk management (cont'd.)

### 51.2 Market risk (cont'd.)

#### Foreign Exchange Risk (cont'd.)

#### Sensitivity Analysis (cont'd.)

Group 2020	MYR RM'000	USD RM'000	Others RM'000	Total RM'000
<b>Liabilities</b>				
Deposits from customers	23,920,237	432,638	560	24,353,435
Deposits and placements of banks and other financial institutions	9,529,305	-	-	9,529,305
Derivative financial liabilities	1,614	-	-	1,614
Other financial liabilities	624,286	-	-	624,286
Lease liabilities	11,148	-	-	11,148
Recourse obligation on financing sold	2,262,531	-	-	2,262,531
Sukuk-MBSB Structured Covered ("SC") Murabahah	1,366,563	-	-	1,366,563
Sukuk Wakalah	1,293,335	-	-	1,293,335
<b>Total liabilities</b>	<b>39,009,019</b>	<b>432,638</b>	<b>560</b>	<b>39,442,217</b>
<b>Net on-balance sheet financial position</b>	<b>7,488,997</b>	<b>137,403</b>	<b>14,844</b>	<b>7,641,244</b>

### 51.3 Liquidity risk

The Group and the Company's liquidity risk management policy is to maintain high quality and well-diversified portfolios of liquid assets and sources of funds under both normal business and stress conditions. Liquidity risk management of the Group and the Company is governed by established risk tolerance levels as defined in the Group's and the Company's Market Risk Framework. The ALCO would be informed by management action triggers to alert management to potential and emerging liquidity pressures. The Group's and the Company's early warning system and contingency funding plans are in place to alert and enable management to act effectively and efficiently during a liquidity crisis.

The ALCO meets at least once a month to discuss the liquidity risk and funding profile and is chaired by the Chief Executive Officer. The ALM and Funding Unit, which is responsible for the independent monitoring of the Group's and the Company's liquidity risk profile, works closely with the Treasury Division in the surveillance on market conditions and performs stress testing on liquidity positions.



## 51. Financial risk management (cont'd.)

### 51.3 Liquidity risk (cont'd.)

The table below summarises the maturity profile of the Group and the Company's assets and liabilities at the reporting date based on contractual repayment obligations.

#### (a) Maturity analysis

Group 2021	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<b>Financial assets</b>					
Cash and short-term funds	521,831	-	-	133,008	654,839
Deposits and placements with other financial institutions	843,856	-	-	-	843,856
Derivative financial assets	637	-	-	-	637
Financial investments at fair value through profit or loss ("FVTPL")	-	240,209	-	-	240,209
Financial investments at fair value through other comprehensive income ("FVOCI")	881,036	3,587,463	7,342,616	-	11,811,115
Financial investments at amortised cost	28,186	310,877	291,271	-	630,334
Loans, financing and advances*	2,560,693	3,009,757	28,932,652	-	34,503,102
Assets held for sale	-	-	-	2,600	2,600
Other financial assets	40,307	-	-	-	40,307
Statutory deposits with Bank Negara Malaysia <sup>@</sup>	-	180,000	470,000	-	650,000
<b>Total financial assets</b>	<b>4,876,546</b>	<b>7,328,306</b>	<b>37,036,539</b>	<b>135,608</b>	<b>49,376,999</b>

\* This is arrived after deducting ECL from gross loans, financing and advances.

<sup>@</sup> This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 December 2022.

## 51. Financial risk management (cont'd.)

## 51.3 Liquidity risk (cont'd.)

## (a) Maturity analysis (cont'd.)

Group 2021	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<b>Financial liabilities</b>					
Deposits from customers	22,728,780	1,862,354	10,616	-	24,601,750
Deposits and placements of banks and other financial institutions	8,145,744	503,837	-	-	8,649,581
Investment accounts of customers	2,089,300	5,614	-	-	2,094,914
Derivative financial liabilities	2,363	-	-	-	2,363
Other financial liabilities	1,062,133	-	-	-	1,062,133
Lease liabilities	19,775	19,223	-	-	38,998
Recourse obligation on financing sold	1,074,653	2,066,656	-	-	3,141,309
Sukuk - MBSB SC Murabahah	245,992	684,447	142,533	-	1,072,972
Sukuk Wakalah	2,201	-	1,292,046	-	1,294,247
<b>Total financial liabilities</b>	<b>35,370,941</b>	<b>5,142,131</b>	<b>1,445,195</b>	<b>-</b>	<b>41,958,267</b>
Net liquidity gap on Statement of Financial Position	(30,494,395)	2,186,175	35,591,344	135,608	7,418,732
Commitments and contingencies <sup>@</sup>	(1,057,377)	(1,782,808)	(5,544)	-	(2,845,729)
<b>Net liquidity gap</b>	<b>(31,551,772)</b>	<b>403,367</b>	<b>35,585,800</b>	<b>135,608</b>	<b>4,573,003</b>

<sup>@</sup> Commitments and contingencies exclude foreign exchange related contracts.

## 51. Financial risk management (cont'd.)

## 51.3 Liquidity risk (cont'd.)

## (a) Maturity analysis (cont'd.)

Group 2020	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<b>Financial assets</b>					
Cash and short-term funds	885,912	-	-	196,800	1,082,712
Deposits and placements with other financial institutions	781,682	-	-	-	781,682
Derivative financial assets	1,724	-	-	-	1,724
Financial investments at fair value through other comprehensive income ("FVOCI")	362,595	3,268,004	6,561,673	-	10,192,272
Financial investments at amortised cost	-	30,315	457,787	-	488,102
Loans, financing and advances*	1,891,339	3,216,336	28,654,783	-	33,762,458
Other financial assets	65,190	-	-	-	65,190
Statutory deposits with Bank Negara Malaysia <sup>@</sup>	-	110,000	510,000	-	620,000
<b>Total financial assets</b>	<b>3,988,442</b>	<b>6,624,655</b>	<b>36,184,243</b>	<b>196,800</b>	<b>46,994,140</b>

\* This is arrived after deducting ECL from gross loans, financing and advances.

@ This is disclosed according to maturity bracket of MGS and MGII held by the Bank. Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance. This flexibility to banking institutions is available until 31 December 2022.

## 51. Financial risk management (cont'd.)

## 51.3 Liquidity risk (cont'd.)

## (a) Maturity analysis (cont'd.)

Group 2020	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<b>Financial liabilities</b>					
Deposits from customers	21,967,249	2,325,089	61,097	-	24,353,435
Deposits and placements of banks and other financial institutions	8,662,563	866,742	-	-	9,529,305
Derivative financial liabilities	1,614	-	-	-	1,614
Other financial liabilities	503,093	-	-	-	503,093
Lease liabilities	1,478	9,670	-	-	11,148
Recourse obligation on financing sold	401,240	1,861,291	-	-	2,262,531
Sukuk - MBSB SC Murabahah	294,388	858,635	213,540	-	1,366,563
Sukuk Wakalah	2,018	-	1,291,317	-	1,293,335
<b>Total financial liabilities</b>	<b>31,833,643</b>	<b>5,921,427</b>	<b>1,565,954</b>	<b>-</b>	<b>39,321,024</b>
Net liquidity gap on Statement of Financial Position	(27,845,201)	703,228	34,618,289	196,800	7,673,116
Commitments and contingencies <sup>@</sup>	(808,709)	(1,647,941)	(8,308)	-	(2,464,958)
<b>Net liquidity gap</b>	<b>(28,653,910)</b>	<b>(944,713)</b>	<b>34,609,981</b>	<b>196,800</b>	<b>5,208,158</b>

<sup>@</sup> Commitments and contingencies exclude foreign exchange related contracts.

## 51. Financial risk management (cont'd.)

## 51.3 Liquidity risk (cont'd.)

## (a) Maturity analysis (cont'd.)

Company 2021	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<b>Financial assets</b>					
Cash and short-term funds	224,895	-	-	5,118	230,013
Deposits and placements with other financial institutions	-	574,580	-	-	574,580
Loans, financing and advances*	315,330	9,777	151,982	-	477,089
Other financial assets	148,482	-	-	-	148,482
<b>Total financial assets</b>	<b>688,707</b>	<b>584,357</b>	<b>151,982</b>	<b>5,118</b>	<b>1,430,164</b>
<b>Financial liabilities</b>					
Other financial liabilities	239,061	-	-	-	239,061
<b>Total financial liabilities</b>	<b>239,061</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>239,061</b>
Net liquidity gap on Statement of Financial Position	449,646	584,357	151,982	5,118	1,191,103
Commitments and contingencies <sup>@</sup>	-	(11,668)	-	-	(11,668)
<b>Net liquidity gap</b>	<b>449,646</b>	<b>572,689</b>	<b>151,982</b>	<b>5,118</b>	<b>1,179,435</b>

\* This is arrived after deducting ECL from gross loans, financing and advances.

@ Commitments and contingencies exclude foreign exchange related contracts.

## 51. Financial risk management (cont'd.)

## 51.3 Liquidity risk (cont'd.)

## (a) Maturity analysis (cont'd.)

Company 2020	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<b>Financial assets</b>					
Cash and short-term funds	279,883	-	-	63,015	342,898
Loans, financing and advances*	251,735	73,624	573,595	-	898,954
Other financial assets	167,475	-	-	-	167,475
<b>Total financial assets</b>	<b>699,093</b>	<b>73,624</b>	<b>573,595</b>	<b>63,015</b>	<b>1,409,327</b>
<b>Financial liabilities</b>					
Other financial liabilities	41,074	-	-	-	41,074
<b>Total financial liabilities</b>	<b>41,074</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,074</b>
Net liquidity gap on Statement of Financial Position	658,019	73,624	573,595	63,015	1,368,253
Commitments and contingencies @	(3,530)	(14,989)	-	-	(18,519)
<b>Net liquidity gap</b>	<b>654,489</b>	<b>58,635</b>	<b>573,595</b>	<b>63,015</b>	<b>1,349,734</b>

\* This is arrived after deducting ECL from gross loans, financing and advances.

@ Commitments and contingencies exclude foreign exchange related contracts.

## 51. Financial risk management (cont'd.)

## 51.3 Liquidity risk (cont'd.)

## (b) Contractual maturity of financial liabilities on an undiscounted basis

Group 2021	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<b>Financial liabilities</b>					
Deposits from customers	23,213,944	2,106,363	15,835	-	25,336,142
Deposits and placements of banks and other financial institutions	8,396,040	528,878	-	-	8,924,918
Investment accounts of customers	2,121,967	5,780	-	-	2,127,747
Derivative financial liabilities	2,363	-	-	-	2,363
Other financial liabilities	1,062,133	-	-	-	1,062,133
Lease liabilities	20,421	19,888	-	-	40,309
Recourse obligation on financing sold Sukuk-MBSB Structured Covered Murabahah	1,178,113	2,193,015	-	-	3,371,128
Sukuk Wakalah	292,402	788,808	157,030	-	1,238,240
	66,950	268,167	1,569,006	-	1,904,123
	36,354,333	5,910,899	1,741,871	-	44,007,103
<b>Commitments and contingencies<sup>@</sup></b>					
Direct credit substitutes	14,934	7,852	-	-	22,786
Trade-related contingencies	53,951	24,624	3,240	-	81,815
Short term self-liquidating trade-related contingencies	82,062	-	-	-	82,062
Irrevocable commitments	906,430	1,750,332	2,304	-	2,659,066
	1,057,377	1,782,808	5,544	-	2,845,729

<sup>@</sup> Commitments and contingencies exclude foreign exchange related contracts.

## 51. Financial risk management (cont'd.)

## 51.3 Liquidity risk (cont'd.)

## (b) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Group 2020	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<b>Financial liabilities</b>					
Deposits from customers	21,702,824	2,535,436	76,955	-	24,315,215
Deposits and placements of banks and other financial institutions	8,706,373	952,151	-	-	9,658,524
Derivative financial liabilities	1,614	-	-	-	1,614
Other financial liabilities	503,093	-	-	-	503,093
Lease liabilities	1,495	9,995	-	-	11,490
Recourse obligation on financing sold Sukuk-MBSB Structured Covered Murabahah	456,744	2,017,026	-	-	2,473,770
Sukuk Wakalah	68,761	1,183,076	416,240	-	1,668,077
	66,767	268,350	1,635,773	-	1,970,890
	31,507,671	6,966,034	2,128,968	-	40,602,673
<b>Commitments and contingencies<sup>@</sup></b>					
Direct credit substitutes	46,258	15,539	-	-	61,797
Trade-related contingencies	41,973	54,983	-	-	96,956
Short term self-liquidating trade-related contingencies	107,698	-	-	-	107,698
Irrevocable commitments	612,780	1,577,419	8,308	-	2,198,507
	808,709	1,647,941	8,308	-	2,464,958

@ Commitments and contingencies exclude foreign exchange related contracts.



## 51. Financial risk management (cont'd.)

## 51.3 Liquidity risk (cont'd.)

## (b) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

Company 2021	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<b>Financial liabilities</b>					
Other financial liabilities	239,061	-	-	-	239,061
	239,061	-	-	-	239,061
<b>Commitments and contingencies<sup>@</sup></b>					
Irrevocable commitments	-	11,668	-	-	11,668
	-	11,668	-	-	11,668

<sup>@</sup> Commitments and contingencies exclude foreign exchange related contracts.

Company 2020	On demand or within one year RM'000	One to five years RM'000	Over five years RM'000	No specific maturity RM'000	Total RM'000
<b>Financial liabilities</b>					
Other financial liabilities	41,074	-	-	-	41,074
	41,074	-	-	-	41,074
<b>Commitments and contingencies<sup>@</sup></b>					
Trade-related contingencies	3,530	-	-	-	3,530
Irrevocable commitments	-	14,989	-	-	14,989
	3,530	14,989	-	-	18,519

<sup>@</sup> Commitments and contingencies exclude foreign exchange related contracts.

## 51. Financial risk management (cont'd.)

### 51.4 Operational risk

Operational risk is defined as the risk of loss arising from inadequate or failed internal processes, people and systems and external events, which includes legal risk and Shariah compliance risk but excludes strategic and reputational risk. The Group recognizes and emphasizes the importance of operational risk management and manages this risk through a control-based environment where processes are documented, authorization is independent, transactions are reconciled and monitored and business activities are carried out within the established guidelines, procedures and limits. The Group's governance approach in managing operational risk is premised on the Three Lines of Defense Approach as discussed under Note 51(c).

## 52. Capital management

The primary objective of the Group and the Company's capital management is to ensure that a strong credit rating and healthy capital ratios are maintained in order to support their business and maximise shareholder value.

The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2021.

The Group and the Company monitor their capital using both leverage ratio (which is computed using Common Equity Tier 1 capital divided by total assets including off-balance sheet commitments) and risk-weighted capital adequacy ratio ("RWCR") (which is computed using capital base divided by total risk-weighted assets) as prescribed by Bank Negara Malaysia for licensed financial institutions in Malaysia. The Group and Company's capital adequacy ratios have been disclosed in Note 45.

### 53. Fair values

The carrying amount of cash and short-term funds, deposits and placements with financial institutions, financial investment at FVTPL, assets held for sale, trade and other receivables (excluding prepayments and deposits) and trade and other payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The tables below analyse other financial instruments at fair value.

Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>2021</b>								
<b>Financial assets</b>								
Financial investments at FVOCI	-	11,811,115	-	-	-	-	11,811,115	11,811,115
Loans, financing and advances	-	-	-	-	-	34,652,448	34,652,448	34,503,102
Financial investments at amortised cost	-	-	-	-	631,931	-	631,931	630,334
Investments with fund manager	-	240,209	-	-	-	-	240,209	240,209
Derivative financial assets	-	637	-	-	-	-	637	637
	-	12,051,961	-	631,931	34,652,448	35,284,379	47,336,340	47,185,397
<b>Financial liabilities</b>								
Deposits from customers and other financial institutions	-	-	-	-	24,746,314	-	24,746,314	24,601,750
Investment accounts of customers	-	-	-	-	8,651,718	-	8,651,718	8,649,581
Sukuk - MBSB SC Murabahah	-	-	-	-	2,094,986	-	2,094,986	2,094,914
Sukuk Wakalah	-	-	-	-	1,115,431	-	1,115,431	1,072,972
Recourse obligation on financing sold	-	-	-	-	1,359,122	-	1,359,122	1,294,247
Derivative financial liabilities	-	2,363	-	-	-	3,146,868	3,146,868	3,141,309
	-	2,363	-	37,967,571	3,146,868	41,114,439	41,116,802	40,857,136
<b>Company</b>								
<b>Financial assets</b>								
Loans, financing and advances	-	-	-	-	-	477,222	477,222	477,089
	-	-	-	-	-	477,222	477,222	477,089

**53. Fair values (cont'd.)**

The tables below analyse other financial instruments at fair value (cont'd.)

Group	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM'000	Carrying amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>2020</b>								
<b>Financial assets</b>								
Financial investments at FVOCI	-	10,192,272	-	-	-	-	-	10,192,272
Loans, financing and advances	-	-	-	-	-	33,778,924	33,778,924	33,762,458
Financial investments at amortised cost	-	-	-	-	489,078	-	489,078	488,102
Derivative financial assets	-	1,724	-	-	-	-	-	1,724
	-	10,193,996	-	-	489,078	33,778,924	34,268,002	44,461,998
								44,444,556
<b>Financial liabilities</b>								
Deposits from customers and other financial institutions	-	-	-	-	24,488,321	-	24,488,321	24,353,435
Sukuk - MBSB SC Murabahah	-	-	-	-	9,456,219	-	9,456,219	9,529,305
Sukuk Wakalah	-	-	-	-	1,453,193	-	1,453,193	1,366,563
Recourse obligation on financing sold	-	-	-	-	1,379,166	-	1,379,166	1,293,335
Derivative financial liabilities	-	1,614	-	-	-	2,271,230	2,271,230	2,262,531
	-	1,614	-	-	-	-	-	1,614
	-	1,614	-	-	36,776,899	2,271,230	39,048,129	38,806,783
<b>Company</b>								
<b>Financial assets</b>								
Loans, financing and advances	-	-	-	-	-	1,029,934	1,029,934	898,954
	-	-	-	-	-	1,029,934	1,029,934	898,954

### 53. Fair values (cont'd.)

The fair values of the financial instruments not measured at fair value are based on the following methodologies and assumptions:

#### i) Financial investments at FVTPL

The fair value is based on the net asset value of the investments placed with fund manager.

#### ii) Financial investments at FVOCI and financial investments at amortised cost

The estimated fair value is generally based on the quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company establish fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

#### iii) Loans, financing and advances

The fair value of fixed rate financing with remaining maturities of less than one year and variable rate financing are estimated to approximate the carrying amount. For fixed rate financing with maturities of more than one year, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at prevailing rates offered for similar financing to new borrowers with similar credit profiles as at the reporting date.

The fair value of impaired fixed and variable rate financing is represented by their carrying amount, which are net of impairment allowances.

#### iv) Deposits from customers, deposits and placements of banks and other financial institutions and wakalah investment accounts

Deposits, placements and obligations which mature or reprice after one year are grouped by residual maturity. Fair value is estimated using discounted cash flows, applying either market rates, where applicable, or current rates offered for deposits of similar remaining maturities. The fair values of deposits repayable on demand and deposits and placements with remaining maturities of less than one year are approximated by their carrying values due to the relatively short maturity of these instruments.

#### v) Recourse obligation on financing sold

The fair values for recourse obligation on financing sold to Cagamas Berhad are determined based on discounted cash flows of future instalment payments at prevailing rates quoted by Cagamas Berhad as at reporting date.

#### vi) Sukuk-MBSB SC Murabahah and Sukuk Wakalah

The fair value of Sukuk-MBSB SC Murabahah and Sukuk Wakalah are based on market prices.

#### 54. Operating segments

Following disposal of subsidiaries during the year, the Group has refined the operating segments in a manner that is consistent with the internal reporting provided to the chief operating decision maker (“CODM”). The refinement has also resulted in changes of comparative disclosures to reflect consistent presentation of disclosures.

Segment information is presented in respect of the Group's business segments and the Group's reportable segments, as described below, can be classified into four segments where each segment offers different products and services, and managed separately with different technology and marketing strategies. The Group has determined the Management Committee as its CODM. The following summary describes the operations in each of the Group's reportable segments:

- |                        |  |
|------------------------|--|
| (i) Consumer Banking   | Includes consumer financing such as property financing, personal financing and wealth management services with individual customers in Malaysia.   |
| (ii) Corporate Banking | Includes corporate financing, wholesale financing, contract financing and commercial property financing with business customers.   |
| (iii) Global Market    | Includes saving accounts, current accounts, term deposits, investment accounts, treasury activities including money market, sukuk, derivatives and trading of capital market securities. |
| (iv) Others            | Includes rental, property development, intercompany financing and operations subsidiaries.   |

The Group operates predominantly in Malaysia and hence information by geographical location is not presented.

All inter-segment transactions have been entered into normal course of business and have been established on terms and conditions which not materially different from those obtainable in transactions with unrelated parties.

The Directors are of the opinion that all inter-segment transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

## 54. Operating segments (cont'd.)

## (a) Business segments

	Consumer Banking		Corporate Banking		Global Markets		Others		Inter-segment Elimination		Total	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
<b>Revenue and expenses</b>												
<u>External:</u>												
Fund based income	1,712,509	1,751,286	478,190	607,082	439,101	422,249	98,873		-	-	2,610,784	2,879,490
Non-fund based income	10,555	(16,599)	18,920	25,375	(15,630)	249,990	74	7,246	-	-	13,919	266,012
<u>Inter-segment</u>												
Fund based income	131,746	142,888	-	-	3,731	-	221,877	168,599	(357,354)	(311,487)	-	-
Non-fund based income	-	-	-	-	-	-	251,706	657	(251,706)	(657)	-	-
Total revenue	1,854,810	1,877,575	497,110	632,457	427,202	672,239	454,641	275,375	(609,060)	(312,144)	2,624,703	3,145,502
Net fund based income	1,003,747	757,757	337,385	360,652	221,486	278,221	124,049	81,044	(145,695)	75,215	1,540,972	1,552,889
Non-fund based income	37,311	(25,168)	28,205	25,286	(16,794)	239,742	426,896	279,015	(362,371)	(280,580)	113,247	238,295
Net income	1,041,058	732,589	365,590	385,938	204,692	517,963	550,945	360,059	(508,066)	(205,365)	1,654,219	1,791,184
Net allowance for impairment	165,353	(288,264)	(202,635)	(76,272)	(628)	12	(93,630)	(48,803)	45,537	(7,603)	(86,003)	(420,930)
Loss on modification of cash flows	(309,610)	(491,368)	(2,076)	(13,382)	-	-	-	-	-	-	(311,686)	(504,750)
Profit before overheads, zakat and tax	896,801	(47,043)	160,879	296,284	204,064	517,975	457,315	311,256	(462,529)	(212,968)	1,256,530	865,504
Operating expenses	(310,442)	(296,539)	(119,542)	(95,003)	(118,965)	(48,040)	(17,336)	(18,145)	23,869	19,863	(542,416)	(437,864)
Overheads of which:												
- Depreciation of property and equipment	(8,908)	(12,385)	(3,018)	(7,137)	(2,657)	(5,211)	(3,357)	(1,939)	-	-	(17,940)	(26,672)
- Depreciation of right-of-use asset	(12,999)	(4,196)	(4,405)	(2,418)	(3,878)	(1,765)	(4,899)	(657)	-	-	(26,181)	(9,036)
- Amortisation of intangible assets	(17,988)	(15,130)	(6,095)	(8,719)	(5,366)	(6,365)	(6,779)	(2,369)	-	-	(36,228)	(32,583)
Profit before zakat and tax	586,359	(343,582)	41,337	201,281	85,099	469,935	439,979	293,111	(438,660)	(193,105)	714,114	427,640
Taxation											(275,479)	(157,804)
Zakat											142	363
Profit from continuing operations											438,777	270,199
Loss from discontinued operation											(72)	(881)
Net profit for the year											438,705	269,318

**54. Operating segments (cont'd.)****(a) Business segments (cont'd.)**

	Consumer Banking		Corporate Banking		Global Markets		Others		Inter-segment Elimination		Total	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Assets</b>												
Segment assets	26,368,989	25,469,568	8,824,191	8,908,713	13,641,065	12,078,700	-	-	-	-	48,834,245	46,456,981
Tax recoverable											454,794	589,154
Deferred tax assets											24,176	7,261
Unallocated assets											1,368,073	1,365,098
Total assets											50,681,288	48,438,494
<b>Liabilities</b>												
Segment liabilities	25,968,762	26,550,368	5,664,163	7,183,726	8,909,500	4,726,049	314,711	346,640	-	-	40,857,136	38,806,783
Provision for taxation and zakat											4,135	7,950
Deferred tax liabilities											15,481	107,155
Unallocated liabilities											1,125,211	635,434
Total liabilities											42,001,963	39,557,322
<b>Other Information</b>												
Capital expenditure	-	-	-	-	-	-	80,485	89,795	-	-	80,485	89,795

**(b) Geographical Segments**

The Group's activities are in Malaysia, therefore segmental reporting is not analysed by geographical locations.



**55. The Operations of Islamic Business**
**STATEMENT OF FINANCIAL POSITION OF MBSB BANK GROUP ("BANK GROUP")  
AS AT 31 DECEMBER 2021**

		<b>Bank Group</b>		
		<b>31.12.2021</b>	<b>Restated 31.12.2020</b>	<b>Restated 01.01.2020</b>
	<b>Note</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Assets</b>				
Cash and short-term funds	(a)	645,205	731,160	1,829,715
Deposits and placements with banks and other financial institutions	(a)	843,856	781,682	873,515
Derivative financial assets		637	1,724	4,239
Financial investments at fair value through profit or loss	(b)	240,209	-	-
Financial investments at fair value through other comprehensive income	(c)	11,811,115	10,192,272	10,694,644
Financial investments at amortised cost	(d)	630,334	488,102	494,705
Financing and advances	(e)	34,026,013	32,863,504	32,807,317
Other receivables	(f)	498,867	508,125	548,207
Statutory deposits with Bank Negara Malaysia		650,000	620,000	1,090,000
Investment property		820	820	820
Property and equipment		54,355	27,882	25,444
Intangible assets		101,184	111,449	115,559
Right-of-use assets		41,354	14,880	16,821
Tax recoverable		1,049	9,517	5,123
Deferred tax assets		17,292	-	-
Financing held for sale		2,122	-	-
<b>Total assets</b>		<b>49,564,412</b>	<b>46,351,117</b>	<b>48,506,109</b>
<b>Liabilities</b>				
Deposits from customers	(g)	25,418,212	24,353,435	25,271,951
Deposits and placements of banks	(h)	8,649,581	9,529,305	10,621,769
Investment accounts of customers	(i)	2,094,914	-	-
Derivative financial liabilities		2,363	1,614	1
Other payables	(j)	985,880	741,166	571,744
Lease liabilities		41,973	15,193	17,130
Recourse obligation on financing sold		3,141,309	2,262,531	2,481,251
Sukuk-MBSB Structured Covered Murabahah		1,072,972	1,366,563	1,664,973
Sukuk Wakalah		1,294,247	1,293,335	1,293,075
Deferred tax liabilities		-	92,368	94,739
Provision for taxation		77,142	-	-
Provision for zakat		60	4,367	8,192
<b>Total liabilities</b>		<b>42,778,653</b>	<b>39,659,877</b>	<b>42,024,825</b>

## 55. The Operations of Islamic Business (cont'd.)

STATEMENT OF FINANCIAL POSITION OF MBSB BANK GROUP ("BANK GROUP")  
AS AT 31 DECEMBER 2021 (cont'd.)

	Note	31.12.2021 RM'000	Bank Group Restated 31.12.2020 RM'000	Restated 01.01.2020 RM'000
<b>Equity</b>				
Share capital		5,427,972	5,159,859	5,159,859
Reserves		1,357,787	1,531,381	1,321,425
<b>Total equity</b>		6,785,759	6,691,240	6,481,284
<b>Total liabilities and equity</b>		49,564,412	46,351,117	48,506,109
<b>Commitments and contingencies</b>		3,253,338	2,724,749	5,069,104

The accompanying notes provide further details on the balances as at reporting date.

**55. The Operations of Islamic Business (cont'd.)**
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF MBSB BANK GROUP ("BANK GROUP")  
FOR THE YEAR ENDED 31 DECEMBER 2021**

	<b>Group</b>	
	<b>2021</b>	<b>Restated 2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Income derived from investment of depositors' funds	2,149,088	2,129,110
Income derived from investment of shareholders' funds	502,527	860,435
Income derived from investment of investment accounts' funds	60,967	-
Net allowance for impairment on financing and advances and other financial assets	(124,455)	(353,215)
Loss on modification of cash flows	(311,665)	(504,676)
<b>Total distributable income</b>	<b>2,276,462</b>	<b>2,131,654</b>
Income attributable to depositors and others	(1,073,545)	(1,326,588)
<b>Total net income</b>	<b>1,202,917</b>	<b>805,066</b>
Personnel expenses	(257,360)	(286,720)
Other overhead expenses	(274,014)	(139,268)
<b>Profit before taxation and zakat</b>	<b>671,543</b>	<b>379,078</b>
Taxation	(216,973)	(115,500)
Zakat	141	363
<b>Profit for the year</b>	<b>454,711</b>	<b>263,941</b>
Other comprehensive (expense)/income, net of tax:		
Movement in fair value reserve, which may be reclassified subsequently to profit or loss	(395,712)	79,672
<b>Total comprehensive income for the year</b>	<b>58,999</b>	<b>343,613</b>

**(a) Cash and short-term funds and deposits and placements with banks and other financial institutions**

	<b>Bank Group</b>	
	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
(a) Cash and balances with banks and other financial institutions	125,180	125,131
Money at call and deposit placements maturing within one month	520,025	606,029
	645,205	731,160
(b) Deposits and placements with banks and other financial institutions with original maturity of more than one month		
Licensed Islamic banks	843,856	781,682
	1,489,061	1,512,842

The ECL for cash and short-term funds and deposits and placements with banks and other financial institutions above is nil (2020: nil).

## 55. The Operations of Islamic Business (cont'd.)

## (b) Financial investments at FVTPL

	Bank Group	
	31.12.2021 RM'000	31.12.2020 RM'000
<b>At fair value</b>		
<u>In Malaysia</u>		
Investment with fund manager - Money Market Securities	240,209	-

## (c) Financial investments at FVOCI

	Bank Group	
	31.12.2021 RM'000	31.12.2020 RM'000
<b>At fair value</b>		
<b>Money Market Instruments</b>		
Malaysian Government Investment Issues	8,317,698	6,906,159
<b>Debt securities</b>		
<u>In Malaysia</u>		
Private and Islamic debt securities	1,139,722	1,089,533
Government Guaranteed debt securities	2,353,695	2,196,580
	11,811,115	10,192,272

The carrying amount of financial investments measured at FVOCI is its fair value. Accordingly, the recognition of an impairment loss does not affect the carrying amount of those assets, but is reflected as a debit to profit or loss or retained earnings, and credit to other comprehensive income.

**55. The Operations of Islamic Business (cont'd.)**
**(c) Financial investments at FVOCI (cont'd.)**

ECL movement for financial investments at FVOCI:

	<b>Bank Group</b>			<b>Total RM'000</b>
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	
ECL as at 1 January 2021	7	-	-	7
Total charged to profit or loss:	7	-	-	7
New financial investments purchased during the year	13	-	-	13
Matured financial investments during the year	(5)	-	-	(5)
Change in credit risk	(1)	-	-	(1)
<hr/>				
ECL as at 31 December 2021	14	-	-	14
<hr/>				
ECL as at 1 January 2020	18	-	-	18
Total charged to profit or loss:	(11)	-	-	(11)
Change in credit risk	(11)	-	-	(11)
<hr/>				
ECL as at 31 December 2020	7	-	-	7

**(d) Financial investments at amortised cost**

	<b>Bank Group</b>	
	<b>31.12.2021 RM'000</b>	<b>31.12.2020 RM'000</b>
<b>Money Market Instruments</b>		
Malaysian Government Investment Issues	20,666	-
<u>In Malaysia</u>		
Private and Islamic debt securities	610,880	488,693
<hr/>		
	631,546	488,693
Less: ECL		
- Stage 1	(841)	(90)
- Stage 2	(371)	(501)
<hr/>		
	630,334	488,102

**55. The Operations of Islamic Business (cont'd.)**
**(d) Financial investments at amortised cost (cont'd.)**

ECL movement for financial investments at amortised cost:

	Bank Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL as at 1 January 2021	90	501	-	591
Total charged to profit or loss	751	(130)	-	621
Changes in credit risk	(3)	(130)	-	(133)
New financial investments purchased during the year	754	-	-	754
<b>ECL as at 31 December 2021</b>	<b>841</b>	<b>371</b>	<b>-</b>	<b>1,212</b>

	Bank Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
ECL as at 1 January 2020	152	-	-	152
Total charged to profit or loss	(62)	501	-	439
Changes in the ECL	(45)	45	-	-
- Transfer to stage 2	(17)	456	-	439
Changes in credit risk	(17)	456	-	439
<b>ECL as at 31 December 2020</b>	<b>90</b>	<b>501</b>	<b>-</b>	<b>591</b>

**(e) Financing and advances**

	Bank Group	
	31.12.2021 RM'000	31.12.2020 RM'000
<b>(i) By type</b>		
<b>At amortised cost</b>		
Term financing		
- Personal financing	19,613,340	19,837,438
- Property financing	7,266,303	6,084,956
- Hire purchase receivables	679,199	761,732
- Bridging financing	411,617	483,948
- Auto financing	75,121	106,198
- Other term financing	5,584,420	5,642,011
Revolving credit	175,464	190,840
Staff financing	42,371	46,071
Cashline	125,147	81,539
Trade Finance	1,341,911	1,007,548
<b>Gross financing and advances</b>	<b>35,314,893</b>	<b>34,242,281</b>
Less: ECL		
- Stage 1	(345,477)	(365,538)
- Stage 2	(588,894)	(587,652)
- Stage 3	(354,509)	(425,587)
<b>Net financing and advances</b>	<b>34,026,013</b>	<b>32,863,504</b>

## 55. The Operations of Islamic Business (cont'd.)

## (e) Financing and advances (cont'd.)

## (ii) Movement in gross financing and advances

	Bank Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>2021</b>				
Gross carrying amount as at 1 January 2021	28,711,142	4,543,908	987,231	34,242,281
Transfer to stage 1	1,603,920	(1,476,762)	(127,158)	-
Transfer to stage 2	(2,090,037)	2,177,501	(87,464)	-
Transfer to stage 3	(158,818)	(130,337)	289,155	-
New financing/disbursement during the year	4,314,854	1,282,980	31,537	5,629,371
Repayment during the year	(3,205,995)	(1,089,886)	(66,529)	(4,362,410)
Other movements	194,032	(13,473)	97,786	278,345
Loss on modification of cash flows	(239,811)	(71,854)	-	(311,665)
Reclassification to assets held for sale	-	-	(23,671)	(23,671)
Write-offs	-	-	(137,358)	(137,358)
Gross carrying amount as at 31 December 2021	29,129,287	5,222,077	963,529	35,314,893
<b>2020</b>				
Gross carrying amount as at 1 January 2020	29,065,287	4,106,709	818,025	33,990,021
Transfer to stage 1	1,071,111	(1,028,981)	(42,130)	-
Transfer to stage 2	(1,486,173)	1,583,613	(97,440)	-
Transfer to stage 3	(205,368)	(199,343)	404,711	-
New financing/disbursement during the year	4,554,480	514,891	62,228	5,131,599
Repayment during the year	(4,313,511)	(452,737)	(57,997)	(4,824,245)
Other movements	489,287	60,461	95,486	645,234
Loss on modification of cash flows	(463,971)	(40,705)	-	(504,676)
Write-offs	-	-	(195,652)	(195,652)
Gross carrying amount as at 31 December 2020	28,711,142	4,543,908	987,231	34,242,281

## 55. The Operations of Islamic Business (cont'd.)

## (e) Financing and advances (cont'd.)

## (iii) Movement in ECL for financing and advances

	Bank Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>2021</b>				
ECL as at 1 January 2021	365,538	587,652	425,587	1,378,777
Total charged to profit or loss	(20,061)	1,242	87,829	69,010
Changes in the ECL				
- Transfer to stage 1	231,487	(189,892)	(41,595)	-
- Transfer to stage 2	(30,230)	78,365	(48,135)	-
- Transfer to stage 3	(2,778)	(29,910)	32,688	-
New financing/disbursement during the year	58,927	122,807	17,576	199,310
Repayment during the year	(303,617)	(211,442)	(109,991)	(625,050)
Changes in credit risk parameters #	26,150	231,314	237,286	494,750
Reclassification to assets held for sale	-	-	(21,549)	(21,549)
Write-offs	-	-	(137,358)	(137,358)
ECL as at 31 December 2021	345,477	588,894	354,509	1,288,880

# The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEVs") and changes to loss rate for the ECL model.

	Bank Group			Total RM'000
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	
<b>2020</b>				
ECL as at 1 January 2020	401,290	368,934	412,480	1,182,704
Total charged to profit or loss	(35,752)	218,718	208,397	391,363
Changes in the ECL				
- Transfer to stage 1	96,261	(70,682)	(25,579)	-
- Transfer to stage 2	(31,598)	93,768	(62,170)	-
- Transfer to stage 3	(4,289)	(21,943)	26,232	-
New financing/disbursement during the year	66,724	58,879	19,092	144,695
Repayment during the year	(173,546)	(128,500)	(59,607)	(361,653)
Changes in credit risk parameters #	10,696	287,196	310,429	608,321
Write-offs	-	-	(195,290)	(195,290)
ECL as at 31 December 2020	365,538	587,652	425,587	1,378,777

# The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEVs") and changes to loss rate for the ECL model.



**55. The Operations of Islamic Business (cont'd.)****(e) Financing and advances (cont'd.)****(iv) Movement in impaired financing and advances**

	<b>Bank Group</b>	
	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Balance as at 1 January 2021	987,231	818,025
Classified as impaired during the year	320,692	466,939
Reclassified as non-impaired	(214,622)	(139,570)
Amount recovered	(66,529)	(57,997)
Amount written off	(137,358)	(195,652)
Other movements	97,786	95,486
Reclassification to assets held for sale	(23,671)	-
	<hr/>	<hr/>
Balance as at 31 December 2021	963,529	987,231
	<hr/>	<hr/>
Gross impaired as a percentage of gross financing and advances	2.73%	2.88%

**(f) Other receivables**

	<b>Bank Group</b>	
	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Financing to related companies	546,039	571,042
Amount due from related companies	-	1,824
Prepayments and deposits	10,237	8,967
Deferred expenses	1,683	1,946
Sundry receivables	60,499	56,357
	<hr/>	<hr/>
Less: ECL at stage 1	618,458	640,136
Less: ECL at stage 3	(4,989)	-
	<hr/>	<hr/>
	(114,602)	(132,011)
	<hr/>	<hr/>
	498,867	508,125

There was no transfer of ECL out of stage 3 during the financial year and previous year for financial assets under other receivables.

## 55. The Operations of Islamic Business (cont'd.)

## (g) Deposits from customers

	<b>Bank Group</b>	
	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>(i) By type of deposit:</b>		
Non-Mudharabah Funds:		
Commodity Murabahah Term Deposits	24,421,230	23,781,938
Demand deposits	611,386	288,418
Savings deposits	385,596	283,079
	25,418,212	24,353,435

**(ii) Maturity structure of term deposits are as follows:**

	<b>Bank Group</b>	
	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	15,626,072	16,316,307
More than six months to one year	6,347,608	5,079,445
More than one year to three years	2,213,495	2,020,109
More than three years	234,055	366,077
	24,421,230	23,781,938

**(iii) By type of customers:**

	<b>Bank Group</b>	
	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Government and statutory bodies	12,283,703	12,058,760
Business enterprises	8,793,405	7,568,566
Individuals	4,341,104	4,726,109
	25,418,212	24,353,435

## 55. The Operations of Islamic Business (cont'd.)

## (h) Deposits and placements of banks

	Bank Group	
	31.12.2021	31.12.2020
	RM'000	RM'000
<b>(i) By type of deposit:</b>		
Non-Mudharabah Funds:		
Other financial institutions:		
- Licensed Investment Banks	948	1,234
- Licensed Islamic Banks	534,051	100,010
- Other financial institutions	8,114,582	9,428,061
	<hr/>	<hr/>
	8,649,581	9,529,305

## (i) Investment accounts of customers

	Group	
	31.12.2021	31.12.2020
	RM'000	RM'000
Wakalah	2,094,914	-

## (i) By type of customers:

	Group	
	31.12.2021	31.12.2020
	RM'000	RM'000
Government and statutory bodies	2,014,773	-
Other Financial Institutions	80,141	-
	<hr/>	<hr/>
	2,094,914	-

## (ii) Movement of investment accounts of customers:

	Group	
	31.12.2021	31.12.2020
	RM'000	RM'000
Balance as at 1 January 2021	-	-
New placement during the year	2,506,314	-
Redemption	(426,328)	-
Finance expense	23,456	-
Profit distributed	(8,528)	-
	<hr/>	<hr/>
Balance as at 31 December 2021	2,094,914	-

**55. The Operations of Islamic Business (cont'd.)****(i) Investment accounts of customers (cont'd.)****(iii) By Maturity:**

	<b>Group</b>	
	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Due within six months	1,006,243	-
More than six months to one year	1,083,050	-
More than one year to three years	5,621	-
	<hr/>	<hr/>
	2,094,914	-

**(j) Other payables**

	<b>Bank Group</b>	
	<b>31.12.2021</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
Amount due to related companies	7,679	7,727
Amount due to holding company	138,410	162,993
Al-Mudharabah security funds	147,604	144,168
ECL for commitments and contingencies (i)	54,184	44,443
Other provisions and accruals	115,620	86,927
Deferred income	21,658	26,828
Sundry creditors	500,725	268,080
	<hr/>	<hr/>
	985,880	741,166

**55. The Operations of Islamic Business (cont'd.)**
**(j) Other payables (cont'd.)**
**(i) ECL for commitments and contingencies**

Movement of ECL for commitments and contingencies is as follows:

	<b>Bank Group</b>			<b>Total RM'000</b>
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	
<b>2021</b>				
ECL as at 1 January 2021	18,878	13,274	12,291	44,443
Total charged to profit or loss	(1,935)	22,595	(10,918)	9,742
Changes in the ECL:				
- Transfer to stage 1	2,861	(999)	(1,862)	-
- Transfer to stage 2	(764)	802	(38)	-
- Transfer to stage 3	(3)	(43)	46	-
New financing/disbursement during the year	8,719	26,614	590	35,923
Repayment/drawdown on financing during the year	(5,818)	(8,475)	(9,668)	(23,961)
Changes in credit risk parameters #	(6,930)	4,696	14	(2,220)
Write-offs	-	-	(1)	(1)
<b>ECL as at 31 December 2021</b>	<b>16,943</b>	<b>35,869</b>	<b>1,372</b>	<b>54,184</b>

# The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEVs") and changes to loss rate for the ECL model.

	<b>Bank Group</b>			<b>Total RM'000</b>
	<b>Stage 1 RM'000</b>	<b>Stage 2 RM'000</b>	<b>Stage 3 RM'000</b>	
<b>2020</b>				
ECL as at 1 January 2020	43,945	17,802	3,492	65,239
Total charged to profit or loss	(25,067)	(4,528)	9,408	(20,187)
Changes in the ECL:				
- Transfer to stage 1	762	(685)	(77)	-
- Transfer to stage 2	(2,937)	3,043	(106)	-
- Transfer to stage 3	(367)	(1,519)	1,886	-
New financing/disbursement during the year	9,416	3,176	66	12,658
Repayment/drawdown on financing during the year	(18,535)	(8,462)	(2,092)	(29,089)
Changes in credit risk parameters #	(13,406)	(81)	9,731	(3,756)
Write-offs	-	-	(609)	(609)
<b>ECL as at 31 December 2020</b>	<b>18,878</b>	<b>13,274</b>	<b>12,291</b>	<b>44,443</b>

# The changes in credit risk parameters include impact of forward-looking on key macroeconomic variables ("MEVs") and changes to loss rate for the ECL model.

**56. Significant events during the financial year**

## (i) Impact of COVID-19

The Group remained affected by the prolonged impact of COVID-19 pandemic during the year. The analysis of affected loans and financing is disclosed in Note 50.

## (ii) Disposal of subsidiaries

On 18 November 2020, the Company entered into a sales purchase agreement with Ehsan Property Sdn Bhd (“Ehsan Property”) to dispose its subsidiary, Ombak Pesaka Sdn Bhd and its hotel operation at RM13,000,000. The sale completed on 2 February 2021. The Group recorded loss from discontinued operation amounting to RM72,000 during the year (2020: loss of RM881,000) arising from the transaction.

On 30 June 2021, the Company entered into a shares purchase agreement (“SPA”) with Nautical Insight Sdn Bhd (“Nautical Insight”) to dispose its subsidiary, Sigmaprise Sdn Bhd at RM2. The disposal including transfer of shares to Nautical Insight completed on 30 November 2021.

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 52<sup>ND</sup> ANNUAL GENERAL MEETING (“AGM”) of the Company will be conducted as a virtual meeting through live streaming from the broadcast venue at Level 4, Menara MBSB Bank, Lot 12, Persiaran Barat, Seksyen 52, 46200 Petaling Jaya, Selangor (“Broadcast Venue”) on Thursday, 9 June 2022 at 10.00 a.m. for the following purposes:

### ORDINARY BUSINESS:

1. To receive the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2021 and Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**
2. To approve the payment of Directors’ Fees payable to Directors for the period from the date of this AGM until the next AGM of the Company in 2023. **Ordinary Resolution 1**
3. To approve payment of benefits (excluding Directors’ Fees) payable to Directors from the date of this AGM until the next AGM of the Company in 2023. **Ordinary Resolution 2**
4. To re-elect Datin Hoi Lai Ping, who retire in accordance with Clause 90 of the Company’s Constitution, and who being eligible offer herself for re-election. **Ordinary Resolution 3**
5. To re-elect Puan Lynette Yeow Su-Yin, who retire in accordance with Clause 100 of the Company’s Constitution, and who being eligible offer herself for re-election. **Ordinary Resolution 4**
6. To reappoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2022 and to authorise the Directors to determine their remuneration. **Ordinary Resolution 5**
7. To transact any other ordinary business of which due notice shall have been given.

### BY ORDER OF THE BOARD

**KOH AI HOON** (MAICSA 7006997)

*Practicing Certificate No.: 201908003748*

**TONG LEE MEE** (MAICSA 7053445)

*Practicing Certificate No.: 201908001316*

*Company Secretaries*

Petaling Jaya

29 April 2022

**Explanatory Notes: -****1. Item 1 of the Agenda – Audited Financial Statements for the financial year ended 31 December 2021**

This Agenda is meant for discussion only, as the provision of Section 340(1)(a) of the Companies Act, 2016 does not require a formal approval of the shareholders for the Audited Financial Statements. Hence, this Agenda item is not put forward for voting.

**2. Item 2 of the Agenda – Ordinary Resolution 1 - Directors Fees payable to Director**

The proposed fees to be paid to Directors for the period from the date of this AGM until the next AGM of the Company in 2023 is based on the following fee structure:-

**MBSB**

Fees per annum	(RM)	
	Chairman	Member
Directors	140,000	100,000
Audit Committee	30,000	20,000
Risk Management Committee	30,000	20,000
Nominating & Remuneration Committee	25,000	15,000
Restructuring Committee	25,000	15,000

**MBSB Bank**

Fees per annum	(RM)	
	Chairman	Member
Directors	140,000	100,000
Board Audit Committee	30,000	20,000
Board Risk Management & Compliance Committee	30,000	20,000
Board Nominating & Remuneration Committee	25,000	15,000
Board Investment & Credit Committee	30,000	20,000
Board Information Technology Oversight Committee	25,000	15,000

**3. Item 3 of the Agenda – Ordinary Resolution 2 – Benefits payable to Directors**

The details of the benefits payable to Directors are as follows: -

Board Meeting Allowance	RM3,000.00 per meeting
General Meeting Allowance	RM3,000.00 per meeting
Board Committee Meeting Allowance	RM2,000.00 per meeting
Any other meeting allowances (where the Directors are invited to attend)	RM2,000.00 per meeting
Other benefits	Company car and personal driver for Chairman, medical coverage, travel, communication and other claimable benefits

**Note:**

- The benefits payable to the Directors comprise allowances and other emoluments payable to the Chairman and member of the Board, Board of subsidiaries and Board Committees
- The total amount of benefits payable to the Directors is estimated up to RM2,900,000 from date of this AGM until the next AGM in 2023 based on the estimated number of 248 meetings.



#### 4. **Item 4 and 5 of the Agenda – Ordinary Resolution 3 and 4 – Re-election of Directors**

Datin Hoi Lai Ping (“Datin Hoi”) was appointed as Independent Non-Executive Director of the Company on 1 March 2022. Datin Hoi shall hold office until this AGM and is eligible to stand for re-election in accordance with Clause 90 of the Company’s Constitution. Datin Hoi has offered herself for re-election at this AGM.

Pursuant to Clause 100 of the Company’s Constitution, Puan Lynette Yeow Su-Yin (“Puan Lynette”) and Encik Lim Tian Huat are due for retirement at this AGM and both Directors are eligible to stand for re-election. Puan Lynette has offered herself for re-election at this AGM. Encik Lim Tian Huat did not seek for re-election at this AGM after having served on the Board of the Company for more than 11 years since his appointment as Director on 4 April 2011. Hence, he will retain office until the conclusion of this AGM, and retires in accordance with Clause 100 of the Company’s Constitution.

The retiring Directors had abstained from deliberations and decisions on their own eligibility to stand for re-election at the relevant Board and Nominating and Remuneration Committee (“NRC”) meeting. The Board and NRC had considered the performance and contribution of each of the retiring Directors and also assessed the independence of the Independent Non-Executive Directors seeking re-election.

The Board and NRC are satisfied that both Directors are not disqualified under the Companies Act, 2016 and Section 68(1) of the Islamic Financial Services Act 2013 (“IFSA”). The Directors also complied with the Fit and Proper Requirements as prescribed in the Fit and Proper Policy. The retiring Directors also fulfilled the independence criteria set out in the BNM Corporate Governance Policy and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. Background screening was conducted on the retiring Directors and there is no adverse finding or any interest, position or relationship that might influence, or reasonably be perceived to influence the background screening that could materially affect the director’s capacity to bring an independent judgement to bear on issues before the Board and to act in the best interests of MBSB.

The Board and NRC had reviewed the performance of Puan Lynette and her meeting attendance at the Board and Board Committees in 2021. The Board and NRC are satisfied with the performance and the contribution by Puan Lynette to the Board. Puan Lynette participates actively in the deliberations during the Board and Board Committee meetings and was able to provide independent and diverse viewpoints. Puan Lynette also received high score in the peer evaluation which was part of the Board Effectiveness Assessment in 2021. Puan Lynette attended more than 95% of the Board and Board Committee meetings in 2021.

The Board and NRC are of the view that Datin Hoi will be able to contribute in giving opinion and provide valuable insight particularly in relation to reorganisation/ reengineering of business/ structure etc based on her vast experience specialising in change management and financial services industry.

The Board and NRC supported the re-election of Puan Lynette and Datin Hoi as Directors of MBSB at this AGM.

The details of the directors who are standing for the re-election at this AGM are disclosed under the Directors’ Profile of the Integrated Annual Report 2021.

#### 5. **Item 6 of the Agenda – Ordinary Resolution 5 – Re-appointment of Auditor**

The Audit Committee (“AC”), at its meeting on 18 March 2022 conducted its annual assessment on the external auditors of the Company, Messrs PricewaterhouseCoopers PLT (“PwC”) in accordance with BNM’s Guidelines on External Auditors. The assessment covered a wide spectrum of matters such as performance, suitability, independence and objectivity of the external auditors, based on qualifying criteria for the appointment of auditors and terms of audit engagements.

Having satisfied itself with PwC’s performance and fulfillment of criteria as set out in BNM’s Guidelines on External Auditors, the AC recommended the re-appointment of PwC as the external auditors of the Company for the financial year ending 31 December 2022. The Board, at its meeting on 29 March 2022, approved the recommendation for shareholders’ approval to be sought at the 52<sup>nd</sup> AGM of the Company on the re-appointment of PwC as the external auditors of the Company for the financial year ending 31 December 2022, subject always to the approval from the regulators and shareholders.

**IMPORTANT NOTICE**

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting.

Shareholders are to attend, communicate (including posing questions to the Board via real time submission of typed texts) and vote (collectively, “participate”) remotely at the 52<sup>nd</sup> AGM via the Remote Participation and Voting facilities (“RPV”) provided by Tricor Investor & Issuing House Services Sdn. Bhd. (“Tricor”) via its TIIH Online website at <https://tiih.online>. Please follow the procedures in the Administrative Guide in order to participate remotely via RPV.

**Notes: -**

1. For the purpose of determining a member who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 61(2) of the Company’s Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 1 June 2022. Only a depositor whose name appears on the Record of Depositors as at 1 June 2022 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
2. A member shall be entitled to appoint another person as his proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to attend, participate, communicate and vote at the meeting.
3. In the case of a corporate body, the proxy appointed must be in accordance with its constitution, if any, and the instrument appointing a proxy shall be given under the company’s common seal or under the hand of an officer or attorney duly authorised.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
5. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (“SICDA”) which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. To be valid, the duly completed instrument appointing a proxy must be deposited at the Share Registrar’s office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, to submit your electronic Proxy Form via TIIH Online at <https://tiih.online> not less than 48 hours before the time fixed for holding the meeting. Please refer to the procedure for lodgement of Proxy Form in the Administrative Guide for submission of electronic Proxy Form.
7. As no shareholders should be physically present at the Broadcast Venue, we urge all shareholders to attend the 52<sup>nd</sup> AGM remotely using the Remote Participation and Voting (“RPV”) facilities which are available on Tricor Investor & Issuing House Services Sdn Bhd (“Tricor”)’s TIIH Online website at <https://tiih.online>. Please follow the procedures provided in the Administrative Guide.

**STATEMENT ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

1. The details of the Directors who are standing for re-election at the 52<sup>nd</sup> Annual General Meeting of the Company are disclosed under the Directors’ Profile of the Integrated Annual Report 2021. The details of their interest in securities of MBSB are set out in page 329 of the Integrated Annual Report 2021.

**ANALYSIS OF SHAREHOLDINGS**

AS AT 31 MARCH 2022

Total number of Issued Shares : 7,171,483,803 Ordinary Shares  
 Voting Rights : One Vote per Ordinary Share

**ANALYSIS OF ORDINARY SHAREHOLDINGS**

SIZE OF SHAREHOLDINGS	NO OF SHAREHOLDERS	% OF SHAREHOLDERS	NO OF SHARES	% OF ISSUED SHARE CAPITAL
1 - 99	2,126	4.381	76,213	0.001
100 - 1,000	5,832	12.018	4,573,081	0.063
1,001 - 10,000	19,901	41.012	107,066,652	1.492
10,001 - 100,000	17,329	35.712	566,002,490	7.892
100,001 - 358,574,189 (*)	3,335	6.872	1,769,823,477	24.678
358,574,190 AND ABOVE (**)	1	0.002	4,723,941,890	65.871
<b>TOTAL</b>	<b>48,524</b>	<b>100.00</b>	<b>7,171,483,803</b>	<b>100.00</b>

Remark:

\* Less than 5% of Issued Shares

\*\* 5% and above of Issued Shares

**DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY**

None of the director has any direct or indirect interests in shares in the Company.

**ACTING CHIEF EXECUTIVE OFFICER'S DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY**

The Acting Chief Executive Officer, Datuk Nor Azam M. Taib does not hold any direct or indirect interests in shares in the Company.

**SUBSTANTIAL SHAREHOLDERS**

Name	No. of Shares Held	% of Issued Shares
EMPLOYEES PROVIDENT FUND BOARD	4,723,941,890	65.871

Notes:

Total direct interest of EPF held under Citigroup Nominees (Tempatan) Sdn Bhd

## THIRTY LARGEST SHAREHOLDERS

NO	NAME	NO. OF SHARES	% OF SHARES
1	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	4,723,941,890	65.871
2	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR HSBC PRIVATE BANK (SUISSE) SA (CLIENT ASSETS)	131,062,931	1.827
3	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR UBS SWITZERLAND AG (CLIENTS ASSETS)	82,774,787	1.154
4	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG SILING (CEB)	52,000,000	0.725
5	CARTABAN NOMINEES (ASING) SDN BHD EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67)	30,544,000	0.425
6	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND	29,435,100	0.410
7	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	24,227,984	0.337
8	RHB NOMINEES (ASING) SDN BHD TADHAMON CAPITAL BSC CLOSED	20,688,232	0.288
9	B-OK SDN BHD	19,654,718	0.274
10	HSBC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CREDIT SUISSE (SG BR-TST-ASING)	18,672,848	0.260
11	CARTABAN NOMINEES (ASING) SDN BHD SSBT FUND WTAU FOR WISDOMTREE EMERGING MARKETS SMALLCAP DIVIDEND FUND	13,637,428	0.190
12	CARTABAN NOMINEES (TEMPATAN) SDN BHD PAMB FOR PRULINK EQUITY FUND	12,569,753	0.175
13	CIMB GROUP NOMINEES (TEMPATAN) SDN BHD HONG LEONG ASSET MANAGEMENT BHD FOR HONG LEONG ASSURANCE BERHAD (LP FUND ED102)	12,000,000	0.167
14	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HENG TENG KUANG	11,571,700	0.161
15	MAYBANK INVESTMENT BANK BERHAD IVT (16)	10,819,200	0.150
16	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR HONG LEONG DIVIDEND FUND	10,003,571	0.139
17	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR VANGUARD FIDUCIARY TRUST COMPANY INSTITUTIONAL TOTAL INTERNATIONAL STOCK MARKET INDEX TRUST II	8,892,100	0.123
18	DB (MALAYSIA) NOMINEE (ASING) SDN BHD THE BANK OF NEW YORK MELLON FOR VANGUARD FTSE ALL-WORLD EX-US SMALL-CAP INDEX FUND	8,234,300	0.114
19	KENANGA NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT)	8,156,696	0.113

**THIRTY LARGEST SHAREHOLDERS (cont'd)**

<b>NO</b>	<b>NAME</b>	<b>NO. OF SHARES</b>	<b>% OF SHARES</b>
20	KENANGA NOMINEES (ASING) SDN BHD EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT)	7,948,193	0.110
21	HLB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KIM HEUNG	7,621,403	0.106
22	TEE KOK THYE	7,561,123	0.105
23	POSEIDON SENDIRIAN BERHAD	7,375,246	0.102
24	LKK REALTY SDN. BHD.	7,341,064	0.102
25	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR EMERGING MARKETS SMALL CAPITALIZATION EQUITY INDEX NONLENDABLE FUND	6,822,885	0.095
26	CARTABAN NOMINEES (ASING) SDN BHD STATE STREET LONDON FUND OD75 FOR ISHARES PUBLIC LIMITED COMPANY	6,301,500	0.087
27	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHEN TAM CHAI	6,084,053	0.084
28	CARTABAN NOMINEES (ASING) SDN BHD STATE STREET LONDON FUND AX27 FOR AXA ROSENBERG EQUITY ALPHATRUST	5,926,400	0.082
29	HSBC NOMINEES (ASING) SDN BHD JPMCB NA FOR BLACKROCK INSTITUTIONAL TRUST COMPANY, N.A. INVESTMENT FUNDS FOR EMPLOYEE BENEFIT TRUSTS	5,477,850	0.076
30	MAYBANK SECURITIES NOMINEES (ASING) SDN BHD MAYBANK KIM ENG SECURITIES PTE LTD FOR CHUMPON CHANTHARAKULPONGSA @ CHAN TEIK CHUAN	5,300,071	0.073
TOTAL SHAREHOLDING OF THE THIRTY LARGEST SHAREHOLDERS		5,302,647,026	73.925

## SCHEDULE OF PROPERTIES

No.	Location	Tenure	No. of years	Expiry Date	Land Area (Sq. Metres)	Description	Ages of Building (Years)	Book Value (RM '000)	Date of Re-valuation
1	Lot 31632 and 31633 PM No.416 and 417, Bukit Raja, Mukim of Kapar, District of Klang, Selangor	Leasehold	99	08.05.2093	28,651.30	Vacant Land	Nil	50,516	Jan-22
2	A) Lot No. 3077 Title Pajakan Negeri No. 32340, Mukim Pegoh, Alor Gajah, Melaka (phase 2C, A'Famosa resort)  B) 65 undeveloped detached house plots of land, Part of Phase 12, A' Famosa Resort Malaysia, Jalan Kemus, Simpang Ampat, Melaka.  C) 62 undeveloped detached house plots of land, Part of Phase 8, A'Famosa Resort Malaysia, Jalan Kemus, Simpang Ampat, Melaka	Leasehold	99	18.12.2094	161,106.01	Vacant Land	Nil	33,763	Nov-21
3	No.48, Jalan Dungun, Damansara Heights, Kuala Lumpur	Freehold	Nil	Nil	1,595.28	Office Building	32	26,213	Nov-21
4	56 Vacant industrial lots located in Mukim of Taboh Naning, Alor Gajah, Melaka	Freehold	Nil	Nil	274,782.68	Vacant Land	Nil	4,630	Jan-19
5	Lot 1520 GRN 60632 Bandar Segamat, Segamat, Johor	Freehold	Nil	Nil	7,001	Vacant Land	Nil	1,900	Sep-21
6	5 units shop office known as unit no. 11-1, 11-2, 11-3, 11-16 and 15-13 Port Tech Tower, Klang	Leasehold	99	08.05.2093	Nil	Office unit	8	1,838	Dec-21

No.	Location	Tenure	No. of years	Expiry Date	Land Area (Sq. Metres)	Description	Ages of Building (Years)	Book Value (RM '000)	Date of Re-valuation
7	Lot 4114 Geran 108858 Pekan Senawang, Seremban, Negeri Sembilan	Freehold	Nil	Nil	4,200	Vacant Land	Nil	820	Dec-21
8	No 3 Jalan 52/16 New Town Centre Petaling Jaya, Selangor	Leasehold	99	20.05.2065	174.19	Office Building	28	698	Jan-22
9	Geran No. 6951 Lot 3243, Bandar Kuala Terengganu, Daerah Kuala Terengganu, Negeri Terengganu	Freehold	Nil	Nil	197	Office Building	21	478	Feb-21
10	Plot 204 & 205, Melaka Raya, Jalan Taman off Jln Bandar Hilir, 75000 Melaka	Leasehold	99	19.08.2075	298	Vacant Land	Nil	352	Nov-21

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# PROXY FORM

I/We \_\_\_\_\_

Company No./NRIC No. \_\_\_\_\_ Tel No. \_\_\_\_\_

of \_\_\_\_\_  
(full address)

being a member/members of MALAYSIA BUILDING SOCIETY BERHAD hereby appoint:-

\_\_\_\_\_ NRIC No. \_\_\_\_\_

of \_\_\_\_\_ and/  
(full address)

falling him \_\_\_\_\_ NRIC No. \_\_\_\_\_

of \_\_\_\_\_  
(full address)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company which will be conducted as a virtual meeting through live streaming from the broadcast venue at Level 4, Menara MBSB Bank, Lot 12, Persiaran Barat, Seksyen 52, 46200 Petaling Jaya, Selangor ("Broadcast Venue") on Thursday, 9 June 2022 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy to vote as indicated hereunder.

NO.	RESOLUTIONS	FOR	AGAINST
Ordinary Business:-			
1.	To approve the payment of Directors' fees payable to Directors for the period from the date of this AGM until the next AGM of the Company in 2023. <b>Ordinary Resolution 1</b>		
2.	To approve payment of benefits (excluding Directors' Fees) payable to Directors from the date of this AGM until the next AGM of the Company in 2023. <b>Ordinary Resolution 2</b>		
3.	To re-elect Datin Hoi Lai Ping as Director of the Company <b>Ordinary Resolution 3</b>		
4.	To re-elect Puan Lynette Yeow Su-Yin as Director of the Company <b>Ordinary Resolution 4</b>		
5.	To reappoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2022 and to authorise the Directors to determine their remuneration. <b>Ordinary Resolution 5</b>		

(Please indicate with an 'x' in the space indicated above as to how you wish to cast your vote. If no specific directions as to voting are given, the proxy shall vote or abstain from voting at his/her full discretion)

The proportion of \*my/our holding to be represented by \*my/our proxies are as follows:

	Percentage (%)
First Proxy (1)	
Second Proxy (2)	

Date: \_\_\_\_\_

\_\_\_\_\_  
Signature of member

**Notes:**

1. For the purpose of determining a member who shall be entitled to attend this AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Clause 61(2) of the Company's Constitution and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991, to issue a General Meeting Record of Depositors as at 1 June 2022. Only a depositor whose name appears on the Record of Depositors as at 1 June 2022 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.
2. A member shall be entitled to appoint another person as his proxy. There shall be no restriction as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of a company shall have the same rights as the member to attend, participate, communicate and vote at the meeting.
3. In the case of a corporate body, the proxy appointed must be in accordance with its constitution, if any, and the instrument appointing a proxy shall be given under the company's common seal or under the hand of an officer or attorney duly authorised.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportion of his holdings to be represented by each proxy.
5. Where a member of the company is an exempt authorised nominee which holds ordinary shares in the company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
6. In view that this is a virtual Annual General Meeting, we strongly advise the members who are unable to attend, participate, communicate and vote in this Annual General Meeting via RPV to appoint the Chairperson of the meeting as his/her proxy and indicate the voting instructions in the proxy form.
7. To be valid, the duly completed instrument appointing a proxy must be deposited at the Share Registrar's office at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No.8 Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur or alternatively, to submit your electronic Proxy Form via TIH Online at <https://tiah.online> not less than 48 hours before the time fixed for holding the meeting. Please refer to the procedures for lodgement of proxy form Annexure of the Proxy Form in the Administrative Guide for submission of electronic Proxy Form.
8. The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting.  
  
Members are to attend, communicate (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at the AGM via the Remote Participation and Voting facilities ("RPV") provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("Tricor") via its TIH Online website at <https://tiah.online>. Please follow the procedures provided in the in the Administrative Guide.

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Affix Stamp

The Share Registrar  
**Tricor Investor & Issuing House Services Sdn Bhd** (11324-H)  
Unit 32 - 01, Level 32, Tower A,  
Vertical Business Suite, Avenue 3,  
Bangsar South, No. 8, Jalan Kerinchi,  
59200 Kuala Lumpur

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**MALAYSIA BUILDING SOCIETY BERHAD**

Registration No. 197001000172 (9417-K)

Level 25, Menara MBSB Bank  
PJ Sentral, Lot 12, Persiaran Barat  
Seksyen 52, 46200 Petaling Jaya, Selangor

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