





OUR LEADERSHIP

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MBSB BOARD OF DIRECTORS



Seated from left to right:

Sazaliza bin Zainuddin

Non-Independent
Executive Director

Dato' Wan Kamaruzaman bin Wan Ahmad

Chairman / Non-Independent
Non-Executive Director

Tan Sri Abdul Rahman bin Mamat

Independent
Non-Executive Director

Standing from left to right:

Dr. Loh Leong Hua

Independent
Non-Executive Director

Mohamad Abdul Halim bin Ahmad

Independent
Non-Executive Director

Lynette Yeow Su-Yin

Senior Independent
Non-Executive Director

Datuk (Dr.) Yasmin binti Mahmood

Non-Independent
Non-Executive Director

PROFILE OF MBSB BOARD OF DIRECTORS

DATO' WAN KAMARUZAMAN BIN WAN AHMAD

Chairman/ Non-Independent Non-Executive Director

Date of Appointment: 24 January 2024

Nationality : Malaysian **Age :** 64 **Gender :** Male

Academic/Professional Qualification

- Chartered Banker, Asian Institute of Chartered Banker
- Bachelor of Economics (Analytical Economics), Hons, University Malaya

Working Experience and Occupation

Present Directorships

Other listed entities:

- Malaysian Resources Corporation Berhad
- Bermaz Auto Berhad

Other public companies:

- Chairman, MBSB Bank Berhad

Present Appointments

- Chairman, Iris Capital Partners Sdn. Bhd.
- Chairman, Investment Advisory Panel, Securities Commission.
- Member, Investment Panel, Employees Provident Fund Board
- Director, Mudarabah Innovation Fund Investments Ltd
- Director, Global LNG Sdn. Bhd.
- Director, Lembaga Penduduk dan Pembangunan Keluarga Negara
- Commission Member, Malaysian Aviation Commission

Past Directorships and/or Appointments:

- Chairman, Bank of America Malaysia Berhad (2022-2023)
- Director, Damansara REIT Managers Sdn. Bhd. (2020-2023)
- Director, Bond/Sukuk Information Platform Sdn. Bhd. (BIX Malaysia) (2017-2023)
- Board Member, Minority Shareholder Watch Group (2016-2022)
- Director, Malaysia Convention & Exhibition Bureau (2020-2022)
- Director, RHL Ventures Advisory Sdn. Bhd. (2019-2020)
- Director, Nomura Islamic Asset Management Sdn. Bhd. (2019-2020)
- Director, Pacific Trustee Sdn. Bhd. (2019-2020)
- Advisory Committee Member, Financial Times Stock Exchange (FTSE) Russel, London (2015-2019)
- Chairman, Institutional Investors Council Malaysia (2015-2018)
- Chief Executive Officer, Kumpulan Wang Persaraan (Diperbadankan) ("KWAP") (2013-2018)
- Director, Malakoff Corporation Berhad (2013-2018)
- Director, Prima Ekuiti (UK) Limited (2013-2018)
- Director, UMW Corporation Berhad (2011-2013)
- General Manager, Treasury Department, Employees Provident Fund (2007-2013)
- Finance Director, Izoma Sdn. Bhd. (2006-2007)
- Director, Permodalan BSN (2006-2007)
- Finance Director, Kemuncak Facilities Management Sdn. Bhd. (2005-2006)
- Chief Executive Officer and Director with several companies within the Affin Group (1994-2005)
- Various roles in Treasury Department at Malayan Banking Berhad (1981-1994)

Declaration

- Nominee of Employees Provident Fund Board (EPF)

PROFILE OF MBSB BOARD OF DIRECTORS

PUAN LYNETTE YEOW SU-YIN

Senior Independent Non-Executive Director

Date of Appointment: 22 March 2017

Attendance in 2023: All 23 Board Meetings held in the financial year.



Nationality : Malaysian

Age : 54

Gender : Female

ENCIK SAZALIZA BIN ZAINUDDIN

Non-Independent Executive Director*

Date of Appointment: 10 May 2021

Attendance in 2023: 22 out of 23 Board Meetings held in the financial year.

Nationality : Malaysian

Age : 51

Gender : Male

Academic/Professional Qualification

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

Working Experience and Occupation

Present Directorship

Other listed entities:

- CTOS Digital Berhad

Other public companies:

- Nil

Present Appointments

- Director, TNB Power Generation Sdn. Bhd.
- Director, SC Shekar Photography Sdn. Bhd.
- Director, Beagle Books Sdn. Bhd.
- Trustee, The Datai Pledge
- Consultant, Sanjay Mohan, Advocates & Solicitors

Past Directorships and/or Appointments

- Board Member, The Securities Commission Malaysia (2021-2023)
- 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)

Academic/Professional Qualification

- Association of Chartered Certified Accountants, UK (ACCA)
- BA Hons in Accounting & Finance, Southbank University, United Kingdom
- Diploma in Accountancy, UITM

Working Experience and Occupation

Present Directorship

Other listed entities:

- Nil

Other public companies:

- MBSB Bank Berhad

Present Appointment

- Chief Operating Officer, Employees Provident Fund

Past Directorships and/or Appointments

- Chief Financial Officer, 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)

Declaration

- Nominee of Employees Provident Fund Board (EPF)

* Note:

Encik Sazaliza 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 Sazaliza bin Zainuddin has management responsibilities in EPF.

TAN SRI ABDUL RAHMAN BIN MAMAT

Independent Non-Executive Director

Date of Appointment: 5 December 2023

Attendance in 2023 : All 2 Board Meetings held after his appointment date.



Nationality : Malaysian **Age :** 72 **Gender :** Male

Academic/Professional Qualification

- Bachelor of Economics (Honours), Universiti Malaya, Malaysia
- Advanced Management Programme, Harvard Business School, United States of America

Working Experience and Occupation

Present Directorships

Other listed entities:

- Chairman, MCE Holdings Berhad
- Chairman, Lotte Chemical Titan Holding Berhad
- Chairman, ECA Integrated Solutions Berhad

Other public companies:

- Chairman, Malaysian Industrial Development Finance Berhad

Present Appointments

- Chairman, River of Life Hospital & Healthcare Sdn. Bhd.
- Chairman, Prisma Galeri Sdn. Bhd.
- Chairman, Malaysian Technology Development Corporation Sdn. Bhd.
- Chairman, Asia Logistics Council Sdn. Bhd.
- Chairman, Eastern Steel Sdn. Bhd.
- Chairman, Oceanmight Sdn. Bhd.
- Director, MTDC BGF Sdn. Bhd.
- Director, MTDC BSF Sdn. Bhd.
- Director, Annexe Fair Sdn. Bhd.

Past Directorships and/or Appointments

- Chairman, BioAlpha Holdings Berhad (2015-2022)
- Chairman, Dagang Nexchange Berhad (2013-2022)
- Chairman, Hiap Teck Venture Berhad (2011-2022)
- Director, Inno Bio Venture Sdn. Bhd. (2014-2020)
- Director, Parkson Holdings Berhad (2011-2019)
- Director, Broadgate Engineering Sdn. Bhd. (2012-2019)
- Director, Naza TTDI Sdn. Bhd. (2011-2016)
- Secretary General of the Ministry of International Trade and Industry (“MITI”) (2006-2010)
- Deputy Secretary General of the Ministry of International Trade and Industry (“MITI”) (2004-2006)
- Senior Director, Policy and Industry Services Division, Ministry of International Trade and Industry (“MITI”) (2002-2004)
- Director, Export Promotion Bureau Malaysia External Trade Development Corporation (Matrade) MITI (1998-2000)
- Special Assistant to the Minister of International Trade and Industry, Hon Tan Sri Rafidah Aziz, Ministry of International Trade and Industry (“MITI”) (1996-1998)
- Economic Counsellor/ Trade Commissioner & Deputy Permanent Representative to The United Nations Economic and Social Commission (Escap), Malaysian Trade Office Bangkok, Thailand (1991-1996)
- Director of Trade, Malaysian Trade centre Taipei, Taiwan (1985-1991)
- Deputy Trade Commissioner, Malaysian Trade Office New York, USA (1979-1985)

PROFILE OF MBSB BOARD OF DIRECTORS

ENCIK MOHAMAD ABDUL HALIM BIN AHMAD

Independent Non-Executive Director

Date of Appointment: 2 March 2020

Attendance in 2023: All 23 Board Meetings held in the financial year.



Nationality : Malaysian

Age : 63

Gender : Male

DR. LOH LEONG HUA

Independent Non-Executive Director

Date of Appointment: 10 May 2021

Attendance in 2023: All 23 Board Meetings held in the financial year.



Nationality : Malaysian

Age : 66

Gender : Male

Academic/Professional Qualification

- 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

Other listed entities:

- Nil

Other public companies:

- Nil

Present Appointment:

- Nil

Past Directorships and/or Appointments

- 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)
- Director, Australian Hospital Care Limited (1994-2001)
- 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)

Academic/Professional Qualification

- Ph.D 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
- Fellow, Institute of Corporate Directors Malaysia

Working Experience and Occupation

Present Directorships

Other listed entities:

- WTK Holdings Berhad

Other public companies:


- Malaysian Industrial Development Finance Berhad

Present Appointment:

- Nil

Past Directorships and/or Appointments

- Director, Pacific & Orient Insurance Co. Berhad (2019-2024)
- Chairman, Rating Committee, Malaysian Rating Corporation Berhad (2018-2022)
- 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)

| | |
|---|---|
| DATUK (DR.) YASMIN BINTI MAHMOOD | |
| Non-Independent Non-Executive Director | |
| Date of Appointment: 5 December 2023 | |
| Attendance in 2023: All 2 Board Meetings held after her appointment date. | |
|  | Nationality : Malaysian Age : 61 Gender : Female |

Academic/Professional Qualification

- Degree of Honoris Causa, Doctor in Management, UNITAR (University Tun Abd Razak) International University
- Bachelor of Science (Computer Science and Applied Mathematics), University of New South Wales, Sydney, Australia

Working Experience and Occupation

Present Directorships

Other listed entities:

- Citaglobal Berhad

Other public companies:

- Chairman, Skymind Holdings Berhad
- Malaysian Industrial Development Finance Berhad

Present Appointments:

- Managing Partner of FutureReady Consulting Sdn. Bhd.
- Chairman, Malaysian Tourism Promotion Board
- Director, Kintan Bersama Sdn. Bhd.
- Director, Prosignal Consortium Sdn. Bhd.

Past Directorships and/or Appointments

- Chairman, Heriot-Watt University of Malaysia (2021-2024)
- Director, UMW Holdings Berhad (2022-2024)
- Director, Bintulu Port Holdings Berhad (2015-2023)
- Chairman, POS Malaysia Berhad (2019-2021)
- Chief Executive Officer, Malaysia Digital Economy Corporation (MDEC) (2014-2019)
- Executive Director, YTL Communication Sdn. Bhd. (2010-2014)
- Director, YTL e-Solutions Berhad (2010-2014)
- Managing Director, Microsoft Malaysia Sdn. Bhd. (2006-2009)
- Regional Manager, Malaysia, Thailand and Taiwan, Dell Asia Pacific (2005-2006)
- General Manager, Dell Asia Pacific (1999-2005)
- General Manager, HP Sales Malaysia (1995-1999)
- General Manager, Dataprep Retail Sdn. Bhd. (1993-1995)
- Marketing Manager, HP Sales Malaysia (1988-1993)

Declaration

- Nominee of Permodalan Nasional Berhad (PNB)

Declaration

Save as disclosed, none of the Directors:

- Has any family relationship with any director and major shareholders of MBSB.
- Has any conflict of interest or potential conflict of interest, including any interest in any competing business with MBSB Group.
- 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 2023.

MBSB GROUP MANAGEMENT COMMITTEE



Seated (from left to right):

Azizi bin Mustafa

Chief Executive Officer, MIDF

Rafe Haneef

Group Chief Executive Officer, MBSB

Datuk Nor Azam bin M. Taib

Chief Executive Officer, MBSB Bank

Standing from left to right:

Che Nazari bin Che Azid

Head of Group Commercial

Datuk Joseph Dominic Silva

Chief Executive Officer,
MIDF Amanah Investment Bank Berhad

Ahamed Usman Thahir Ghouse

Head of Group Consumer



Jesleigh bin Johari
Group Chief Operating Officer

Ramanathan Rajoo
Group Chief Financial Officer

Dato' Azlan bin Shahrin
Group Chief Strategy Officer

**Mohd Farid Shah bin
Mohd Basir**
Group Chief People Officer

Aniza binti Zakaria
Group Chief Internal Auditor

Koh Ai Hoon
Group Legal and
Company Secretarial

**YM Tengku Khalizul
bin Tengku Khalid**
Group Chief Compliance
Officer

**Laurence Ong
Wooi Keat**
Group Chief Risk Officer

PROFILE OF MBSB GROUP MANAGEMENT COMMITTEE

ENCIK RAFE HANEEF

Group Chief Executive Officer, MBSB

Date of Appointment: 1 July 2023

Nationality / Age / Gender

Malaysian / 54 / Male

DATUK NOR AZAM BIN M. TAIB

Chief Executive Officer, MBSB Bank

Date of Appointment: 1 July 2022

Nationality / Age / Gender

Malaysian / 57 / Male

Academic/Professional Qualification

- Chartered Islamic Finance Professional (ACIFP), Chartered Institute of Islamic Finance Professionals
- Securities Representative License, Securities and Futures Authority (SFA), United Kingdom
- New York Bar, Qualified, New York Bar, United States of America
- Malaysian Bar, Admitted, Bar Council, Malaysia
- Master of Laws (LL.M), Harvard Law School, United States of America
- Bachelor of Laws (Hons) LL.B., International Islamic University, Malaysia

Working Experience and Occupation

Present Directorship

Other listed entities:

- Nil

Other public companies:

- Non-Independent Executive Director, MIDF Amanah Investment Bank Berhad

Present Appointment

- Nil

Past Directorship and/or Appointment

- Executive Director, MIDF Amanah Investment Bank Berhad
- Chief Executive Officer, CIMB Group Transaction Banking (2019-2023)
- Chief Executive Officer, CIMB Foundation (2019-2023)
- Group Chief Sustainability Officer, CIMB Group (2019-2021)
- Chief Executive Officer & Executive Director, CIMB Islamic Bank Berhad (2016-2019)
- Chief Executive Officer & Executive Director/ Managing Director, Global Market, Asia Pacific, HSBC Amanah Bank Berhad (2010-2015)
- Managing Director, Investments, Fajr Capital Ltd (2008-2010)
- Regional Head, Asia-Pacific, CitiBank Berhad (2006-2007)
- Global Head, Global Islamic Finance, ABNAMRO Bank Ltd (2004-2006)
- Associate Director, Global Markets, HSBC Financial Service ME Ltd (2001-2004)
- Head of Shariah Department and Transaction Management, Structured Finance, HSBC Investment Bank plc (1999-2001)
- Associate & Solicitor, Messrs. Mohd Ismail & Co (1994-1999)

Academic/Professional Qualification

- 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)
- Master of Business Administration, Charles Sturt University, Australia
- Bachelor of Science in Accounting, University of Wyoming, United States
- American Associate Degree, Indiana University, Bloomington, United States

Working Experience and Occupation

Present Directorship and/or Appointment

- Nil

Past Directorships and/or Appointments

- Acting Chief Executive Officer, MBSB Group (2021-2022)
- Deputy Chief Executive Officer, MBSB Group (2020-2021)
- Chief Business Officer, MBSB Bank Berhad (2018-2020)
- Senior Vice President, Corporate Business, MBSB (2010-2018)
- Chief Financial Officer, BenchMark Marine Sdn. Bhd. (2009-2010)
- General Manager, Head of Business Banking, Bank Islam (M) Berhad (2005-2009)
- Vice President, Product Development & Process, OCBC Bank Berhad (2005-2005)
- Southern Regional Manager, Emerging Local Corp, Citibank Berhad (2000-2005)
- Various roles as manager with responsibility within property, loans and internal audit functions, Arab Malaysia Sdn. Bhd., BBMB Kewangan Berhad, Hong Leong Bank Berhad (1991-2000)

ENCIK AZIZI BIN MUSTAFA**Chief Executive Officer, MIDF****Date of Appointment:** 18 September 2006**Nationality / Age / Gender**

Malaysian / 57 / Male

Academic/Professional Qualification

- Bachelor of Science in Electrical Engineering, Seattle University, Washington State, United States of America

Working Experience and Occupation**Present Directorships and/or Appointments**

- MIDF Amanah Capital Berhad
- MIDF DFI Bhd.

Past Directorships and/or Appointments

- Chief Business Officer, Development Finance Business (2023)
- Senior Vice President/Head of Development Finance Business, MIDF Berhad (2021-2023)
- Head of Development Finance Division, MIDF Berhad (2016-2021)
- Chief Operating Officer, Group Corporate Services Division, MIDF Berhad (2006-2016)
- Director of Human Resources & Administration, Kuwait Finance House (2004-2006)
- Vice President of Corporate Services, Malaysia National Insurance Berhad (2001-2004)
- Vice President/Head of Human Resources, Global Corporate & Consumer Bank - Citibank Berhad (1996-2001)
- Quality Assurance and Engineering Manager, Komag USA, Sarawak (1995-1996)
- Quality Systems Section Manager, Advanced Micro Devices Penang (1989-1995)

DATUK JOSEPH DOMINIC SILVA**Chief Executive Officer, MIDF Amanah Investment Bank****Date of Appointment:** 1 July 2019**Nationality / Age / Gender**

Malaysian / 59 / Male

Academic/Professional Qualification

- Master in Research (Business), University of Liverpool, United Kingdom
- Senior Management Program (Management), Henley Management College (University of Reading), United Kingdom
- Master of Arts (Banking & Finance), University of Wales, United Kingdom
- Global Banking Leaders Program, Asian School of Banking & City University London

Working Experience and Occupation**Present Directorship and/or Appointment**

- Scicom (MSC) Berhad

Past Directorships and/or Appointments**Executive Positions**

- Deputy Chief Executive Officer, MIDF Amanah Investment Bank Berhad (2019)
- Co-Founder/Director, DMY Capital (2017-2018)
- Head of Investments, Khazanah Nasional Berhad (Sovereign Investment Fund-Malaysia) (2008-2017)
- Various senior international and local Executive positions in Banking between 1990-2007

Non-Executive Director positions

- Board Member, Astro Holdings Sdn. Bhd. (Malaysia) (2011-2016)
- Board Member, Avicennia Capital Sdn. Bhd. (Malaysia) (2015-2019)
- Board Member, CIMB Bank Berhad (Malaysia) (2010 -2014)
- Board Member, CIMB Group Holdings Berhad (Malaysia) (2014-2017)
- Board Member, Infrastructure Development Finance Co Limited (India) (2011-2015)
- Board of Commissioners Member, PT Bank CIMB Niaga, (Indonesia) (2010-2014)

PROFILE OF MBSB GROUP MANAGEMENT COMMITTEE

ENCIK AHAMED USMAN THAHIR GHOUSE

Head of Group Consumer

Date of Appointment: 1 February 2024

Nationality / Age / Gender

Sri Lankan / 35 / Male

CHE NAZARI BIN CHE AZID

Head of Group Commercial

Date of Appointment: 9 May 2022

Nationality / Age / Gender

Malaysian / 49 / Male

Academic/Professional Qualification

- Chartered Islamic Finance Professional (ACIFP), Chartered Institute of Islamic Finance Professionals
- Completion of the Omega Credit certification
- Bachelor of Business Commerce (double Major in Management and Marketing), Monash University

Working Experience and Occupation

Present Directorship and/or Appointment

- Nil

Past Directorships and/or Appointments

- Board Director: CIMB Islamic Trustee Bhd (2022-2023)
- Country Head of Cash Management, CIMB Malaysia (2022-2023)
- Regional Head of Transaction Banking, CIMB Islamic Bank (2020-2023)
- Director, Commercial and Transaction Banking, CIMB Islamic Bank (2019-2020)
- Head, Business Management, Commercial Banking, HSBC Amanah Malaysia (2018-2019)
- Head of Product, Retail and Wealth Management, HSBC Amanah Malaysia (2014-2018)
- Product Manager, Retail and Wealth Management, HSBC Amanah Malaysia (2012-2014)
- Analyst, Retail and Wealth Management, HSBC Amanah Malaysia (2011-2012)

Academic/Professional Qualification

- Certified Credit Professional (CCP)
- Master of Business Administration (MBA), Cardiff Metropolitan University, Cardiff, Wales
- Bachelor of Accountancy, University Technology MARA, Malaysia
- Diploma in Accountancy, University Technology MARA, Malaysia

Working Experience and Occupation

Present Directorship and/or Appointment

- Nil

Past Directorships and/or Appointments

- Deputy Chief Business Officer, Business Banking Division, Bank Pertanian Malaysia Berhad (Agrobank) (2014-2022)
- Senior Manager, Business Banking Division, Ambank Malaysia Berhad (2008-2014)
- Group Head, Business Centre KL3, CIMB Bank Berhad (1997-2008)
- Credit Officer, Public Bank Berhad (1995-1997)

| | |
|--|--|
| ENCIK RAMANATHAN RAJOO | ENCIK JESLEIGH BIN JOHARI |
| Group Chief Financial Officer | Group Chief Operating Officer |
| Date of Appointment: 2 February 2021 | Date of Appointment: 1 Jan 2022 |
| Nationality / Age / Gender Malaysian / 61 / Male | Nationality / Age / Gender Malaysian / 41 / Male |

Academic/Professional Qualification

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

Working Experience and Occupation**Present Directorship and/or Appointment**

- Nil

Past Directorships and/or Appointments

- Group Chief Financial Officer, Affin Bank Berhad (2014-Mar 2020)
- Head of Finance, Affin Bank Berhad (2004-2014)
- Head of Management Reporting, Affin Bank Berhad (2001-2004)
- Deputy Finance Manager, BSN Commercial Bank (1991-2000)
- Senior Auditor, Coopers & Lybrand (now known as PWC) (1988-1991)

Academic/Professional Qualification

- Bachelor of Economics majoring in Economic Policy, University of Tasmania Australia

Working Experience and Occupation**Present Directorship and/or Appointment**

- Director, MBSB Tower Sdn. Bhd.

Past Directorships and/or Appointments

- Director, Head of Client Delivery, Corporate Commercial and Institution Banking, Standard Chartered Bank Malaysia Berhad (2018-2021)
- Director, Head of Process Governance, Commercial Banking, Standard Chartered Bank Malaysia Berhad (2014-2018)
- Associate Director, Head of SME Operations, Standard Chartered Bank Malaysia Berhad (2012-2014)
- Business Planning Manager/ Team Manager, Financial Market Operations and Wholesale Banking Operations, Standard Chartered Global Business Services (2009-2012)
- Unit Manager, Trade Operations, Standard Chartered Global Business Services (2009)
- International Graduate Program (Group Technology and Operations), Standard Chartered Singapore and Standard Chartered Global Business Services Kuala Lumpur (2006 -2009)

PROFILE OF MBSB GROUP MANAGEMENT COMMITTEE

DATO' AZLAN BIN SHAHRIM

Group Chief Strategy Officer

Date of Appointment: 1 May 2021

Nationality / Age / Gender

Malaysian / 54 / Male

Academic/Professional Qualification

- Advanced Management Program, Wharton School, University of Pennsylvania, United States of America
- Master of Laws, LL.M, International Business Law, University of Exeter, United Kingdom
- Called to the Bar of England & Wales, Gray's Inn, United Kingdom
- Bachelor of Laws, LLB. (Hons), University of Kent, United Kingdom

Working Experience and Occupation

Present Directorship and/or Appointment

- Director, MIDF Amanah Asset Management Berhad

Past Directorships and/or Appointments

- Group Director, Group Managing Director's Office, DRB-HICOM Berhad (2019-2020)
- Group Chief Operating Officer, POS Malaysia Berhad (2015-2019)
- Group Director, Corporate Strategy & Transformation, DRB-HICOM Berhad (2014-2015)
- Deputy Chief Executive Officer, Pelabuhan Tanjung Pelepas Sdn. Bhd. (2009-2014)

ENCIK MOHD FARID SHAH BIN MOHD BASIR

Group Chief People Officer

Date of Appointment: 19 April 2021

Nationality / Age / Gender

Malaysian / 54 / Male

Academic/Professional Qualification

- Bachelor in Business Studies (Human Resource Management)
- Human Resource Management Professional - Human Resource Certification Institute (IHRCI)
- Global Human Resource Professional - Human Resource Certification Institute (HRCI)
- Global Remuneration Professional - World at Work
- Senior Certified Professional - Society For Human Resource Management (SHRM)
- Oxford Executive Leadership Programme (University Oxford)
- Bologna Business School, Agile Bank HR, Leaders in a Digital Age, Bologna

Working Experience and Occupation

Present Directorships and/or Appointments

- MEF Academy Sdn. Bhd.
- Talent Corporation Malaysia Berhad

Past Directorships and/or Appointments

- CEO & Founder, Potentia, Kuala Lumpur (2021-April 2021)
- Chief Human Capital Officer, Telekom Malaysia (2018-2020)
- Chief Human Capital Officer, Bank Rakyat (2016-2018)
- HR Manager, Nestle Malaysia (2014-2015)
- Leadership & Development Manager, Nestle South Africa (2012-2014)
- HR Business Partner, Nestle Philippines (2009-2012)
- Group HR Manager, Nestle Malaysia/Singapore (2004-2009)
- Principal Consultant, Reid Group (2003-2004)
- Manager, Performance & Rewards Management, MNI Berhad (2001-2003)
- Manager, Human Resource, Telekom Malaysia Berhad (1994-2001)

TENGGU KHALIZUL BIN TENGGU KHALID**Group Chief Compliance Officer****Date of Appointment:** 7 February 2018**Nationality / Age / Gender**

Malaysian / 50 / Male

ENCIK LAURENCE ONG WOUI KEAT**Group Chief Risk Officer****Date of Appointment:** 15 March 2022**Nationality / Age / Gender**

Malaysian / 53 / Male

Academic/Professional Qualification(s)

- Bachelor of Science in Business Administration (Finance), Northern Arizona University, United States of America
- 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 (AQIF), Islamic Banking and Finance Institute Malaysia (AQIF)
- Certificate in Shariah Audit, University Sains Islam Malaysia
- Chartered Professional in Islamic Finance, Chartered Institute of Islamic Finance Professionals (CPIF)

Working Experience and Occupation**Present Directorship and/or Appointment**

- Nil

Past Directorships and/or Appointments

- Head of Compliance, MBSB (2017)
- Deputy Head of Compliance, MBSB (2014-2016)
- Internal Audit Manager, Kuwait Finance House Malaysia Berhad (2011-2013)
- Control Assurance Manager, Kuwait Finance House Malaysia Berhad (2008-2010)
- Assistant Manager, Internal Audit Division, Public Bank Berhad (2006-2007)
- Team Lead, Internal Audit Division, Public Bank Berhad (2000-2005)
- Senior Officer, Internal Audit Division, Public Finance Berhad (1997-1999)

Academic/Professional Qualification

- Chartered Accountant, Malaysia
- Chartered Banker, United Kingdom
- Professional Member of Institute of Operational Risk, United Kingdom
- Bachelor of Accounting, University of Malaya

Working Experience and Occupation**Present Directorships and/or Appointments**

- Member of AICB Industry Curriculum and Examination Committee (ICEC)
- Member of AICB Chief Risk Officers' Forum
- Member of the BNM-SC Joint Committee on Climate Change (JC3) Sub-Committee 1 (SC1) : Risk Management

Past Directorships and/or Appointments

- Member of Risk Committee, Malaysian Investment Bank Association (MIBA)
- Member of Fraud Risk Committee, Association of Banks in Malaysia (ABM)
- Country Risk Officer/Head, Risk Management, RHB Bank Singapore (2019-2022)
- Senior Vice President, Head, IGNITE Risk Initiative Lead / Head, Group Operational and Technology Risk, RHB Bank Berhad (2014-2019)
- General Manager / Head, Group Operational Risk, AmBank (M) Berhad (2003-2014)
- Vice President, Affin Merchant Bank (2002-2003)
- Manager, Financial Review & Surveillance Division (FRS), Bursa Malaysia Berhad (1999-2002)
- Senior Executive, Bank Regulation Department, Bank Negara Malaysia (1995-1999)

PROFILE OF MBSB GROUP MANAGEMENT COMMITTEE

CIK ANIZA BINTI ZAKARIA

Group Chief Internal Auditor

Date of Appointment: 1 January 2017

Nationality / Age / Gender

Malaysian / 50 / Female

Academic/Professional Qualification

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

Working Experience and Occupation

Present Directorship and/or Appointment

- Nil

Past Directorships and/or Appointments

- Deputy Vice President/Head Internal Auditor, MBSB (2017-2018)
- Acting Head of Internal Auditor, Internal Audit, MBSB (2016-2017)
- Assistant Vice President, Internal Audit, MBSB (2014-2016)
- Senior Manager Internal Audit, Kuwait Finance House (M) Berhad (2010-2014)
- Senior Executive, Corporate Banking Department Maybank Investment Bank Berhad (2004-2010)
- Manager, Team Head, Credit Risk Management, Maybank Investment Bank Berhad (2002-2004)
- Management Trainee, Eon Bank Berhad (2004-2010)
- Assistant Manager, Credit Department, EON Bank Berhad (1997-1998)
- Senior Officer, Internal Audit, EON Bank Berhad (1997-1997)

CIK KOH AI HOON

Group Legal and Company Secretarial

Date of Appointment: 2 May 2008

Nationality / Age / Gender

Malaysian / 55 / Female

Academic/Professional Qualification

- Institute of Chartered Secretaries & Administrators
- Bachelor of Laws (Hons) LL.B., University of London
- Associate Qualification in Islamic Finance from Islamic Banking and Finance Institute Malaysia (AQIF)

Working Experience and Occupation

Present Directorship and/or Appointment

- Nil

Past Directorships and/or Appointments

- Head, Legal & Secretarial, Dataprep Holdings Berhad (2003-2008)
- Company Secretary, The KAB Group Berhad (2000-2003)
- Assistant Company Secretary, Sungei Way Management Sdn. Bhd. (nka Sunway Management Sdn. Bhd. (1996-1999)
- Assistant Company Secretary, Prima Prai Sdn. Bhd. (1995-1996)
- Hew & Tan, Public Accountants (nka Mazars PLT) (1991-1995)

Declaration

Save as disclosed, none of the Senior Management:

- Has any family relationship with any director and major shareholders of MBSB.
- Has any conflict of interest or potential conflict of interest, including any interest in any competing business with MBSB Group.
- 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 2023.

**Each one of us,
regardless of our roles,
plays an integral part in
shaping the collective
success of the Group.**



PROFILE OF MBSB BANK BOARD OF DIRECTORS



**DATO' WAN KAMARUZAMAN BIN
WAN AHMAD**

Chairman/ Independent Non-Executive Director

Date of Appointment:
24 January 2024

Nationality : Malaysian **Age :** 64 **Gender :** Male

Academic/Professional Qualification

- Chartered Banker, Asian Institute of Chartered Banker
- Bachelor of Economics (Analytical Economics), Hons, University Malaya

Working Experience and Occupation

Present Directorships and/or Appointments

- Chairman, Malaysia Building Society Berhad
- Director, Malaysian Resources Corporation Berhad
- Director, Bermaz Auto Berhad
- Chairman, Iris Capital Partners Sdn. Bhd.
- Director, Mudarabah Innovation Fund Investments Ltd
- Director, Global LNG Sdn. Bhd.
- Director, Lembaga Penduduk dan Pembangunan Keluarga Negara
- Chairman, Investment Advisory Panel, Securities Commission.
- Member, Investment Panel, Employees Provident Fund Board
- Commission Member, Malaysian Aviation Commission

Past Directorships and/or Appointments

- Chairman, Bank of America Malaysia Berhad (2022-2023)
- Director, Damansara REIT Managers Sdn. Bhd. (2020-2023)
- Director, Bond/Sukuk Information Platform Sdn. Bhd. (BIX Malaysia) (2017-2023)
- Board Member, Minority Shareholder Watch Group (2016-2022)
- Director, Malaysia Convention & Exhibition Bureau (2020 -2022)

- Director, RHL Ventures Advisory Sdn. Bhd. (2019-2020)
- Director, Nomura Islamic Asset Management Sdn. Bhd. (2019-2020)
- Director, Pacific Trustee Sdn. Bhd. (2019 - 2020)
- Advisory Committee Member, Financial Times Stock Exchange (FTSE) Russel, London (2015-2019)
- Chairman, Institutional Investors Council Malaysia (2015-2018)
- Chief Executive Officer, Kumpulan Wang Persaraan (Diperbadankan) ("KWAP") (2013-2018)
- Director, Malakoff Corporation Berhad (2013-2018)
- Director, Prima Ekuiti (UK) Limited (2013-2018)
- Director, UMW Corporation Berhad (2011-2013)
- General Manager, Treasury Department, Employees Provident Fund (2007-2013)
- Finance Director, Izoma Sdn. Bhd. (2006-2007)
- Director, Permodalan BSN (2006-2007)
- Finance Director, Kemuncak Facilities Management Sdn. Bhd. (2005-2006)
- Chief Executive Officer and Director with several companies within the Affin Group (1994-2005)
- Various roles in Treasury Department at Malayan Banking Berhad (1981-1994)

Declaration

- Nominee of Employees Provident Fund Board (EPF)



**DATUK JOHAR BIN
CHE MAT**



**Senior Independent
Non-Executive Director**



**ENCIK SAZALIZA BIN
ZAINUDDIN**



**Non-Independent
Executive Director***

Date of Appointment:
19 December 2017

Nationality : Malaysian
Age : 71
Gender : Male

Date of Appointment:
3 May 2021

Nationality : Malaysian
Age : 51
Gender : Male

Academic/Professional Qualification

- Bachelor of Economics, University of Malaya

Working Experience and Occupation

Present Directorships and/or Appointments

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

Past Directorships and/or Appointments

- 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)
- Board Member of Proton of Holdings Berhad
- Board Member of Proton UK

Academic/Professional Qualification

- Association of Chartered Certified Accountants, UK (ACCA)
- BA Hons in Accounting & Finance, Southbank University, United Kingdom
- Diploma in Accountancy, UITM

Working Experience and Occupation

Present Directorships and/or Appointments

- Director, Malaysia Building Society Berhad
- Chief Operating Officer, Employees Provident Fund

Past Directorships and/or Appointments

- Chief Financial Officer, 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)

Declaration

- Nominee of Employees Provident Fund Board (EPF).

* Note:

Encik Szaliza bin Zainuddin does not hold any executive position in MBSB Bank and does not have any management responsibilities in MBSB Bank. His designation as Non-Independent Executive Director of MBSB Bank 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 Bank, and Encik Szaliza bin Zainuddin has management responsibilities in EPF.

PROFILE OF MBSB BANK BOARD OF DIRECTORS



**DATUK
AZRULNIZAM BIN
ABDUL AZIZ**



**Independent
Non-Executive Director**



**ENCIK
KAMARULZAMAN
BIN AHMAD**



**Independent
Non-Executive Director**

Date of Appointment:
1 March 2017

Nationality : Malaysian
Age : 54
Gender : Male

Date of Appointment:
1 October 2019

Nationality : Malaysian
Age : 49
Gender : Male

Academic/Professional Qualification

- 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 Directorships and/or Appointments

- Chairman, Perbadanan PR1MA Malaysia
- Independent Director, Thriven Global Berhad
- Independent Director, AmMetlife Takaful Berhad
- Executive Director, CR FinaCapital Sdn. Bhd.
- Director, Petrowangsa Sdn. Bhd.
- Director, Goldina International Sdn. Bhd.
- Director, Fuze Development Sdn. Bhd.

Past Directorships and/or Appointments

- Chairman, Pelaburan MARA Berhad (2020-2021)
- 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)

Academic/Professional Qualification

- 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 Directorships and/or Appointments

- Head of Strategy, Gentari Renewables Sdn. Bhd. (100% owned subsidiary of PETRONAS)
- Managing Director, LCTAsia Sdn. Bhd.
- Director, Qapital Berhad

Past Directorships and/or Appointments

- Head of Corporate Ventures, Tenaga Nasional Berhad (2020-2022)
- Head, Strategy, AirAsia Digital (2018-2020)
- 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)



ENCIK ARUL SOTHY MYLVAGANAM



**Independent
Non-Executive Director**



ENCIK HO KWONG HOONG



**Independent
Non-Executive Director**

Date of Appointment:
5 May 2020

Nationality : Malaysian
Age : 67
Gender : Male

Date of Appointment:
1 July 2021

Nationality : Malaysian
Age : 65
Gender : Male

Academic/Professional Qualification

- 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 Directorships and/or Appointments

- Director, Takaful Ikhlas General Berhad
- Director, Agensi Pekerjaan Hays (Malaysia) Sdn. Bhd.
- Director, APJV Holdings Sdn. Bhd.
- Principal, Myles Advisory

Past Directorships and/or Appointments

- 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)
- Simmons Cohen Fine & Partners, Chartered Accountants, London, UK (1978-1985)

Academic/Professional Qualification

- 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 and/or Appointment

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

Past Directorships and/or Appointments

- 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)
- 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)

PROFILE OF MIDF BOARD OF DIRECTORS



**TAN SRI ABDUL RAHMAN
BIN MAMAT**

Chairman/ Independent Non-Executive Director



Date of Appointment: 1 January 2016

Date of Appointment as Chairman of the Board: 1 July 2016

Nationality : Malaysian

Age : 72

Gender : Male

Academic/Professional Qualification

- Bachelor of Economics (Honours), University of Malaya
- Advanced Management Programme, Harvard Business School, United States of America

Working Experience and Occupation

Present Directorships and/or Appointments

- Director, Malaysia Building Society Berhad
- Chairman, MCE Holdings Berhad
- Chairman, Lotte Chemical Titan Holding Berhad
- Chairman, ECA Integrated Solutions Berhad
- Chairman, River of Life Hospital & Healthcare Sdn. Bhd.
- Chairman, Prisma Galeri Sdn. Bhd.
- Chairman, Asia Logistics Council Sdn. Bhd.
- Chairman, Eastern Steel Sdn. Bhd.
- Chairman, Oceanmight Sdn. Bhd.
- Chairman, Malaysian Technology Development Corporation Sdn. Bhd.
- Director, MTDC BGF Sdn. Bhd.
- Director, MTDC BSF Sdn. Bhd.
- Director, Annexe Fair Sdn. Bhd.

Past Directorships and/or Appointments

- Chairman, BioAlpha Holdings Berhad (2015-2022)
- Chairman, Dagang Nexchange Berhad (2013-2022)
- Chairman, Hiap Teck Venture Berhad (2011-2022)
- Director, Inno Bio Venture Sdn. Bhd. (2014-2020)
- Director, Parkson Holdings Berhad (2011-2019)
- Director, Broadgate Engineering Sdn. Bhd. (2012 -2019)
- Director, Naza TTDI Sdn. Bhd. (2011-2016)
- Secretary General of the Ministry of International Trade and Industry (“MITI”) (2006-2010)
- Deputy Secretary General of the Ministry of International Trade and Industry (“MITI”) (2004-2006)
- Senior Director, Policy and Industry Services Division Ministry of International Trade and Industry (“MITI”) (2002-2004)
- Director, Export Promotion Bureau Malaysia External Trade Development Corporation (Matrade) MITI (1998 -2000)
- Special Assistant to the Minister of International Trade and Industry, Hon Tan Sri Rafidah Aziz, Ministry of International Trade and Industry (“MITI”) (1996-1998)
- Economic Counsellor/ Trade Commissioner & Deputy Permanent Representative to The United Nations Economic and Social Commission (Escap), Malaysian Trade Office Bangkok, Thailand (1991-1996)
- Director of Trade, Malaysian Trade centre Taipei, Taiwan (1985-1991)
- Deputy Trade Commissioner, Malaysian Trade Office New York, USA (1979-1985)



**DATUK MOHD NASIR
BIN ALI**



**Independent
Non-Executive Director**



DR LOH LEONG HUA

**Independent
Non-Executive Director**

Date of Appointment:
17 August 2022

Nationality : Malaysian
Age : 66
Gender : Male

Date of Appointment:
31 October 2023

Nationality : Malaysian
Age : 67
Gender : Male

Academic/Professional Qualification

- Bachelor of Economics (Honours), University of Malaya
- Master of Science Degree in Financial Studies, University of Strathclyde, United Kingdom

Working Experience and Occupation

Present Directorships and/or Appointments

- Chairman, MIDF Amanah Investment Bank Berhad
- Director, EA Technique Berhad
- Director, Goodyear Malaysia Berhad
- Director, Badan Pengawas Pemegang Saham Minoriti Berhad
- Director, Damansara Assets Sdn. Bhd.
- Director, Johor Shipyard and Engineering Sdn. Bhd.

Past Directorships and/or Appointments

- Chairman, Amanah Raya Berhad (2018-2020)
- Director, Damansara Holdings Berhad (2022-2023)
- Director, iCAPITAL. Biz Berhad (2021-2024)
- Director, Gold Li Development Sdn. Bhd. (2019-2022)
- Director, Gold Li Berhad (January 2022-December 2022)
- Director, Value Partners Asset Management (M) Sdn. Bhd.
- Director, Amanah International Finance Sdn. Bhd. (2017-2022)
- Director, International Commercial Bank (Tanzania) Ltd (2021-2022)
- Director, ICB Islamic Bank Ltd, Dhaka (2014-2022)
- Group Executive Director, Utusan Melayu (M) Berhad (2000-2014)
- Chief Executive Officer, Kuala Lumpur City Securities Sdn. Bhd. (1995-2000)
- General Manager of Dealing & Research Department, Maybank Securities Sdn. Bhd. (1991-1995)
- Investment Manager, BBMB Unit Trust Management Sdn. Bhd. (1988-1991)
- Senior Financial & Marketing Analyst, Permodalan Nasional Berhad/Amanah Saham Nasional Berhad (1982-1988)

Academic/Professional Qualification

- Ph.D in Management Studies, Universiti Kebangsaan Malaysia
- Advanced Management Program Graduate, The Wharton School of University of Pennsylvania, USA
- International Banking Summer School, Italy
- BSc Business Administration, Pacific Western University
- Fellow, Institute of Corporate Directors Malaysia

Working Experience and Occupation

Present Directorships and/or Appointments

- Director, Malaysia Building Society Berhad
- Director, WTK Holdings Berhad

Past Directorships and/or Appointments

- Director, Pacific & Orient Insurance Co. Berhad (2019-2024)
- Chairman, Rating Committee, Malaysian Rating Corporation Berhad (2018-2022)
- 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)

PROFILE OF MIDF BOARD OF DIRECTORS



**ENCIK AHMAD LUTFI
BIN ABDUL MUTALIP
@ TALIB**



**Independent
Non-Executive Director**



**DATUK (DR.) YASMIN
BINTI MAHMOOD**



**Non-Independent
Non-Executive Director**

Date of Appointment:
22 February 2016

Nationality : Malaysian
Age : 53
Gender : Male

1 January 2016
(Non-Independent Non-Executive Director)
31 July 2016
(Independent Non-Executive Director)

Nationality : Malaysian
Age : 61
Gender : Female

Academic/Professional Qualification

- LLB (Hons), International Islamic University Malaysia
- Admitted to the Malaysian Bar
- Professional qualification from the Institute of Chartered Secretaries and Administrators (ICSA)

Working Experience and Occupation

Present Directorships and/or Appointments

- Director, AAA Consulting Sdn. Bhd.
- Director, Impact Analytix Sdn. Bhd.
- Director, Prudenz Corporate House Sdn. Bhd.
- Director, Azmi Globalpte. Ltd
- Director, Elridge Energy Holdings Berhad
- Managing Partner/Head, Global Financial Services & Islamic Banking Messrs Azmi & Associates

Past Directorships and/or Appointments

- Director, Bank Simpanan Nasional (2019- 2023)
- Director, Frontier Steps Sdn. Bhd. (2014-2017)
- Director, Australasia Capital (L) LTD (2013-2023)
- Director, Amanah International Finance Sdn. Bhd. (2017-2019)
- Partner, Messrs Hisham Sobri & Kadir (2000)

Academic/Professional Qualification

- Degree of Honoris Causa, Doctor in Management, UNITAR (University Tun Abd Razak) International University
- Bachelor of Science (Computer Science and Applied Mathematics), University of New South Wales, Sydney, Australia

Working Experience and Occupation

Present Directorships and/or Appointments

- Director, Malaysia Building Society Berhad
- Chairman, Skymind Holdings Berhad
- Chairman, Malaysian Tourism Promotion Board
- Director, Citaglobal Berhad
- Managing Partner of FutureReady Consulting Sdn. Bhd.
- Director, Kintan Bersama Sdn. Bhd.
- Director, Prosignal Consortium Sdn. Bhd.

Past Directorships and/or Appointments

- Chairman, Heriot-Watt University of Malaysia (2021-2024)
- Director, UMW Holdings Berhad (2022-2024)
- Director, Bintulu Port Holdings Berhad (2015-2023)
- Chairman, POS Malaysia Berhad (2019-2021)
- Chief Executive Officer, Malaysia Digital Economy Corporation (MDEC) (2014-2019)
- Executive Director, YTL Communication Sdn. Bhd. (2010-2014)
- Director, YTL e-Solutions Berhad (2010-2014)
- Managing Director, Microsoft Malaysia Sdn. Bhd. (2006-2009)
- Regional Manager, Malaysia, Thailand and Taiwan, Dell Asia Pacific (2005-2006)
- General Manager, Dell Asia Pacific (1999-2005)
- General Manager, HP Sales Malaysia (1995-1999)
- General Manager, Dataprep Retail Sdn. Bhd. (1993-1995)
- Marketing Manager, HP Sales Malaysia (1988-1993)

Declaration

- Nominee of Permodalan Nasional Berhad (PNB)



**DATO' KAZIAH BINTI
ABD KADIR**



**Independent
Non-Executive Director**



**CIK HASNAH BINTI
OMAR**



**Independent
Non-Executive Director**



1 January 2016
(Non-Independent Non-Executive Director)
31 July 2016
(Independent Non-Executive Director)

Nationality : Malaysian
Age : 74
Gender : Female



1 July 2015
(Non-Independent Non-Executive Director)
20 June 2017
(Independent Non-Executive Director)

Nationality : Malaysian
Age : 66
Gender : Female

Academic/Professional Qualification

- Bachelor of Arts (Honours) in Economics, University of Malaya

Working Experience and Occupation

Present Directorships and/or Appointments

- Director, MIDF Amanah Investment Bank Berhad
- Director, Panasonic Manufacturing Malaysia Berhad
- Director, Sterling Insurance Brokers Sdn. Bhd.
- Director, Akmah Tradings Sdn. Bhd.

Past Directorships and/or Appointments

- Advisor, PricewaterhouseCoopers Taxation Services Sdn. Bhd.
- Investor Relations Advisor, Investment Management Division, ECERDC (2009-2019)
- Deputy Director General I, Malaysian Industrial Development Authority (2005-2008)
- Deputy Director General II, Malaysian Industrial Development Authority (2003 -2004)
- Director, Malaysian Industrial Development Authority (1996-2002)
- Deputy Director, Malaysian Industrial Development Authority (1981-1995)
- Economist, Malaysian Industrial Development Authority (1975-1980)
- Assessment Officer, Inland Revenue Department (1974-1975)

Academic/Professional Qualification

- LL.M. (Master of Banking Law: Islamic and Conventional), International Islamic University Malaysia (IIUM) (Best student Award)
- A Paper on Securities Industry, Securities Institute Australia
- MPA (Master in Public Administration) - Public Policy, Harvard University, USA (Mason Spirit Awar, HIID)
- Banking School II & III for Bank Examiners, Federal Reserve Banking System, USA (Top Student Awar for Bank School III)
- Certificate of Completion in Auditing & Certificate of Data Processing, Mara Institute of Technology
- BA (Hons) - Bachelor of Arts and Social Science (Geography), University of Malaya

Working Experience and Occupation

Present Directorships and/or Appointments

- Chairman, MIDF Amanah Investment Bank Berhad
- Chairman, Zurich Takaful Malaysia Berhad
- Chairman, Zurich General Takaful Malaysia Berhad
- Director, Bond Pricing Agency Malaysia Sdn. Bhd.

Past Directorships and/or Appointments

- Director, Zurich Life Insurance Berhad
- Director, Crimson Sdn. Bhd.
- Managing Director, HOM Crimson Sdn. Bhd. (Deregistered) (2013-2019)
- Senior Financial Sector Specialist, Asian Development Bank (ADB), Manila, Philippines (2009-2011)
- Director, Market Oversight Business Group, Securities Commission (1993-2013)
- Manager, Bank Negara Malaysia (1981-1993)

PROFILE OF MIDF AMANAH INVESTMENT BANK BOARD OF DIRECTORS



**DATUK MOHD NASIR
BIN ALI**



Chairman



**DATO' KAZIAH BINTI
ABD KADIR**



Senior Independent
Non-Executive Director

Date of Appointment:
17 August 2022

Nationality : Malaysian
Age : 66
Gender : Male

1 January 2016
(Non-Independent Non-Executive Director)
31 July 2016
(Independent Non-Executive Director)

Nationality : Malaysian
Age : 74
Gender : Female

Academic/Professional Qualification

- Bachelor of Economics (Honours), University of Malaya
- Master of Science Degree in Financial Studies, University of Strathclyde, UK

Working Experience and Occupation

Present Directorships and/or Appointments

- Director, Malaysian Industrial Development Finance Berhad
- Director, EA Technique Bhd
- Director, Goodyear Malaysia Berhad
- Director, Badan Pengawas Pemegang Saham Minoriti Berhad
- Director, Damansara Assets Sdn. Bhd.
- Director, Johor Shipyard and Engineering Sdn. Bhd.

Past Directorships and/or Appointments

- Chairman, Amanah Raya Berhad (2018-2020)
- Director, Damansara Holdings Berhad (2022-2023)
- Director, iCAPITAL. Biz Berhad (2021-2024)
- Director, Gold Li Development Sdn. Bhd. (2019-2022)
- Director, Gold Li Berhad (January 2022-December 2022)
- Director, Value Partners Asset Management (M) Sdn. Bhd.
- Director, Amanah International Finance Sdn. Bhd. (2017-2022)
- Director, International Commercial Bank (Tanzania) Ltd (2021-2022)
- Director, ICB Islamic Bank Ltd, Dhaka (2014-2022)
- Group Executive Director, Utusan Melayu (M) Berhad (2000-2014)
- Chief Executive Officer, Kuala Lumpur City Securities Sdn. Bhd. (1995-2000)
- General Manager of Dealing & Research Department, Maybank Securities Sdn. Bhd. (1991-1995)
- Investment Manager, BBMB Unit Trust Management Sdn. Bhd. (1988-1991)
- Senior Financial & Marketing Analyst, Permodalan Nasional Berhad/Amanah Saham Nasional Berhad (1982-1988)

Academic/Professional Qualification

- Bachelor of Arts (Honours) in Economics, University of Malaya

Working Experience and Occupation

Present Directorships and/or Appointments

- Director, Malaysian Industrial Development Finance Berhad
- Director, Panasonic Manufacturing Malaysia Berhad
- Director, Sterling Insurance Brokers Sdn. Bhd.
- Director, Akmah Tradings Sdn. Bhd.

Past Directorship and/or Appointment

- Advisor, PricewaterhouseCoopers Taxation Services Sdn. Bhd.
- Investor Relations Advisor, Investment Management Division, ECERDC (2009-2019)
- Deputy Director General I, Malaysian Industrial Development Authority (2005-2008)
- Deputy Director General II, Malaysian Industrial Development Authority (2003 -2004)
- Director, Malaysian Industrial Development Authority (1996-2002)
- Deputy Director, Malaysian Industrial Development Authority (1981-1995)
- Economist, Malaysian Industrial Development Authority (1975-1980)
- Assessment Officer, Inland Revenue Department (1974-1975)



ENCIK AZLAN BIN ABDULLAH



**Independent
Non-Executive Director**



ENCIK AHLAN NASRI BIN MOHD NASIR



**Independent Non-Executive
Director**

Date of Appointment:
18 May 2017

Nationality : Malaysian
Age : 65
Gender : Male

Date of Appointment:
4 April 2017

Nationality : Malaysian
Age : 55
Gender : Male

Academic/Professional Qualification

- Bachelor of Science in Business Administration, Trinity University, San Antonio, Texas, United States of America
- Master's Degree in Business Administration, Morehead State University, Kentucky, United States of America

Working Experience and Occupation

Present Directorship and/or Appointment

- Executive Director, Langkawi Yacht City Berhad

Past Directorships and/or Appointments

- Group MD/CEO, Melewar Industrial Group (2002-2019)
- Executive Director/CEO, Mycron Steel Berhad (2004-2015)
- Executive Director, Maruchi Malaysia Steel Tubes Berhad (2002-2004)
- Managing Director, Aaco Technologies Sdn Bhd (1997-2001)
- Vice President and Head of Public Sector Division, Citibank Berhad (1995 - 1996)
- Head of Priority Banking Division and Branch Manager of KL Main
- Branch, Bank of Commerce (1988 - 1995)
- Management Trainee, Citibank N A (1983-1987)

Academic/Professional Qualification

- BA Jurisprudence, ST Anne's College, Oxford University, United Kingdom
- Certified Diploma in Accounting & Finance, ACCA, United Kingdom
- Certified Legal Practice, Legal Qualifying Board, Malaysia

Working Experience and Occupation

Present Directorship and/or Appointment

- Head Legal, Tenaga Nasional Berhad

Past Directorships and/or Appointments

- Legal Director, Danajamin Nasional Berhad (2009 - 2015)
- Partner, Messrs. Kadir Andri & Partners (2015- 2021)
- Partner, Messrs. Zaid Ibrahim & Co (2006- 2009)
- Partner, Messrs. Zain & Co (2004 -2006)
- Partner, Messrs. Abdul Raman Saad & Associates (1997 -2004)

PROFILE OF MIDF AMANAH INVESTMENT BANK BOARD OF DIRECTORS



ENCIK RAFE HANEEF

CCB

**Non-Independent
Executive Director**

Date of Appointment:
1 February 2024

Nationality : Malaysian
Age : 54
Gender : Male

Academic/Professional Qualification

- Chartered Islamic Finance Professional (ACIFP), Chartered Institute of Islamic Finance Professionals
- Securities Representative License, Securities and Futures Authority (SFA), United Kingdom
- New York Bar, Qualified, New York Bar, United States of America
- Malaysian Bar, Admitted, Bar Council, Malaysia
- Master of Laws (LL.M), Harvard Law School, United States of America
- Bachelor of Laws (Hons) LL.B., International Islamic University, Malaysia

Working Experience and Occupation

Present Directorship and/or Appointment

- Group Chief Executive Officer, MBSB Group

Past Directorships and/or Appointments

- Chief Executive Officer, CIMB Group Transaction Banking (2019-2023)
- Chief Executive Officer, CIMB Foundation (2019-2023)
- Group Chief Sustainability Officer, CIMB Group (2019-2021)
- Chief Executive Officer & Executive Director, CIMB Islamic Bank Berhad (2016 -2019)
- Chief Executive Officer & Executive Director/ Managing Director, Global Market, Asia Pacific, HSBC Amanah Bank Berhad (2010-2015)
- Managing Director, Investments, Fajr Capital Ltd (2008-2010)
- Regional Head, Asia-Pacific, CitiBank Berhad (2006-2007)
- Global Head, Global Islamic Finance, ABNAMRO Bank Ltd (2004-2006)
- Associate Director, Global Markets, HSBC Financial Service ME Ltd (2001-2004)
- Head of Shariah Department and Transaction Management, Structured Finance, HSBC Investment Bank plc (1999-2001)
- Associate & Solicitor, Messrs. Mohd Ismail & Co (1994-1999)

PROFILE OF MIDF AMANAH ASSET MANAGEMENT BOARD OF DIRECTORS



**CIK HASNAH BINTI
OMAR**

**Chairman/
Independent
Non-Executive Director**



ENCIK TAI KEAT CHAI



**Independent
Non-Executive Director**

Date of Appointment:
27 June 2016

Nationality : Malaysian
Age : 66
Gender : Female

Date of Appointment:
27 December 2016

Nationality : Malaysian
Age : 70
Gender : Male

Academic/Professional Qualification

- LL.M. (Master of Banking Law: Islamic and Conventional), International Islamic University Malaysia (IIUM) (Best student Award)
- A Paper on Securities Industry, Securities Institute Australia
- MPA (Master in Public Administration) - Public Policy, Harvard University, USA (Mason Spirit Awar, HIID)
- Banking School II & III for Bank Examiners, Federal Reserve Banking System, USA (Top Student Awar for Bank School III)
- Certificate of Completion in Auditing & Certificate of Data Processing, Mara Institute of Technology
- BA (Hons) - Bachelor of Arts and Social Science (Geography), University of Malaya

Working Experience and Occupation

Present Directorships and/or Appointments

- Director, Malaysian Industrial Development Finance Berhad
- Chairman, Zurich Takaful Malaysia Berhad
- Chairman, Zurich General Takaful Malaysia Berhad
- Director, Bond Pricing Agency Malaysia Sdn. Bhd.

Past Directorships and/or Appointments

- Director, Zurich Life Insurance Berhad
- Director, Crimson Sdn. Bhd.
- Managing Director, HOM Crimson Sdn. Bhd. (Deregistered) (May 2013-2019)
- Senior Financial Sector Specialist, Asian Development Bank (ADB), Manila, Philippines (Jan 2009-Jan 2011)
- Director, Market Oversight Business Group, Securities Commission (June 1993-May 2013)
- Manager, Bank Negara Malaysia (1981-April 1993)

Academic/Professional Qualification

- Chartered Accountant

Working Experience and Occupation

Present Directorships and/or Appointments

- Marine & General Berhad (wef 18.08.2008)
- Microlink Solutions Berhad (wef 28.08.2013)
- Rex Industry Berhad (wef 06.03.2015)
- HSS Engineers Berhad (wef 26.07.2021)
- Talam Transform Berhad (wef 30.05.2023)
- Influx Pacific Sdn. Bhd. (wef 25.04.2001)
- Ganz Industries Sdn. Bhd. (wef 25.04.2001)
- Fiscal Corporate Services Sdn. Bhd. (wef 18.08.2001)
- ICAP (Malaysia) Sdn. Bhd. (wef 09.11.2015)

Past Directorship and/or Appointment

- Price Waterhouse Coopers
(*now known as PricewaterhouseCoopers*)
Qualified Assistant / Assistant Manager (Audit) (1978-1981)
- Amanah Merchant Bank Berhad
(*now known as Alliance Merchant Bank Berhad*)
Assistant Manager / Manager / Senior Manager
(Corporate Finance) (1981-1988)
- Price Waterhouse Coopers Associates
(*now known as PwC Associates*)
Manager (Management Consultancy) (1988-1989)
- Berjaya Group Berhad
General Manager Investment (1989-1990)
- SJ Securities Sdn. Bhd.
General Manager (Stockbroking) (1990-1991)
- A.A Anthony Securities Sdn. Bhd.
Executive Director (Stockbroking) (1991-1996)
- ECM Libra Avenue Securities Sdn. Bhd.
(*now known as Kenanga Investment Bank Berhad*)
Dealer's Representative (Stockbroking) (1996-2001)
- Fiscal Corporate Services Sdn. Bhd.
Director (Corporate Advice) (2001-Current)

PROFILE OF MIDF AMANAH ASSET MANAGEMENT BOARD OF DIRECTORS



**ENCIK HASMAN
YUSRI BIN YUSOFF**



**Independent
Non-Executive Director**



**DATO' SERI DIRAJA
NUR JULIE GWEE
ARIF**



**Non-Independent
Non-Executive Director**

Date of Appointment:
13 April 2017

Nationality : Malaysian
Age : 64
Gender : Male

Date of Appointment:
15 November 2023

Nationality : Malaysian
Age : 48
Gender : Female

Academic/Professional Qualification

- Association of Chartered Certified Accountant
- Post Graduate Diploma in Islamic Studies

Working Experience and Occupation

Present Directorship and/or Appointment

- Nil

Past Directorship and/or Appointment

- Director, Malaysian Resources Corporation Berhad (2016-2021)
- Director, Chemical Company of Malaysia Berhad (2019-2021)
- Director, Serba Dinamik Holdings Berhad (2016-2021)
- Director, Agri Food Resources Holdings Sdn. Bhd. (2016-2018)
- Director, Amanah International Sdn. Bhd. (2017-2019)
- Partner, KPMG (1999-2015)
- General Manager, Finance, Malakoff Berhad (1995-1999)
- Petronas Group (1985-1994)

Academic/Professional Qualification

- Master in Business Administration (Corporate Finance)
- Bachelor of Commerce (Economics & Finance)
- Chartered Banker
- Capital Markets Services Representative License

Working Experience and Occupation

Present Directorship and/or Appointment

- MIDF Amanah Investment Bank Berhad
Senior Director / Head, Debt Markets

Past Directorship and/or Appointment

- Union Bank of California, Kuala Lumpur Representative Office
Relationship Officer, Trade Finance (May 1998-Sept 1999)
- Rashid Hussain Securities Sdn. Bhd.
Marketing Officer, Business Development (Oct 1999-Dec 2000)
- Southern Investment Bank Berhad
Associate, Corporate Finance (Jan 2001-Apr 2003)
- Nam Fatt Corporation Berhad
Manager (Apr 2003 -Apr 2004)
- Hwang DBS Securities Berhad
Deputy Manager, Corporate Finance (May 2004-Dec 2006)
- PM Securities Sdn. Bhd.
Manager, Corporate Finance (Nov 2005-Dec 2006)
- ECM Libra Investment Bank Berhad
Director, Investment Banking (Jan 2007-Jul 2012)
- Malaysian Industrial Development Finance Berhad
Vice President, Business Development Division (Aug 2012-Feb 2013)



DATO' AZLAN BIN SHAHRIM

**Non-Independent
Non-Executive Director**



ENCIK SHAN KAMAHL BIN MOHAMMAD

CEO/Executive Director

Date of Appointment:
15 November 2023

Nationality : Malaysian
Age : 55
Gender : Male

Date of Appointment:
10 October 2022

Nationality : Malaysian
Age : 48
Gender : Male

Academic/Professional Qualification

- Advanced Management Program, Wharton School, University of Pennsylvania, United States of America
- Master of Laws, LL.M, International Business Law, University of Exeter, United Kingdom
- Called to the Bar of England & Wales, Gray's Inn, United Kingdom
- Bachelor of Laws, LLB. (Hons), University of Kent, United Kingdom

Working Experience and Occupation

Present Directorship and/or Appointment

- Group Chief Strategy Officer, MBSB Group

Past Directorship and/or Appointment

- Group Director, Group Managing Director's Office, DRB-HICOM Berhad (2019-2020)
- Group Chief Operating Officer, POS Malaysia Berhad (2015-2019)
- Group Director, Corporate Strategy & Transformation, DRB-HICOM Berhad (2014-2015)
- Deputy Chief Executive Officer, Pelabuhan Tanjung Pelepas Sdn. Bhd. (2009-2014)

Academic/Professional Qualification

- Masters in Business Administration (MBA), General Business, Charles Stuart University, Australia
- Bachelor of Science in Business Administration (Major Actuarial Science), University Of Hartford, USA

Working Experience and Occupation

Present Directorship and/or Appointment

- Atticus Capital Manager Sdn. Bhd.
- Chief Executive Officer, MIDF Amanah Asset Management Berhad

Past Directorship and/or Appointment

- AON Services Group (1999-2000) - Accounts Manager
- Hong Leong Assurance Berhad (2000-2002) - Executive
- ValueCAP Sdn. Bhd. (2002-2019) - Various positions
- VCAM Asset Managers Sdn. Bhd. (2014-2017) - CEO/ED
- Fortress Capital Asset Managers Sdn. Bhd. (2020-2021) - Director, Investments
- MIDF Amanah Investment Bank Berhad (2021-2022) - Head, EMD

PROFILE OF MBSB BANK SHARIAH ADVISORY COMMITTEE



**ENCIK MOHD BAHRODDIN
BIN BADRI**

Chairman

▶ **Date of Appointment:**
07 August 2018

Nationality : Malaysian
Age : 47
Gender : Male

Academic/Professional Qualification

- Master's degree in Shariah (Economics), University of Malaya, Malaysia
- Bachelor's degree in Islamic Revealed Knowledge and Heritage (Fiqh and Usul Fiqh), International Islamic University Malaysia (IIUM), Malaysia
- Certified Shariah Advisor (CSA), Association of Shariah Advisors in Islamic Finance (ASAS), Malaysia
- Certified Shariah Advisor and Auditor (CSAA) Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Bahrain

Working Experience and Occupation

Present Directorships and/or Appointments

- Head, Islamic Finance Advisory, International ISRA Consulting (IC)
- Researcher, International Shariah Research Academy (ISRA)
- Member, Shariah Committee, EXIM Bank
- Chairman, Shariah Committee, Swiss Re (Retakaful)
- Member, Shariah Committee, Koperasi Pembiayaan Syariah Angkasa (KOPSYA)

Past Directorships and/or Appointments

- Shariah Consultant, ISRA Consultancy (ICSB) (2016-2021)
- Member, Shariah Committee, Citibank Malaysia Berhad (2013-2018)
- Member, Shariah Committee, Citibank Labuan (2017-2018)
- Lecturer, International Islamic University Malaysia, CFS (IIUM) (2003-2012)
- Tutor, University of Islamic Science Malaysia (USIM) (2008-2012)



**ENCIK NASRUN
BIN MOHAMAD
GHAZALI**

Deputy Chairman



**SOHIBUS SAMAAH
DATUK DR. LUQMAN
BIN HJ. ABDULLAH**

Member

Date of Appointment:
08 September 2020

Nationality : Malaysian
Age : 49
Gender : Male

Date of Appointment:
20 January 2020

Nationality : Malaysian
Age : 55
Gender : Male

Academic/Professional Qualification

- Doctor of Philosophy in Islamic Revealed Knowledge and Heritage (Fiqh and Usul al-Fiqh), International Islamic University Malaysia, Malaysia
- Master's degree in Information Technology (Computer Science), National University of Malaysia, Malaysia
- Master's degree in Shariah, University of Malaya, Malaysia
- Bachelor's degree in Islamic Sciences (Hons) of al-Hadith, al-Madinah International University, Malaysia
- Bachelor's degree in Accounting (Hons), National University of Malaysia, Malaysia
- Fellow of Certified Shariah Advisor and Auditor (CSAA) Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI), Dubai.

Working Experience and Occupation

Present Directorships and/or Appointments

- Lecturer in Muamalat, Islamic Finance and Economics at Academy of Contemporary Islamic Studies, Universiti Teknologi MARA (UiTM).

Past Directorships and/or Appointments

- Shariah Compliance Specialist, Munich Re (Retakaful) (2019-2021)
- Waqf Manager, Universiti Teknologi Mara (UiTM) Shah Alam (2019-2021)
- Research Consultant, International Shari'ah Research Academy for Islamic Finance (ISRA) (2019-2020)
- Head of Shariah, MUFG Bank (Malaysia) Berhad (2013-2019)
- Manager, (Shariah Risk & Compliance), Al Rajhi Banking & Investment Corporation (M) Bhd. Kuala Lumpur (2011-2013)
- Business Analyst (Group Risk Management), AmBank (M) Berhad Kuala Lumpur (2010-2011)
- Senior System Consultant (Business Analyst), Infopro Sdn. Bhd. . Petaling Jaya (2009-2010)
- Senior Executive (Business & System Analyst), Malayan Banking Berhad Kuala Lumpur (2001-2009)

Academic/Professional Qualification

- Ph.D in Islamic Law, University of Edinburgh, Scotland
- Bachelor of Arts (Honors) in Shariah, University of Malaya, Malaysia

Working Experience and Occupation

Present Directorships and/or Appointments

- Mufti, Federal Territory of Kuala Lumpur
- Associate Professor, Department of Fiqh and Usul al-Fiqh, University of Malaya.
- Member Shariah and Fatwa Committee MNRB Holding Berhad,
- Member of the Shariah Advisory Committee Amanah Raya Berhad,
- Member of the Shariah Advisory Committee Yayasan Wakaf Malaysia
- Member of the Shariah Advisory Committee JAKIM
- Wakaf Committee Member, Majlis Agama Islam Wilayah Persekutuan
- Member For Syariah Advisory Council of Kumpulan Perbadanan Kemajuan Iktisad Negeri Kelantan (PKINK)

Past Directorships and/or Appointments

- Lecturer, University of Malaya (2005-2007)
- Senior Lecturer, University of Malaya (2007 -2022)
- Syariah Committee Member (Chairman), Bank of Tokyo-Mitsubishi UFJ Malaysia (2008-2019)
- Shariah Committee Member, MAA Takaful (2012-2017)
- Shariah Committee Member Zurich Takaful (2017-2020)
- Fatwa Committee Member, Jemaah Ulama Majlis Agama Islam dan Adat Istiadat Melayu Kelantan (MAIK) (2012-2020)

PROFILE OF MBSB BANK SHARIAH ADVISORY COMMITTEE



**DR. AHMAD FAIZO
BIN ISMAIL**

Member



**PUAN APNIZAN
BINTI ABDULLAH**

Member

▶ **Date of Appointment:**
01 April 2020

Nationality : Malaysian
Age : 41
Gender : Male

▶ **Date of Appointment:**
11 January 2023

Nationality : Malaysian
Age : 45
Gender : Female

Academic/Professional Qualification

- Ph.D in Law, School of Law, University of Leeds, United Kingdom
- Master's degree in Shariah, University of Malaya, Malaysia
- Bachelor's degree in Shariah, Al-Azhar University, Egypt
- Diploma in Islamic Studies (Shariah) from Kolej Ugama Sultan Zainal Abidin (KUSZA)
- Certified Shariah Advisor (CSA), Association of Shariah Advisors in Islamic Finance (ASAS), Malaysia

Working Experience and Occupation

Present Directorships and/or Appointments

- Director, Office of Waqf and Endowments, UniSZA
- Senior Lecturer, Faculty of Islamic Contemporary Studies, UniSZA
- External Academic Advisor, Kolej Universiti Islam Selangor
- External Academic Advisor, Kolej Quran Terengganu

Past Appointment

- Head of Shariah Department, Faculty of Islamic Contemporary Studies, UniSZA, (2020 -2022)

Academic/Professional Qualification

- Master of Comparative Laws (MCL), International Islamic University Malaysia (IIUM), Malaysia
- Bachelor of Laws (LL. B) (Honours), International Islamic University Malaysia (IIUM), Malaysia
- Bachelor of Laws (Shariah) (LL.BS) (Honours) (First Class), International Islamic University Malaysia (IIUM), Malaysia
- Chartered Islamic Finance Professional (CIFP), International Centre for Education in Islamic Finance (INCEIF), Malaysia
- Former Professional Assessor, Financial Accreditation Agency (FAA)

Working Experience and Occupation

Present Directorships and/or Appointments

- Managing Partner, Messrs. Apnizan Abdullah & Co.

Past Directorships and/or Appointments

- Research Fellow, International Institute of Advanced Islamic Studies (IAIS) Malaysia (2015-2021)
- Researcher, International Shariah Research Academy for Islamic Finance (ISRA) (2012-2013)
- Lecturer, University of Malaya (2007-2012)
- Lecturer, Tunku Abdul Rahman University (2001-2012)
- Legal Assistant, Mak Farid & Company (2006)

PROFILE OF MIDF AMANAH INVESTMENT BANK SHARIAH COMMITTEE



**DR. MUHAMMAD
NAJIB BIN
ABDULLAH**

Chairman



**ENCIK AHMAD LUTFI
BIN ABDULL
MUTALIP @ TALIB**

Member

Date of Appointment:
1 April 2023

Nationality : Malaysian
Age : 45
Gender : Male

Date of Appointment:
1 January 2023

Nationality : Malaysian
Age : 53
Gender : Male

Academic/Professional Qualification

- Ph.D in Usul Fiqh (Maqasid Al-Shariah Islamic Banking), International Islamic University of Malaysia, Malaysia
- Master of Islamic Revealed Knowledge and Human Sciences Specializing in Usul Fiqh, International Islamic University of Malaysia, Malaysia
- Bachelor of Fiqh and Usul Fiqh (Shariah), Islamic University of Madinah Munawwarah, Saudi Arabia

Working Experience and Occupation

Present Directorships and/or Appointments

- Chairman, Shariah Committee MIDF Amanah Investment Bank Berhad
- Member of the Shariah Committee of MIDF Amanah Investment Bank Berhad
- Shariah Advisor MIDF Amanah Asset Management Berhad
- Member of the Group Shariah Committee of Etiqa Takaful
- Lecturer and deputy dean in the Faculty of Syariah and Law, Universiti Sains Islam Malaysia (USIM)
- Syariah Advisory Panel for World Fatwa Management and Research Institute (INFAD)
- Fellow, Islamic Finance and Wealth Management Institute (IFWMI), USIM
- Fatwa Committee, Pulau Pinang

Past Directorships and/or Appointments

- Nil

Academic/Professional Qualification

- LLB (Hons), International Islamic University Malaysia
- Admitted to the Malaysian Bar
- Professional qualification from the Institute of Chartered Secretaries and Administrators (ICSA)

Working Experience and Occupation

Present Directorships and/or Appointments

- Director, AAA Consulting Sdn. Bhd.
- Director, Impact Analytix Sdn. Bhd.
- Director, Prudenz Corporate House Sdn. Bhd.
- Director, Azmi Globalpte. Ltd
- Director, Elridge Energy Holdings Berhad
- Managing Partner/Head, Global Financial Services & Islamic Banking Messrs Azmi & Associates

Past Directorships and/or Appointments

- Director, Bank Simpanan Nasional (2019- 2023)
- Director, Frontier Steps Sdn. Bhd. (2014-2017)
- Director, Australasia Capital (L) LTD (2013-2023)
- Director, Amanah International Finance Sdn. Bhd. (2017-2019)
- Partner, Messrs Hisham Sobri & Kadir (2000)





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, that is 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. MBSB and its subsidiaries (the Group) 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.

The Group adopts 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 2023. 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 the Group’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”) 2023 which is available on MBSB’s website at <https://www.mbsb.com.my/ar.html>

In the latest National Annual Corporate Report Awards (“NACRA”) 2023, MBSB’s Integrated Annual Report 2022 was awarded ‘Best Designed Annual Report’ under Silver Category.

We are also a constituent of FTSE4Good Bursa Malaysia Index (“F4GBM”) since 2016. Our FTSE4Good ESG rating as at 18 December 2023 stood at 3.6, which was higher than the industry average (Financials) of 2.6. The Board will continue to address the gaps in Sustainability Report 2023, CG Report 2023 and Integrated Annual Report 2023.

A. BOARD LEADERSHIP AND EFFECTIVENESS

Board Responsibilities

The Board of MBSB 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 Group’s various stakeholders.

The Board is guided by the Board Charter, which clearly identifies the respective Board’s role, duties and responsibilities. The Board Charter also outlines the processes and procedures to ensure the effectiveness and efficiency of the Board and the Board Committees.

The Board is 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 Board from time to time. Any decisions which are not within the Committees’ authority would be escalated to the Board with the Committees’ recommendation.


The Board has 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 Board as well as the minutes of meetings that capture the detailed deliberations which were subsequently tabled to the Board for notation.

The matters reserved for the Board 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 Board are stated in the Board Charter, which are available online at www.mbsb.com.my.

The Board also takes responsibility for the governance of sustainability and sustainability risk oversight. Key governance responsibilities for the Board are as follows:

- A** Assumes ultimate responsibility for managing sustainability matters
- B** Ensure that corporate strategy takes into account sustainability considerations
- C** Approves corporate strategy and key performance indicators
- D** Approves policies on sustainability matters

This governance principles are adopted by all entities within the Group.

 Refer to the "2023: The Year in Review" section of this Integrated Annual Report for more information on the business review in 2023 and business outlook.

Board Activities

During the year under review, MBSB had completed the acquisition of 100% equity interest in Malaysian Industrial Development Finance Berhad ("MIDF") from Permodalan Nasional Berhad on 2 October 2023 in line with the Group's strategic business direction. MBSB had in 2023 received a notable recognition from the industry, namely 'Best Domestic M&A Deal of the Year in Malaysia Award' at the 17th Borrower Issuer Awards Alpha Southeast Asia 2023.

The Board of MBSB, in consultation with the Board of MBSB Bank Berhad and MIDF Group, determines the strategic direction of the Group to ensure that the Group achieves its initiatives as set out in the three-year Strategic Business Plan "FLIGHT26".

The Board convenes regular Board meetings to review the overall performance of the Group. This includes the progress of the Business Plan, Digital and Technology Strategy, ESG Strategy, short and long-term sustainable growth and budget of the Group, succession planning and the future growth for the Group.

The Board is 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 Board monitor the performance of MBSB Bank and MIDF Group from time to time through the presentation of the various reports submitted by the Finance, Risk Management, Compliance, Legal and Internal Audit Division. The Board also monitors the scorecard achievement and progress of Business Plan initiatives through the monthly business performance report and financial report presented to the Board.

The Board continue to intensify efforts and focus to provide the best and most innovative solutions/products to match and capture customers' requirements by leveraging on the strong synergy across the enlarged Group.

During the year, several new products were introduced such as family takaful products, business credit financing programme for small and medium enterprises (SMEs), Ihsan-i, green and sustainable financing etc and continue with the various collaborations with strategic partners to provide innovative product offerings to the customers to become their preferred banking partner. The Bank continues its efforts to delivering innovative product offerings in attracting high quality customer base.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board received regular updates on the economic / industry outlook during meetings (from RAM Rating Services Berhad and MIDF Research), in addition to attending relevant training programmes to keep abreast with the updates and changes in the business environment.

The Board also reviewed and set the annual performance scorecard of the Group as well as targets for the Group Chief Executive Officer (“GCEO”), Chief Executive Officers and C-Suites.

Succession planning remains a key area of focus for the Board. The Board was kept informed via the People & Culture Division (“PCD”) dashboard reports on the progress of the programmes to nurture and groom future talents and also the readiness of the successors for the key management personnel. The PCD dashboard also provides regular updates to the Board on the manpower position of the Group which includes attrition and hiring of new recruits and also the progress of various initiatives undertaken by PCD.

In addition, as part of the integration process arising from the acquisition resulting in an enlarged Group, townhalls and various communications were held with all employees of MBSB Bank and MIDF Group to achieve synergies and inclusion as an enlarged group.

For the year under review, MBSB Bank continue to enhance the digital offerings at MBSB Bank to improve efficiency and offer greater value including enhancing user experience to meet the evolving needs of both customer and merchants.



The Board provide oversight on the management of sustainability matters at MBSB and its operating subsidiaries to ensure ESG considerations are incorporated in business plans for the Group. In 2023, the Group performed a comprehensive materiality assessment to refresh 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 Board during the year. The materiality assessment process and Materiality Matrix are disclosed in MBSB Integrated Annual Report 2023.

During the year, the Board has approved the Net Zero strategy, Sustainability Commitments, revisions to the Sustainability governance structure to integrate climate-related risks, and the Climate Risk Management framework.

The TOR, policies and procedures of the Board, Board Committees and Management-led Committees 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.

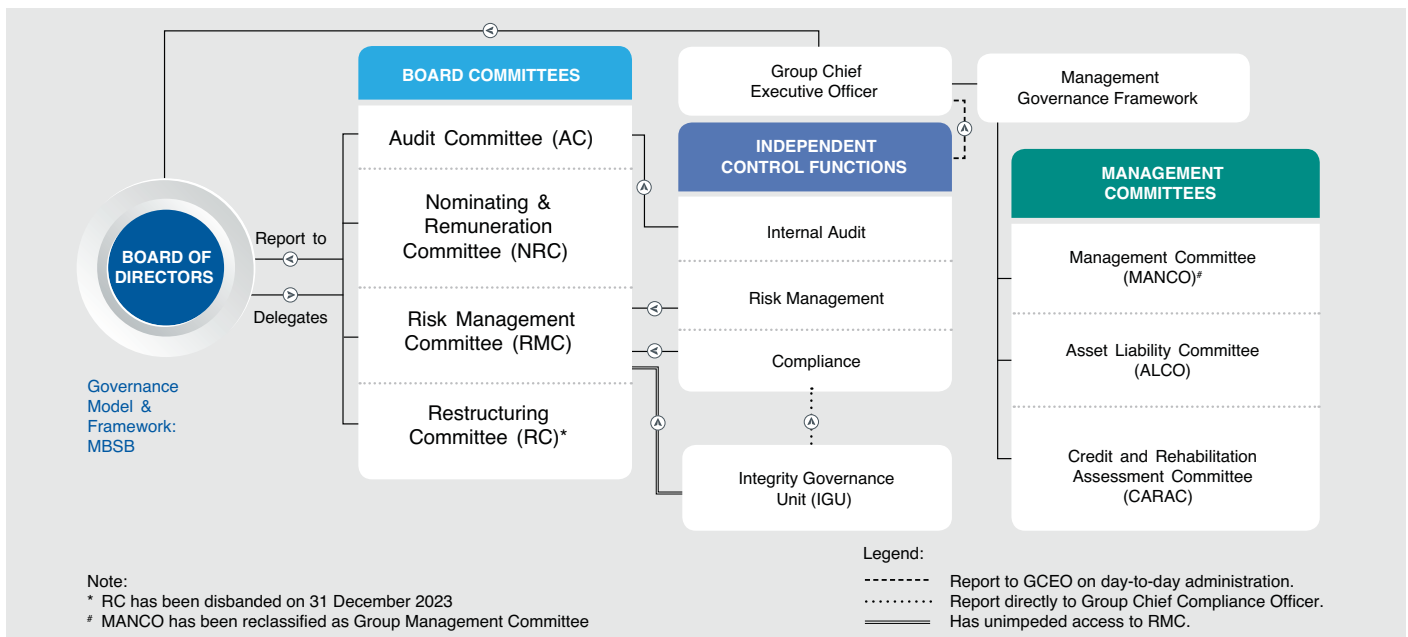
Among the topics and strategies reviewed, deliberated and approved by the Board during the financial year 2023 are as follows:-

| Areas | Key topics/ strategies |
|--|---|
|  <p data-bbox="269 1677 365 1703">Strategy</p> | <ul style="list-style-type: none"> • Budget and Business Plan, business plan initiatives and KPI for year 2024 for MBSB Group • Acquisition of MIDF Group • Initiatives on post-acquisition integration of enlarged MBSB Group • Disposal of non-core assets • Disposal of MBSB’s residual asset and liability (loans and non-financial subsidiaries) by way of a scheme of arrangement • MBSB Group’s Business Strategy • Group Capital Strategy • Environmental, Social and Governance (“ESG”) Framework and Strategy • Climate Risk Management and Net Zero Strategy • MBSB’s Sustainability Initiatives • Monthly Strategy & Business Performance • Monthly Financial Performance • Quarterly Financial Results • Quarterly Report on Sustainability Initiatives • Declaration of Dividend |

| Areas | Key topics/ strategies |
|---|--|
|  Risk, Compliance, Oversight | <ul style="list-style-type: none"> • Composite Risk Rating findings and the action plan • Annual Plan for 2023 for Risk, Compliance, Internal Audit and Integrity and Governance Unit (IGU). • Monthly Compliance Report • Monthly Risk Management Report • Quarterly Internal Audit Report • Quarterly IGU Report • Quarterly Risk Report • Reappointment of external auditors • Related Party Transactions • Recovery Plan |
|  Governance | <ul style="list-style-type: none"> • Board and Board Committees composition • Board Remuneration • Board Annual Training Plan • Performance assessment and rewards 2022 for Key Management Personnel. • Board Effectiveness Evaluation for year 2022 • Fit and Proper Assessment for Directors for year 2023 • Fit and Proper Assessment for Group Chief Executive Officer and C-Suites for year 2023 • MBSB Integrated Report 2022, Sustainability Report 2022 and Corporate Governance Report 2022 • Terms of Reference of Board Committees • Appointment of Acting Chairman for MBSB • Appointment of Board Chairman for MBSB and MBSB Bank • Appointment of Group Chief Executive Officer • Succession Planning for Key Management Personnel • Directors and Officers Takaful Coverage. • Staff Group Term Takaful and Group Personal Accident Takaful Coverage |

Leadership and Governance Structure

The governance structure of MBSB is as follows:



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The governance structure of the Group is supported by the AA Manual, which delineates the relevant matters and approving authority limits, including those reserved for the Board's approval and those which the Board may delegate to the relevant Board Committees, the GCEO and Management. The governance structure, TOR, Board Charter 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 Group.

Similar Board Committees and Management Committees have been established at the applicable individual operating entities within the MBSB Group to ensure oversight.

Ethical Business Conduct

The Board has established the Code of Ethics for Directors which is in line with the practices with the MCCG and incorporated the recommendations from the Guidelines on Conduct of Directors of Listed Corporations and their Subsidiaries issued by the Securities Commission and Code of Ethics recommended by the Financial Services Professional Board.

The Directors observe the Code of Ethics when performing their duties and are fully subscribed to the high ethical standards considering all stakeholders' interest.

The Board has established a Directors' Conflict of Interest Policy to provide a systematic mechanism to disclose any 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 transactions that give rise to the conflict. The interested Director is required to be absent or excused 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 2022 with no change required. The Directors' Conflict of Interest Policy will be reviewed in 2024 in line with the Guidance on Conflict of Interest issued by the regulator.

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 Policy, to set the standards of behaviour expected of its employees and to encourage employees to report on suspected fraud, misconduct behaviour and/or violations of the COEC as well as any other directives or policies issued by the Group from time to time. This is to support the Group's values to uphold the highest standard of personal and professional integrity, ensure employees can raise concerns without fear of reprisals, and provide a transparent and confidential process for dealing with genuine concerns to safeguard the interests of the Group.

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

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

Adherence to the COEC is a condition of employment with MBSB Bank. Each employee shall 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 annually or as and when required. The COEC was reviewed in 2023 with no change required.

The COEC Policy Statement of MBSB Bank is available on MBSB Bank's website at <https://www.mbsbbank.com/sites/default/files/inline-files/CodeEthicsConducts.pdf>

The Group has adopted Integrity and Anti-Bribery, Corruption & Abuse of Power ("IABCAP") Policy, 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.

The IABCAP Policy was reviewed in November 2023 to incorporate training requirements to align with the existing policies. Integrity & Governance Unit (IGU) Procedures were also established to operationalise the IABCAP Policy and to reaffirm the commitment in upholding the highest standards of integrity, transparency, and accountability.

MBSB has established an IGU for MBSB Group. The main purpose of IGU is to ensure an honest with high integrity work culture amongst the employees, including members of Senior Management and the Board and to combat bribery, corruption and abuse of power. The IGU Officer has unimpeded access to the Board (via RMC) on integrity issues and activities relating to adequate procedures. The IGU Officer reports to the Group Chief

Compliance Officer on matters regarding integrity issues and activities carried out in relation to adequate procedures within the MBSB Group.

MBSB Group adopts zero-tolerance on 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 in conjunction with the Whistleblowing Policy.

All employees are entrusted with the responsibility of staying alert to prevent and detect 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 Group 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.

All Directors, Shariah Advisory Committee (“SAC”) members and employees of MBSB Group are required to complete the Individual Integrity Pledge. All newly appointed external service providers or those who renewed their services with MBSB Group are required to execute the contract agreement with specific Anti-Bribery and Corruption clauses or in the absence of the contract agreement, the Anti-Bribery and Corruption Declaration Form.

It is also a requirement for all MBSB Bank employees to complete e-learning modules on Integrity and Governance on annual basis.

On-boarding due diligence is conducted for new Directors, SAC members, employees, and customers applying for financing facilities and as well as external service providers. On-going due diligence is also required to be conducted on all parties that have established and/or renewed relationship with the Bank, which includes customers and external service providers.

The Group has in place a Whistleblowing Policy to provide an avenue for the employees and members of the public or any external party to raise concerns without fear of reprisal and to promote highest possible standards of ethical and level business conduct. The said policy clearly spells out the process flow to guide the employees to raise their concerns and the assurance that the whistleblower will not be at the risk of reprisal due to raising the concerns. The policy also provides a secure, convenient channel and protects the confidentiality of the employees who make the report. The Whistleblowing Policy is periodically communicated to employees to increase awareness.

The Whistleblowing Policy was last revised in August 2022 and will be reviewed in 2024.

The Group has also established the Anti-Money Laundering and Counter Financing of Terrorism (“AML/CFT”) Policies & Procedures, which is part of the Group’s Compliance policy. The Group is committed to fully cooperate with the relevant local and international authorities and law enforcement agencies in combating Anti-Money Laundering and Counter Financing of Terrorism. Appropriate internal controls and procedures for money-laundering prevention are in place. The Compliance Division carries out regular checks and training to ensure that employees are fully aware of and committed to discharging their obligations. The AML/CFT Policy and the AML/CFT Procedures was last revised in 2022 and will be reviewed in 2024.

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



Refer to MBSB CG Report 2023 and Sustainability Report (“Ethics and Integrity” section) for more information on our ethical business conduct.

Roles and Responsibilities of the Chairman and GCEO

The Chairman and the GCEO position are held by different individuals with clear division of responsibilities between the Chairman and GCEO to ensure balance of power and authority and to promote checks and balances.

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

The Board has appointed Encik Rafe Haneef as the GCEO on 1 July 2023.

Following the demise of Tan Sri Azlan Zainol on 12 January 2023, the Board initiated the process of identifying a new Chairman. During the absence of the Chairman, and as an immediate interim measure, the duty to chair the Board meetings of MBSB was assumed by Puan Lynette Yeow Su-Yin (“Puan Lynette”), the Senior Independent Non-Executive Director.

Puan Lynette was subsequently redesignated as Acting Chairman on 22 September 2023.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board has identified a new Chairman for MBSB and has appointed Dato' Wan Kamaruzaman Bin Wan Ahmad ("Dato' Wan") as the Chairman/ Non-Independent Non-Executive Director of MBSB on 24 January 2024. Following the appointment of the new Chairman, Puan Lynette was redesignated as the Senior Independent Non-Executive Director.

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 hold a valid Practicing Certificate of Secretary issued by the Companies Commission of Malaysia.

The Company Secretaries demonstrate ongoing support in advising and assisting the Board 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. This includes disclosure of Directors' 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.

In 2023, the Company Secretaries updated the Board on the amendments to the Main Market Listing Requirements in relation to sustainability training for directors and conflict of interest.

The Company Secretaries have assisted the Board and NRC in the appointment of the new directors i.e. Tan Sri Abdul Rahman bin Mamat and Datuk Yasmin Binti Mahmood, who were appointed on 5 December 2023.

The Company Secretaries also assisted the Board and the NRC in the appointment of the new Board Chairman.

In 2023, the Company Secretaries facilitated the Board Effectiveness Evaluation for the year 2022. The Company Secretaries also assisted the Board and the NRC in the reappointment of directors, re-election of directors, board remuneration review, annual training plan and board and board committees' composition review.

During the year, the Company Secretaries facilitated the orientation/induction programmes for the new directors. The Company Secretary and the relevant Management team members had briefed the directors to familiarise the directors with the business and operations of the Group. In addition, the Company Secretaries also co-ordinated the directors' registration for the various training programmes organised.

The Company Secretaries also briefed the Board on the requirement to attend the Mandatory Accreditation Programme ("MAP") Part II : Leading for Impact (LIP) as required by Bursa Malaysia Securities Berhad.

The Company Secretaries have arranged for four (4) directors to attend the MAP Part II: LIP in 2023.

The Company Secretaries are also involved in organising general meetings to ensure all due processes and proceedings are in place and properly managed. In 2023, MBSB had organised Annual General Meeting, Extraordinary General Meeting and Court-Convened Meeting. The Company Secretaries also ensured that the minutes are properly recorded, particularly the questions raised by the shareholders.

To ensure smooth information flow between the Management and the Board, the Company Secretary is also appointed as the Secretary of several Management-led Committees. The Company Secretaries ensure that deliberations at Board and Board Committees meetings are well documented and communicated to the relevant Management members for appropriate action. The Company Secretaries also update the Board and Board Committees on follow-up actions on their decisions.

Board Composition

As at 31 December 2023, the Board of MBSB consists of eight (8) Directors:

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

The Board recognises 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 Board is committed to Board diversity and at the same time will ensure that all appointments to the respective Boards will be made based on merit, considering the Group's needs and circumstances, the present size of the Board, suitability for the role, skills, experience, knowledge, experience and diversity.

The Board has 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 professions allows the Board to address and/or resolve the various issues effectively and efficiently. The Board agreed to adopt a measurable objective of maintaining at least one (1) female Director on the Board.

The Board, through NRC, reviews the composition of the Board and Board Committees every year or as and when 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 used as a guideline for appointment of new Directors. MBSB's NRC would carry out the fit and proper assessment on the candidates prior to recommendation to the Board for approval. The procedure for appointment of new director is disclosed in the explanation on Practice 5.5 of CG Report 2023.

The NRC had reviewed the Board and Board Committees composition together with the Board Skill Matrix and had identified the selection criteria for the appointment of a new director i.e. a director with an IT and banking background. The NRC then sourced for potential candidates based on the selection criteria and also considered gender diversity for the Board of MBSB. Following the completion of the acquisition of MIDF and pursuant to the Share Purchase Agreement, NRC had evaluated and assessed the fit and proper criteria and the suitability and accordingly recommended to appoint Tan Sri Abdul Rahman bin Mamat and Datuk Yasmin Binti Mahmood as the new directors of MBSB. The appointment of both directors at MBSB would facilitate better integration, communication and alignment of the Group's strategy and decision-making for the enlarged Group.

Tan Sri Abdul Rahman bin Mamat was appointed as Independent Non-Executive Director of MBSB effective 5 December 2023 and Datuk Yasmin Binti Mahmood was appointed as Non-Independent Non-Executive Director of MBSB effective 5 December 2023.

The NRC also evaluated the candidate for Board Chairman after the demise of Tan Sri Azlan Zainol on 12 January 2023. The NRC had recommended Dato' Wan to be appointed as Board Chairman of MBSB. Dato' Wan possesses extensive experience in finance and treasury management, spanning over three decades. He has a strong background in banking and held various senior leadership positions in the finance industry. He was formerly the Chairman of Bank of America Malaysia Berhad.

Dato' Wan was appointed as Chairman/Non-Independent Non-Executive Director of MBSB effective 24 January 2024 after MBSB secured the necessary approval from the regulator for the appointment.

The Board has adopted a Fit and Proper Policy 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 GCEO, 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 an independent party as part of the Fit & Proper Assessment. The background screening covers the following areas:-

1. Identification check
2. Malaysia Anti-Corruption Commission ("MACC") check
3. Malaysia / International Security check
4. Insolvency search
5. Global Integrity check
6. Global Internet & Media search
7. Industrial Courts Record check
8. Educational loan check
9. Professional Association Verification
10. Malaysia Regulatory check
11. Directorship check
12. Civil Records check
13. Unethical Financing & Money Laundering search
14. Academic verification

The C-Suites include the GCEO, the 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, the Chief Strategy Officer, Chief Treasurer and Capital Markets Officer and the Chief Credit Officer.

The list of activities of NRC in 2023 is disclosed in the explanation on Practice 1.1 of CG Report 2023.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Board Evaluation

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

In 2023, the Board Effectiveness Evaluation for year 2022 was conducted in-house and the evaluation method adopted the assessment format proposed by FIDE FORUM in 2020. The evaluation covers the following key areas:-

Board and Board Committee Effectiveness

1. Overall Board Effectiveness
2. Board Responsibilities
3. Board Composition
4. Board Remuneration
5. Board Committees
6. Board Culture
7. Chairman
8. Board Administration and Process
9. 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 Financial Services Professional Board Code of Ethics for the Financial Services Industry 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 MCCG.

The Board Effectiveness Evaluation Report for the year 2022 indicated that the Board is able to fulfil all responsibilities in providing oversight of MBSB as demonstrated through effective contribution and commitment by individual Directors. The Board also has common shared values and purposes i.e. independence and integrity, objectivity and transparency, and value creation in the best interest of all stakeholders. The Board was led by a strong, experienced and effective Chairman, the late Tan Sri Azlan, who encouraged open, frank and robust discussion with constructive interaction among Directors during Board meetings.

The Board Effectiveness Evaluation Report also indicated that the Board Committees have provided satisfactory support and value to the Board in which the Board Committees have effectively discharged their functions and duties.

The Board has also conducted an annual assessment on Independent Directors in 2023 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 has also assessed the performance of Directors who were subject to re-election at the Annual General Meeting ("AGM"). The assessment for the re-election of director had taken into account the service tenure of the directors in accordance with the Board Charter. The recommendations by NRC were submitted to the respective Board for a decision on the proposed re-election of the Directors for shareholders' approval at the AGM.

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

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 a transitional arrangement towards full implementation of succession plans subject to BNM approval.

For the year under review, none of the Independent Directors of MBSB has served for more than nine (9) years in the MBSB Group.

Board Remuneration

The Board has 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 is responsible for reviewing the Directors' remuneration on an annual basis prior to making its recommendations to the Board for approval.


The NRC is responsible for ensuring that the Directors' remuneration for MBSB Group is competitive and aligned with industry practices. The NRC will determine and recommend remuneration for the respective Board after giving due consideration to all 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, BNM guidelines, MCGG and MMLR in place, the duties and responsibilities of Board have become onerous. As a result, the expectations of the Board Committees have increased. The Board Committees of MBSB are also carrying out the oversight responsibilities, particularly in ensuring that the Group complies with BNM guidelines.

The NRC had appointed an external consultant in 2019 to review the remuneration structure of Directors for both MBSB and MBSB Bank to ensure that the current remuneration structure commensurate with the respective Directors' responsibilities.

Although the external consultant in the 2019 report had recommended an adjustment to align the remuneration of Directors with similar entities in the financial sector, the Board had not recommended any increase until 2023. The NRC and the Board had recommended an increase of Directors fee by RM15,000 per annum from the date of 53rd AGM i.e. 27 June 2023 until the next AGM in 2024.

The resolutions on Directors' fees structure and benefits payable to Directors were tabled and approved at the 53rd AGM on 27 June 2023.

 Refer to Practice 7.2 of MBSB CG Report 2023 for details of the Directors' fees structure and benefits payable to the directors of MBSB.

Board Training

The Board has 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 Board through NRC has also evaluated and identified the training requirement for directors in 2023 based on the feedback received in the Board Effectiveness Evaluation. NRC recommended and the Board has approved the following in-house training programmes for 2023:-


1. Market Outlook
2. ESG/Sustainability
3. Cybersecurity, Disruptive in Technology and Digitalisation
4. Islamic Banking
5. Transformation/Change Management
6. Investment Banking

The Company Secretaries are also required to ensure that the Directors of MBSB to attend mandatory certification programmes within the stipulated timeline; such as the Mandatory Accreditation Programme ("MAP"), Financial Institutions Directors Education Programme ("FIDE") and Islamic Finance for Board of Directors Training Programme ("IF4BOD") organised by International Shari'ah Research Academy ("ISRA").

The newly appointed directors of MBSB i.e. Tan Sri Abdul Rahman bin Mamat and Datuk Yasmin Binti Mahmood have attended the Mandatory Accreditation Programme ("MAP") as required by Bursa Malaysia Securities Berhad.

The Company Secretaries have arranged four directors to attend MAP Part II: Leading for Impact (LIP) as required by Bursa Malaysia Securities Berhad in 2023.

The Directors have also attended various programmes, conferences, seminars, and dialogues focusing on corporate governance, leadership, ESG, audit, accounting and risk management.

 Refer to Practice 6.1 of MBSB CG Report 2023 for details of the list of programmes/ conferences/ seminars/ dialogues attended by the Board of MBSB.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

Audit Committees

As at 31 December 2023, the MBSB's Audit Committee ("AC") comprises of three (3) Independent Non-Executive Directors. The AC is chaired by Encik Mohamad Abdul Halim bin Ahmad ("Encik Halim"). Encik Halim is an Associate Member of the Institute of Chartered Accountants England and Wales ("ICAEW") and a member of the MIA.

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

The AC is also responsible for reviewing and monitoring external auditors' suitability and independence annually. The External Audit Policy and Procedures, and BNM's Guidelines on External Auditors guide both AC on the assessment of 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.

In 2023, the AC and the Board have assessed the performance of the external auditor, Messrs. PricewaterhouseCoopers PLT ("PwC") for the financial year 2023. The AC and the Board were satisfied with the performance and the quality of the deliverables by PwC. The AC and the Board were also satisfied with their review that the non-audit services provided by PwC and its affiliates in financial year 2022, which did not in any way impair their objectivity and independence as external auditors of the Group. On the recommendation by AC, the Board has approved the submission of the application to reappoint PwC as External Auditors of MBSB for financial year 2023 to the regulator.

The regulator had approved the application for the reappointment of PwC as External Auditors of MBSB.

A resolution to reappoint PwC as External Auditors of MBSB was tabled at the 53rd AGM on 27 June 2023. The resolution was duly passed.



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

Risk Management and Internal Control Framework

The Board plays a pivotal role in instituting a robust risk management and internal control governance structure. This structure is crucial in setting the tone and culture for effective risk management and internal control throughout the organisation. To enhance its risk and control oversight responsibilities, the Board has established key committees, including the Risk Management Committee ("RMC"), and the Audit Committee ("AC"). These committees are entrusted with overseeing matters related to risk, compliance, and controls, respectively.

The Board regards risk management as an integral part of business operations and has ensured 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.

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 2023 focused on the following:

- **Promoting Risk Awareness:** Enhancing risk knowledge of staff, including policies and / or procedures, by organising engagement sessions and / or briefings between the Risk Management Division ("RMD") and business and support units.
- **Improve Asset Quality:** Thematic review on the property financing portfolio to identify high risk segments and areas for improvement, enhancement to the retail and corporate credit scorecard, increased integration of climate risk management into the credit assessment process, enhancement on the risk acceptance criteria for more effective credit risk management.
- **Integration of Climate Risk Management:** Incorporating Climate Risk Management into MBSB Group's risk appetite, frameworks, policies, and procedures and establishment of Group Climate Risk Management Policy.

- **IT Compliance and Security Strengthening:** Ensuring compliance with regulatory requirements related to Information Technology (IT) infrastructure and enhancing IT security within MBSB Group.
- **Enhancing Risk Management Capabilities:** This includes tools, processes, and reports, as well as implementing system and software upgrades to foster both sound risk management practices and effective and efficient risk monitoring.
- **Review of Internal Policies and Procedures:** Enhancing and updating risk management policies and procedures to reflect market changes, products, and regulatory environment to ensure that the policies stay relevant and our risk profile remains prudent and within the risk appetite of MBSB Group.
- **Post-Merger Harmonisation:** Proactively initiating efforts at the preliminary post-merger stage to harmonise risk management processes, establishing the groundwork for a unified approach between the merging entities.

The Board, through the RMC, provides oversight over the risk management activities within MBSB Group to ensure that MBSB Group's risk management processes are functioning effectively. The risk governance framework of MBSB Group is established to promote active involvement from the Board, RMC, and relevant Management Committees in the risk management process to ensure effective management of risk within MBSB Group. A similar risk governance framework is also established at the relevant operating entities within MBSB Group.

The risk governance framework includes delegation of authority from the Board to Management Committees, as well as risk controls established for material activities, ensuring MBSB Group operates within the risk appetite. To support the Board, RMC, and the relevant Management Committees in discharging their oversight over risk, the responsibility within MBSB Group in addressing and managing the risk is clearly assigned through a "three lines of defence model".

MBSB Group's risk management framework requires robust risk management practices that are integrated in the key strategic, capital, financial planning processes, including new products or new business activities as well as day-to-day business process across MBSB Group, thereby ensuring risks are appropriately considered, evaluated, and responded to in a timely manner.

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.



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

Shariah Governance

MBSB Bank strives to hold the banner of Islamic banking to the highest standards, and to ensure that its operations, business affair, 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 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 the Bank 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 the Shariah Governance Policy of MBSB Bank ("SGP of MBSB Bank"), the Board of MBSB Bank provides oversight and is 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 are required to be reviewed and approved by the SAC or its Delegates to ensure compliance with the requirements of Shariah.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

SAC Responsibilities

The roles and responsibilities of the SAC in monitoring MBSB Bank's activities include, but are 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 the requirements of 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 Shariah non-compliance findings by any relevant functions; and
 - v. endorsing rectification measures to address any Shariah non-compliance events.
- c) SAC is accountable for the quality, accuracy and soundness of its own decisions 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 of MBSB Bank immediately if there are any Shariah issues or matters 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 is accountable for ensuring 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;
- i) SAC is kept abreast of the market and regulatory developments;
- j) Each SAC member is accountable for his judgment in arriving at a Shariah decision or advice and is not affected by his other professional commitment;
- k) Each SAC member is accountable to devote sufficient time to prepare for and attend SAC meetings;
- l) Each 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 change in his circumstances that may affect their status;
- m) Each SAC member is free from any undue influences that may hamper the member from exercising their 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 act independently and ensure the integration of compliance management and be able to provide an independent evaluation of its overall business decisions and strategies.

Composition of SAC

Pursuant to Section 13.2 of the Shariah Governance Policy Document ("SGPD") which requires 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.

As of 31 December 2023, MBSB Bank's SAC comprises six (6) members that have diverse backgrounds, experience, and knowledge. Each SAC member is an expert in his or her respective specialised field, such as fatwa, Islamic banking, legality and so on. Their qualifications, expertise, and extensive experience in academia and industry support the SAC's deliberations on Shariah-related issues.

Appointment and Reappointment of SAC

The appointment and reappointment of SAC members is subject to assessment and evaluation adopted by MBSB Bank and meets all requirements specified in 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. Following the Board of MBSB Bank approval, a proposed candidate must obtain written approval and endorsement from BNM at least three (3) months before assuming his/her responsibilities. In the case of reappointment, the application must be submitted three (3) months before the SAC member's tenure expires.

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. For the purposes of the termination application, MBSB Bank must provide justifications as well as an assessment of such member's performance to BNM.

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. The results of the assessments are tabled and reviewed in the BNRC meeting prior to deliberation in the Board of MBSB Bank meeting.

SAC Meetings

SAC meetings shall be held at least once in every two (2) months, and it shall be held regularly to ensure that the SAC is kept up to date on MBSB Bank's operations and business and that the operations are unaffected by the difficulty in obtaining SAC approval for decisions.

For the period of January to December 2023, a total of nineteen (19) SAC meetings were held.

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. One (1) Board member and other Shariah control function representatives also attend the meetings. The presence of the Board members, however, has no effect on the SAC members' independent deliberation in making informed decisions.

Training

SAC shall undergo continuous training to enhance the skills and knowledge on the relevant new laws and regulations to keep abreast with developments in the financial services industry. SAC members are at various stages of completing their Certified Shariah Advisor (CSA) and Certified Shariah Practitioner (CSP) qualifications, organised by the Association of Shariah Advisors in Islamic Finance (ASAS). Some members have successfully completed the courses, while others are actively progressing through the programme.

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' function, workload, responsibilities, 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 a two (2) years basis or as and when required, and shall subsequently be recommended to the Board of MBSB Bank for approval. The remuneration includes monthly fees, meeting allowances and other benefits such as training funds.

Similar to MBSB Bank, there is a SAC in MIDF Group. As part of the post-merger exercise, the composition of the SAC would be harmonised to ensure consistency and promote robust deliberations on Shariah related matters.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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.

MBSB is committed in maintaining an open communication with analysts, investors, and regulators through physical and online platforms to promote better understanding of the Group's financial performance, operations and other matters affecting shareholders' interests. Furthermore, communication with employees, customers and other communities were largely conveyed through website and social media.

The GCEO, alongside the Group Chief Financial Officer, leads a comprehensive programme of discussions, dialogues, and briefings targeted at fund managers, financial analysts, and the media. These interactions are scheduled as necessary, particularly following the release of the Group's quarterly financial results to Bursa Malaysia. This engagement aims to promote a better understanding of the Group's financial performance, operations, and other matters affecting shareholders' interests.

Furthermore, throughout the year, MBSB has been proactively engaging in various Investor Relations activities to ensure that both institutional and retail investors are well-informed and aligned with the Group's objectives. This approach is not only about enhancing transparency and building trust but also about making relevant and accessible information available to investors, thereby fostering an environment of clarity and openness.

To further enhance MBSB's corporate reporting, MBSB has embarked on the Integrated Reporting journey in 2020 and continued the progress in 2023 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 stakeholders" section) for more information on our stakeholder engagements in 2023 and the list of stakeholders' interests and concerns.

MBSB's website, which can be found at <http://www.mbsb.com.my>, provides updated information on the corporate and business aspects of the Group. Media 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's website as well as MBSB Bank and MIDF's website, which can be found at <https://www.mbsbbank.com> and <https://www.midf.com.my> respectively.

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 welcome and encouraged to drop us an email at enquiry@mbsbbank.com for any inquiries.

Conduct of General Meeting

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

MBSB conducted a virtual general meeting for its 53rd AGM held on 27 June 2023 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.

MBSB also held a virtual Extraordinary General Meeting (“EGM”) on 27 July 2023 and a virtual Court-Convened Meeting (“CCM”) on 24 November 2023.

All directors of MBSB including the Chair of the Board Committees and the GCEO participated in the 53rd AGM, EGM and CCM.

The Board allows shareholders to submit questions using the RPV facilities provided by Tricor via its TIIH Online website prior to the AGM, EGM and CCM 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 meeting.

A total of 1,324 shareholders/ proxies attended the 53rd AGM, 822 shareholders/ proxies attended the EGM and 788 shareholders/ proxies attended the CCM, all using the RPV facilities.

53rd AGM

During the 53rd AGM, the GCEO at the material time, Datuk Nor Azam M. Taib, presented the Group’s financial performance in 2022, business plan and core strategies for 2023 to the shareholders before proceeding with the business of the meeting. The GCEO then presented the responses to questions submitted in advance of the AGM by the Minority Shareholder Watch Group (“MSWG”) and responded to a total of 30 questions submitted by the shareholders in advance.

The Chairman of the Meeting also invited remote participants to submit live question using the query box via RPV during the AGM to give opportunities for 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 Question and Answer session was about 40 minutes and the Management and the Board responded to

39 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. All questions submitted by the shareholders were made visible to all meeting participants.

EGM

During the EGM, the GCEO at the material time, Encik Rafe Haneef, presented the overview and rationale of the proposed acquisition of Malaysian Industrial Development Finance Berhad (“MIDF”) (“Proposed Acquisition”) before proceeding with the business of the meeting. The GCEO then presented the responses to questions submitted in advance of the EGM by the MSWG and responded to a total of 15 questions submitted by the shareholders in advance.

The Chairman of the Meeting also invited remote participants to submit live question using the query box via RPV during the EGM to give opportunities for remote participants to enquire on the Proposed Acquisition and other matters affecting shareholders’ interests before proceeding with the voting of the resolutions. The Question and Answer session was about 40 minutes and Management and the Board responded to 36 live questions submitted by remote participants during the EGM. In addition, the senior management and advisors were available to provide answers and clarifications to shareholders. All questions submitted by the shareholders were made visible to all meeting participants.

CCM

During the CCM, the GCEO at the material time, Encik Rafe Haneef, presented the overview and rationale of the proposed disposal of MBSB’s residual asset and liability (loans and non-financial subsidiaries) to Emerald Unity Sdn. Bhd. , a special purpose vehicle by way of a scheme of arrangement pursuant to Section 366 and Section 370 of the Companies Act, 2016 (“Proposed Scheme”) before proceeding with the business of the meeting. The GCEO then presented the responses to questions submitted in advance of the CCM by the MSWG and responded to a total of 19 questions submitted by the shareholders in advance.

The Chairman of the Meeting also invited remote participants to submit live question using the query box via RPV during the CCM to give opportunities for remote participants to enquire on the Proposed Scheme and other matters affecting shareholders’ interests before proceeding with the voting of the resolutions. The Question and Answer session was about 10 minutes and Management and the Board responded to 12 live questions submitted by remote participants during the CCM. In addition, the senior management and advisors were available to provide answers and clarifications to shareholders. All questions submitted by the shareholders were made visible to all meeting participants.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Due to time constraints, not all questions could be answered during the general meetings. For questions that were not answered in the meeting, the Management e-mailed the responses to the respective shareholders after the general meetings.

The Board appointed Coopers Professional Scrutineers Sdn. Bhd. (“CPS”) to act as an Independent Observer during the general meetings to ensure that questions received before and during the meetings were addressed and answered during or after the meetings by the Board and the Management.

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

The notice and agenda of general meetings together with the proxy form were given to shareholders in line with the regulatory requirements to allow shareholders sufficient time to attend the general meetings remotely or by proxy. Each item of special business included in the notice of general meetings was accompanied by an explanatory statement on the effects of a proposed resolution.

The voting for the general meetings were conducted with poll voting, and were conducted through RPV facilities. The RPV facilities also allow shareholders and members to login and cast their votes electronically in advance of the general meeting.

D. KEY FOCUS AREAS AND FUTURE PRIORITIES

Moving forward, MBSB Group is committed to establish Sustainability Commitments and implementing Net Zero strategy. Supporting Net Zero Strategy, MBSB Group would continue to assist our customers in their decarbonisation strategy via our recently developed Relationship Manager’s (RMs) Sector Playbook and to establish a Sustainable and Transition Finance Framework to further assist our RMs in this journey.

This CG Overview Statement and CG Report 2023 were approved by the Board of Directors of MBSB on 27 March 2024.

ADDITIONAL COMPLIANCE STATEMENT

Utilisation of Proceeds Raised from any Corporate Proposal

There was no proceeds raised from any corporate proposal in the financial year ended 31 December 2023.

Audit and Non-Audit Fees

Apart from the annual audit fees, the Group has incurred other assurance related fees and non-audit fees paid or payable to external auditors of the Company, Messrs PricewaterhouseCoopers PLT or its affiliates for the financial year ended 31 December 2023.

| | Group (RM'000) | Company (RM'000) |
|--|-------------------|---------------------|
| Fees paid/payable to PricewaterhouseCoopers PLT | | |
| - Audit fees | 1,964 | 483 |
| Regulatory related | | |
| - Limited financial review for 9-months period ended 30 September 2023 | 255 | 45 |
| - Review of Statement on Risk Management and Internal Control. | 11 | 11 |
| - Review of Liquidity Coverage Ratio | 220 | - |
| Non audit fees | | |
| - Recovery Plan | 120 | - |
| - Accounting advisory | 150 | 150 |
| - Tax compliance | 106 | 13 |
| - Capital allowance maximization | 95 | - |
| Total | 2,921 | 702 |

Material Contracts with Related Parties

Save as disclosed in Note 41 to the financial statements, there was 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, GCEO 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 (the Board) of Malaysia Building Society Berhad (MBSB or the Company) and its subsidiaries (MBSB Group or the Group) 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.

The SORMIC is prepared in accordance with the Malaysian Code on Corporate Governance (MCCG), paragraph 15.26(b) of the Main Market Listing Requirements issued by Bursa Malaysia Securities Berhad (Bursa), guided by the "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 2023 focused on the following:

- **Promoting Risk Awareness:** Enhancing risk knowledge of staff, including policies and/or procedures, by organising engagement sessions and / or briefings between the Risk Management Division (RMD) and business and support units.
- **Improve Asset Quality:** Thematic review on the property financing portfolio to identify high risk segments and areas for improvement, enhancement to the retail and corporate credit scorecard, increased integration of climate risk management into the credit assessment process, enhancement on the risk acceptance criteria for more effective credit risk management.
- **Integration of Climate Risk Management:** Incorporating Climate Risk Management into MBSB Group's risk appetite, frameworks, policies, and procedures.
- **IT Compliance and Security Strengthening:** Ensuring compliance with regulatory requirements related to Information Technology (IT) infrastructure and enhancing IT security within MBSB Group.
- **Enhancing Risk Management Capabilities:** This includes tools, processes, and reports, as well as implementing system and software upgrades to foster both sound risk management practices and effective and efficient risk monitoring.
- **Review of Internal Policies and Procedures:** Enhancing and updating risk management policies and procedures to reflect market changes, products, and regulatory environment to ensure that the policies stay relevant and our risk profile remains prudent and within the risk appetite of MBSB Group.
- **Post-Merger Harmonisation:** Proactively initiating efforts at the preliminary post-merger stage to harmonise risk management processes, establishing the groundwork for a unified approach between the merging entities.

RISK GOVERNANCE

MBSB Group Chief Executive Officer (GCEO), Group Chief Financial Officer (GCFO), Group Chief Risk Officer (GCRO) and Group Chief Compliance Officer (GCCO) have confirmed that MBSB Group's risk management and internal control system is operating adequately and effectively, in all material aspects during the financial year under review and up to the date of approval of the SORMIC for inclusion in the Integrated Annual Report, based on the risk management and internal control system adopted by MBSB Group. The Management continues to take measures to strengthen the control environment. These principles are similarly applied across the respective operating entities within the MBSB Group.

BOARD RESPONSIBILITY

The Board affirms its commitment to establishing and maintaining a robust risk management and internal control system within MBSB Group. It acknowledges its overarching responsibility for regularly reviewing the adequacy and effectiveness of the risk management and internal controls systems, ensuring they identify, assess, and address risks that may impede the achievement of MBSB Group's objectives.

One of the Board's key responsibilities is the establishment of MBSB Group's risk appetite, defining the types and levels of risks MBSB Group is willing to accept in pursuit of its business and strategic goals. Actively engaged in MBSB Group's strategic endeavours, the Board ensures that corresponding risks are meticulously mitigated within the approved risk appetite.

Recognising the inherent limitations of any risk management and internal control system, the Board acknowledges that such systems can provide reasonable, rather than absolute, assurance against material financial misstatement, fraud, or losses.

The Board plays a pivotal role in instituting a robust risk management and internal control governance structure. This structure is crucial in setting the tone and culture for effective risk management and internal control throughout the organisation. To enhance its risk and control oversight responsibilities, the Board has established key committees, including the Risk Management Committee (RMC), and the Audit Committee of the Board (AC). These committees are entrusted with overseeing matters related to risk, compliance, and controls, respectively.

Additionally, a parallel risk governance framework exists within the relevant operating entities of MBSB Group. Any reference to these committees at MBSB Group level equally applies to their counterparts at individual operating entities within MBSB Group. This ensures a unified and aligned approach to risk management across the entire MBSB Group.

The Board committees diligently update the Board on a periodic basis, providing comprehensive insights into their work, key deliberations, and decisions on delegated matters. This collaborative approach ensures a well-informed and proactive stance, reinforcing the commitment to a culture of effective risk management and internal control within MBSB Group.



Refer to Part B of the CG Report 2023 for further details on the various Board Committees and the attendance of meetings held during the year and refer to the CG Overview Statement for the Leadership and Governance Structure.

MANAGEMENT RESPONSIBILITY

The Management is accountable to the Board and is overall 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, taking the appropriate and timely remedial action as required. The role of the Management includes:

- **Identifying and Evaluating Risks:** Assessing risks relevant to MBSB Group's business, along with the pursuit of business objectives and strategies.
- **Formulating Policies and Procedures:** Creating relevant policies and procedures to manage these risks in alignment with MBSB Group's strategic vision and overall risk appetite.
- **Designing, Implementing, and Monitoring Systems:** Developing, executing, and overseeing an effective risk management and internal control system.
- **Implementing Remedial Actions:** Addressing compliance deficiencies as directed by the Board.
- **Timely Reporting to the Board:** Reporting promptly to the Board about changes to risks or emerging risks and the corresponding corrective and mitigation actions taken.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

RISK MANAGEMENT

Overview

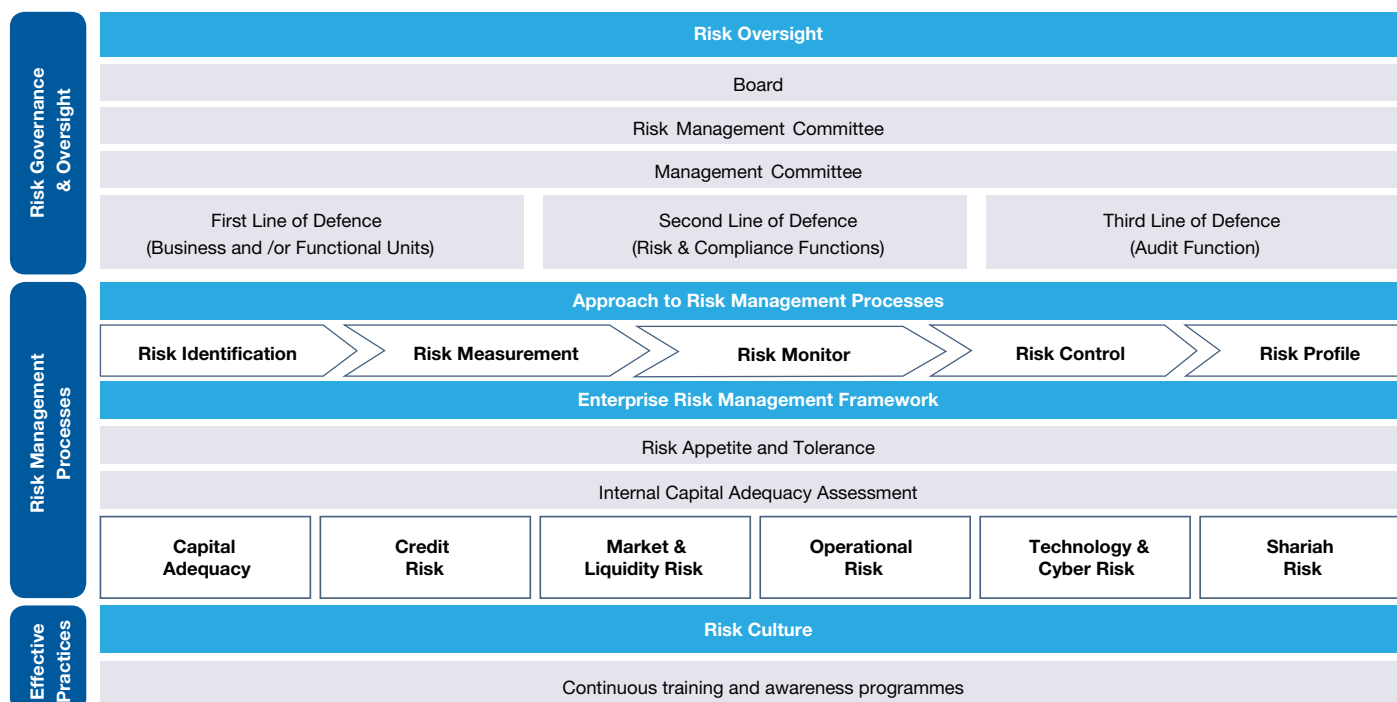
The Board regards risk management as an integral part of business operations and confirm that there is an ongoing process of identifying, measuring, monitoring, controlling, and reporting the significant risks that may affect the achievement of the business objectives. The risk control structure and 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.

MBSB Group has a well-defined organisational structure with clearly delineated lines of accountability, authority and responsibility to the Board, its committees, and operating units. Key processes have been established in reviewing the adequacy and effectiveness of the risk management and internal control system.

Risk Management Framework

Risk management is a cornerstone of MBSB Group's annual strategic, capital, and financial planning processes. As an integral part of the control functions in providing the check and balance to the strategic planning and business processes, a risk management framework (Figure 1) has been put in place to drive a strong risk management culture, practices, and processes.

Figure 1: Risk Management Framework



Risk Governance and Oversight

The Board, through the RMC, provides oversight over the risk management activities within MBSB Group to ensure that MBSB Group's risk management processes are functioning effectively. The risk governance framework of MBSB Group is established to promote active involvement from the Board, RMC, and relevant Management Committees in the risk management process to ensure effective management of risk within MBSB Group. A similar risk governance framework is also established at the relevant operating entities within MBSB Group.

The risk governance framework includes delegation of authority from the Board to Management Committees as well as risk controls established for material activities to MBSB Group operates within the risk appetite. To support the Board, RMC, and the relevant Management Committees in discharging their oversight over risk, the responsibility within MBSB Group in addressing and managing the risk is clearly assigned through a "three lines of defence model" (Figure 1).

MBSB Group's risk governance model establishes a structured, transparent, and effective framework, promoting active participation from both the Board and Senior Management in the risk management process. This ensures a cohesive perspective on risks within MBSB Group, fostering a unified and comprehensive understanding across every facet of MBSB Group.

MBSB Group's overall governance structure for risk is summarised below, where the equivalent relevant risk governance structure is established at the applicable operating entities within MBSB Group:

Board and Board Committee:

- **Board:** MBSB Group's ultimate governing body with overall risk oversight responsibility including defining the appropriate governance structure and risk appetite.
- **RMC:** A Board committee which oversees risk exposures and provides oversight on the effective implementation of risk management strategies, risk appetite, frameworks, policies, and procedures related to credit risk, market risk, liquidity risk, IT risk, operational risk management, compliance risk as well as legal and other material risks.
- **Shariah Advisory Committee (SAC):** The SAC provides oversight of Shariah matters, ensuring compliance of the Islamic business activities with Shariah requirements.

- The **similar** Board and Board Committees have been established at the **applicable individual** operating entities within MBSB Group to have an oversight on the risk management and compliance matter.

Management Committees:

- **Management Committee (MANCO):** Develops comprehensive risk mitigation measures and strategies, as well as implements the risk appetite framework across the MBSB Group, ensuring the prompt escalation of events that significantly impact the financial condition or reputation of MBSB Group, thereby prompting appropriate action. The committee takes responsibility for identifying, discussing, and resolving operational, financial, and key management issues.
- **Asset Liability Committee (ALCO):** Provides strategic direction for MBSB Group in managing capital, assets, and liabilities. It also oversees and manages risks, including market, liquidity, and profit risks.
- **Credit and Rehabilitation Assessment Committee (CARAC):** Deliberates and approves decisions regarding remaining conventional corporate and retail financing within the authority limit delegated by the Board. Proposals beyond CARAC's authority limit are recommended to the Board for approval.
- The **Similar Management Committees** have been established at the **applicable individual** operating entities within MBSB Group to have an oversight on the risk management and compliance matters.

Three Lines of Defence:

First Line of Defence: Responsible for owning and managing day-to-day risks inherent in business and / or activities, including risk-taking and ensures the business operates within established risk strategies, tolerance, appetite, frameworks, policies, and procedures.

Second Line of Defence: Tasks include establishing frameworks, policies, and procedures, providing overall risk governance and independent risk oversight, ensuring compliance with applicable laws, regulations, and established policies and procedures.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Third Line of Defence: The third line of defence provides assurance through independent assessment, review, and validation. This involves examining the risk management framework, policies, and tools to ensure their robustness and alignment with both internal and external standards. Additionally, the third line assesses the adequacy of controls designed to mitigate risks. It also ensures that there is sufficient oversight by the second line of defence over the activities of the first line of defence.

Internal Capital Adequacy Assessment Process Framework

The Internal Capital Adequacy Assessment Process Framework (ICAAPF) 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 where the Management's experience and judgement are being relied upon in assessing if such risk could threaten MBSB Group and its relevant operating entities.

Risk Appetite

Risk Appetite is defined in the ICAAPF as the amount and types of risk that MBSB 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 Board considers the actual and targeted risk profile proposed by the Senior Management and business and / or 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 (RAS) (incorporated under the ICAAPF), which articulates the nature, type, and level of risk that MBSB Group is willing to assume, is reviewed and approved by the Board on an annual basis. Compliance with the risk appetite is monitored periodically, and any non-compliance to the RAS is reported to the Board. Regular monitoring ensures compliance, and any deviations are reported to the Board, reinforcing the commitment to effective risk management and strategic alignment.

Risk Management Processes

MBSB Group's risk management framework requires robust risk management practices that are integrated in the key strategic, capital, financial planning processes, including new products or new business activities as well as day-to-day business processes across MBSB Group, thereby ensuring risks are appropriately considered, evaluated, and responded to in a timely manner.

As risk owners within MBSB Group, the business and functional units are required to identify, assess, mitigate, monitor, report, and document the controls and processes for managing the risks arising from their business activities and operations, as well as to assess the effectiveness thereof to ensure that the risks identified are adequately managed and mitigated.

MBSB Group employs an effective risk management process: Identify, Measure, Monitor and Control as part of MBSB Group's day-to-day activities.

- **Risk Identification:** Risks are identified by applying the Enterprise Risk Management Framework (ERMF) and other relevant risk-related policies and procedures. For effective risk management, risks must be clearly defined and proactively identified. Proper risk identification focuses on recognising and understanding all key risks inherent in the business activities and risks that may arise from business initiatives or external factors. Risk identification is an ongoing process occurring at both the individual transaction and portfolio level to ensure risks are managed and controlled within the risk appetite of MBSB Group.
- **Risk Measurement:** Risk is measured (qualitative and / or quantitative) at various levels including, but not limited to, risk type, front line unit and on an aggregate basis. These metrics are used to assess MBSB Group's risk profile and adherence to MBSB Group's risk appetite.

- **Risk Monitor:** Risk levels, key risk indicators (KRIs) and early warning signals are monitored regularly to track adherence to risk appetites, policies, standards, procedures, and processes. Through monitoring, the level of risk can be assessed relative to limits and appropriate action can be taken in a timely manner. Any exceptions will be identified, and processes are in place to appropriately report and escalate such exceptions. This includes immediate requests for approval from the relevant approving authority and alerts to the Senior Management, Management Committees, or the Board (directly or through an appropriate committee).
- **Risk Control:** Risk controls are established and communicated through policies, standards, procedures, and processes that define responsibility and authority for risk-taking. The risk controls can be adjusted by the Board or Management Committees when conditions or risk tolerances warrant. The lines of business are held accountable to perform within the established risk controls which are established to manage risk exposures within MBSB Group's risk appetite.

Resources and Infrastructure

Effective risk data aggregation and reporting are critical to providing a clear understanding of current and emerging risks and enabling proactive and effective management of risk within MBSB Group. Transparency is achieved in MBSB Group's risk reporting by understanding the risk profile (leveraging data, information, and analytics) and by reporting actionable insights and recommendations to appropriate levels of MBSB Group. There is an ongoing effort to improve MBSB Group's risk data aggregation capabilities and reporting practices in order to provide accurate, comprehensive, and clear risk information to the intended audiences, which include but not limited to the relevant Management and Committees at the applicable operating entities within MBSB Group, at the right time to highlight key risks across MBSB Group within the parameters of the overall risk appetite and to support decision making.

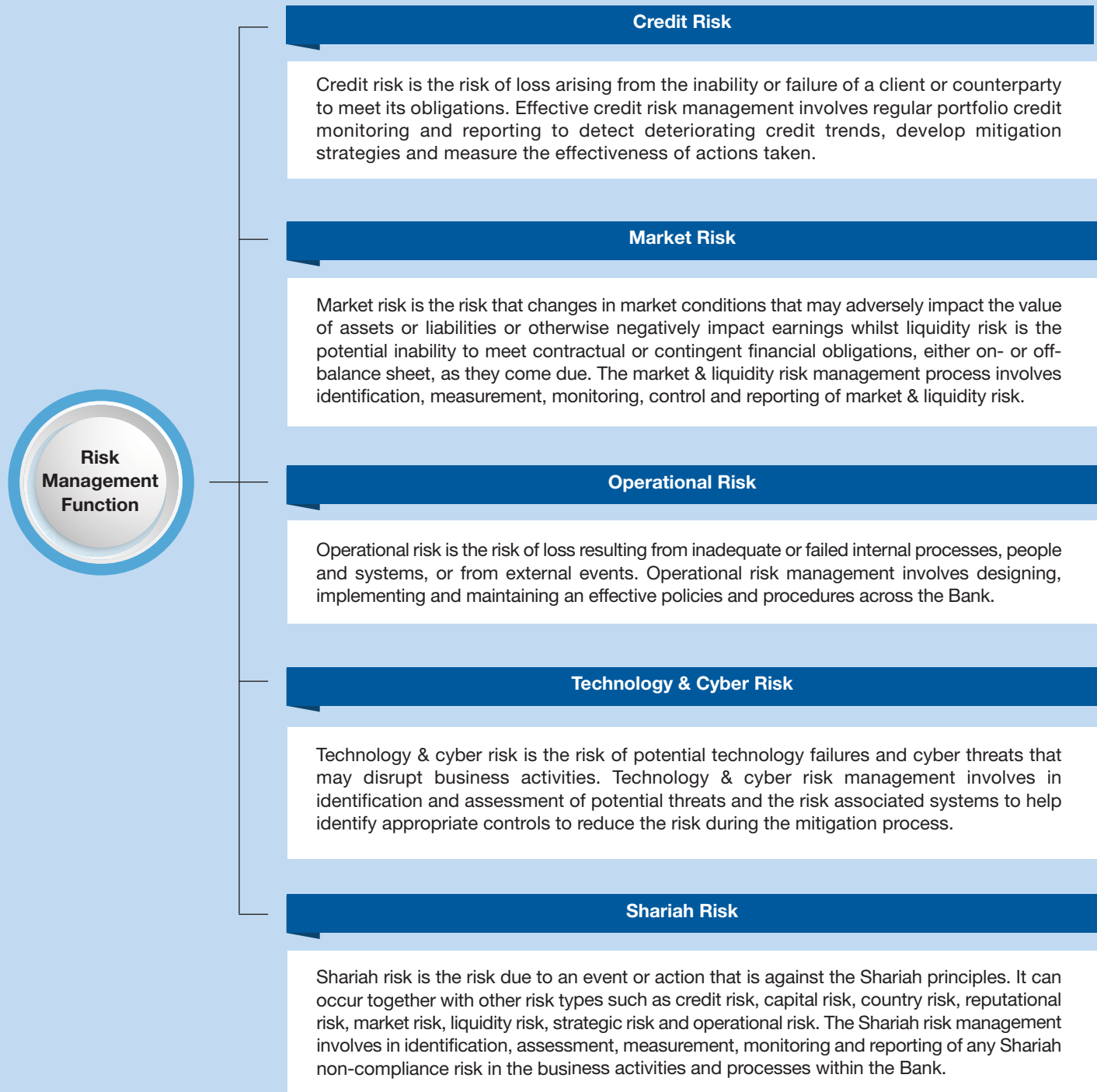
Risk Culture

A strong risk culture fosters the mindset and behaviour needed for effective risk management and prudent risk-taking within MBSB Group's defined risk appetite. MBSB Group continuously enhances the risk culture through ongoing training, awareness programme, and communications, fostering risk awareness and building skills across MBSB Group.

In addition, Regional Compliance and Risk Officers (RCOROs) and Designated Compliance and Risk Officers (DCOROs) have been appointed at applicable operating entities within MBSB Group to cultivate proactive risk and compliance management and to establish a robust risk culture. These DCOROs provide real-time advisory on risk and compliance matters.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Risk Management Division



The RMD reports functionally to the RMC of MBSB Group and administratively to the GCEO. A similar reporting structure is also established at the relevant operating entities of MBSB Group. The RMD carries out the risk management function and is headed by the GCRO where RMD is responsible for communicating the material risks that MBSB Group encounters, the risk controls in place and plans to manage the risks to the relevant committees at the relevant operating entities within MBSB Group.

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

The RMD reviews MBSB Group's compliance to risk limits and identifies emerging risk issues and provides reports to the relevant Management and Committees at the applicable operating entities within MBSB Group according to the committees' requirements and the changing business environment.

The RMD submits the risk management reports addressing MBSB Group's risk exposure, risk portfolio composition and risk management activities to relevant committees at the relevant operating entities within MBSB Group for their review regularly.

Information Technology Risk Management Framework

MBSB Group endeavours to adopt sound Information Technology Risk Management (ITRM) practices based on industry best practices. The 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

The established Shariah Governance Policy at the licensed banking entities within MBSB Group sets out the expectations for the effective Shariah governance structures, processes and arrangements of all business and functions within the applicable operating entities within MBSB Group.

The Shariah Governance Policy reflects the responsibility of the Board of Directors, Management, SAC and Shariah functions at the relevant operating entities within MBSB Group to ensure effective management of Shariah Non-Compliance risks. The end-to-end Shariah-compliant governance mechanism is executed through the three lines of defence model that cater to both pre-execution and post-execution. The three lines of defence under the Shariah Governance Policy are as follows:

- First Line of Defence: Business and / or Functional Support Unit and Shariah Division;
- Second Line of Defence: Shariah Risk Department and Shariah Compliance Review; and
- Third Line of Defence: Shariah Audit.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Shariah Non-Compliance Risk

Shariah Non-Compliance risk refers to the risk of legal or regulatory sanctions, financial loss or non-financial implications, including reputational damage, which the relevant operating entities within MBSB Group may suffer arising from the failure to comply with the rulings of the Shariah Advisory Council of BNM, standards on Shariah matters issued by BNM pursuant to section 29(1) of the Islamic Financial Services Act (IFSA), or decisions or advice of MBSB Bank's SAC.

Various controls and initiatives have been implemented to ensure Shariah compliance, create Shariah awareness and educate employees on the importance of Shariah requirements and compliance surveillance. Such controls and initiatives include, but not limited to:

- On-going identification, assessment, monitoring and controlling of Shariah Non-Compliance risk as set out in the Shariah Governance Policy as well as other policies and procedures to ensure operations and business activities comply with Shariah requirements;
- Using Operational Risk Management tools 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 and / or 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 Division, Shariah Risk Department and Shariah Compliance Review at the relevant operating entities within MBSB Group.

Environmental, Social, and Governance Risk Framework

The Environmental, Social, and Governance (ESG) Risk Framework is the main reference point to understand the importance of ESG risk and its impact to MBSB Group.

The ESG Risk Framework identifies, assesses, and manages risks arising from corporate financing customers and / or 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 ESG Risk 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 defence as well.

In 2023, the key principles of managing Climate Risk were introduced within MBSB Group under the Enterprise Risk Management Framework. The Climate Risk Management Framework is supported by the Group Climate Risk Management Policy comprising the governing policies on managing climate-related risks. The Group Climate Risk Management Policy encompasses the following:

- a. The risk governance structure with regard to Climate Risk Management;
- b. Climate Risk Strategy in terms of strategy development, monitoring, and communication;
- c. Climate Risk Appetite; and
- d. Climate Risk Management encompassing risk identification, measurement, monitoring, and control.

| Compliance Division | | |
|--|--|--|
| Compliance Functions | | |
| <p>Compliance Monitoring</p> <p>Provide continuous testing and monitoring of regulatory compliance including AML/CFT requirements and AMLCFT compliance monitoring.</p> | <p>Regulatory Compliance</p> <p>Serve as central communication and repository of all key regulatory guidelines.</p> | <p>Compliance Advisory and Liaison</p> <p>Provide advisory support to business and support units on regulatory compliance Risk.</p> |
| <p>Shariah Compliance Review</p> <p>Provide post-assessments on Shariah compliance and reporting to the Shariah Advisory Committee (SAC).</p> | <p>AML & CFT Compliance</p> <p>Perform transactions monitoring, develop governance, training and awareness on AMLCFT.</p> | <p>Technology Compliance</p> <p>Provide support on technology-related regulatory compliance and advisory.</p> |
| <p>Regional Compliance & Risk Officer (RCRO)</p> <p>Manage compliance, operational risks and adequacy of controls in relation to branch operations.</p> | <p>Strategic Compliance, Engagement & Reporting</p> <p>Provides support in strategic matters of the division, which includes the formulation of strategies and plans, governance, budgeting and resources management; provides advisory support on foreign exchange requirements; provides continuous regulatory training to new hires and existing staff, as well as prepares periodic reports to Senior Management and the Board.</p> | <p>Integrity & Governance Unit</p> <p>Provide continuous management of matters in relation to integrity, corruption and abuse of power.</p> |

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Compliance management is the collective responsibility of the Board, Senior Management and all staff of MBSB Group. Led by the Board 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 various compliance programmes carried out across MBSB Group. To preserve its independence, the Compliance Division reports functionally to the Board and administratively to the GCEO. Compliance issues and matters in respect of governance, processes, controls, and systems are deliberated at relevant committees at the relevant operating entities within MBSB Group.

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

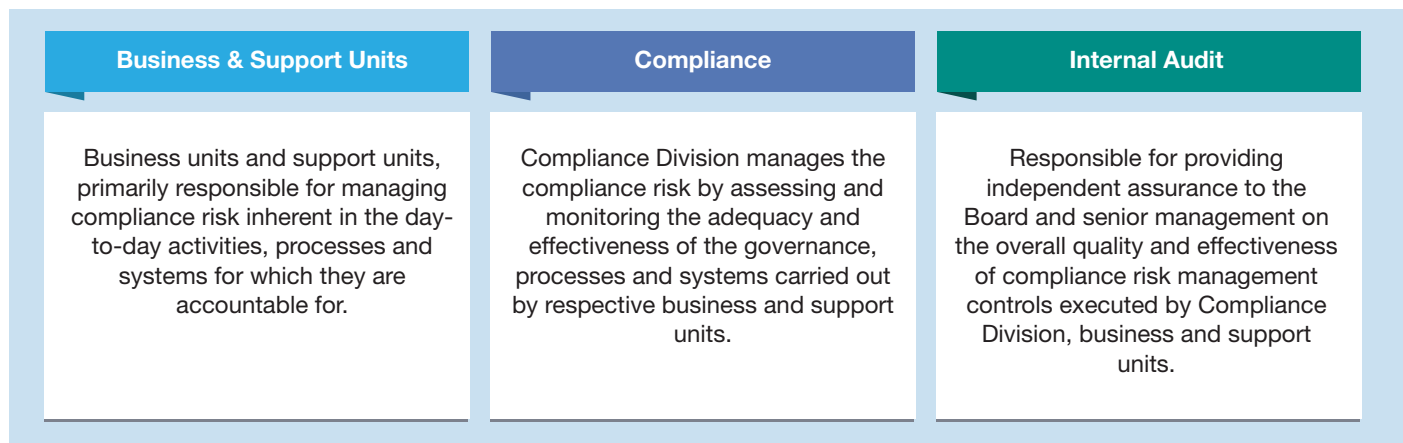
- **The Regional Compliance and Risk Officer (RCORO)**, who is appointed to continuously reinforce compliance culture and manage compliance risk at the regional level under the second line of defence. The roles of the RCORO include performing thematic reviews and coordinating compliance and risk activities to strengthen compliance culture at branches.

- **The Designated Compliance and Risk Officer (DCORO)**, who represents the first line of defence 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 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 & Counter Financing Terrorism (AML/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 employees 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:



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

- **Regulatory and Shariah Compliance Reviews:** The Regulatory, including technology related 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, RCORO is also responsible for performing thematic reviews on branches. Reports on the outcomes of compliance reviews are tabled to the relevant operating entities within MBSB Group 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, including technology related. 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 Anti-Money Laundering / Countering Financing of Terrorism and Targeted Financial Sanctions for Financial Institutions (AML/CFT and TFS for FIs) covering, inter-alia, continuous process and system related enhancements, 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:** Compliance Division proactively minimises compliance risks, including technology risks, by providing compliance advisory support to business and support units. Additionally, Compliance Division actively participates in the Project Steering Committee (PSC) and Project Working Group (PWG) for all newly implemented banking products and services and conducts proactive compliance risk assessments on all MBSB Group's projects and initiatives to comply with applicable laws and 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 (PDPA), 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 developments 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. Selected staff members from branches and head office departments are also offered to enrol in the Certified Anti Money Laundering/Counter Financing of Terrorism & Regulatory Compliance Officer (CCO) Programme as a platform to elevate their expertise in these critical areas and be better equipped with the required competencies to manage AML/CFT risks at branch or departmental level.
- **Compliance Awareness Campaigns:** 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 employees of MBSB Group.
- **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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

- **Regulatory Liaison:** Compliance Division is the key contact point for MBSB Group in its engagement and liaison with the regulators and Law Enforcement Agencies for compliance-related matters, including technology compliance. 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 employees, including the Senior Management and the Board. This function includes regular liaison with the Malaysian Anti-Corruption Commission (MACC) while managing the organisation's Adequate Procedures initiatives through emplacement of governance, integrity enhancement, complaints management, verification, and detection of corruption-related matters.

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 to the state of compliance with regulatory requirements, Shariah requirements, and internal policies and procedures surrounding the key business activities and operations at respective business and / or functional and support units.

MBSB Group adopted Integrity and Anti-Bribery, Corruption & Abuse of Power Policy for MBSB Group, which complies with the 'Guideline for the Management of Integrity & Governance Unit' issued by the MACC and 'Guidelines on Adequate Procedures' issued by the Prime Minister's Department. It also defines the scope and roles of IGU and other relevant functions within MBSB 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.

INTERNAL AUDIT

The Internal Audit Division (IAD) reports functionally to the AC of MBSB Group and administratively to the GCEO, including at its equivalent within the operating entities of MBSB Group. The main responsibility of IAD is to provide an objective and independent appraisal on the adequacy and effectiveness of MBSB Group's risk management, internal controls, and governance processes.

The IAD performs systematic and periodic reviews of products and / or 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.

In addition, the IAD conducts ad-hoc assignments, special reviews and investigations as mandated by the Senior Management, Management Committees, Board Committees, or the Board of MBSB Group and its equivalent at the relevant operating entities of MBSB Group.

The IAD highlights findings, improvement areas, and proposed action plans, along with agreed timelines for implementation to the Senior Management, AC, and SAC of MBSB Group, as well as their equivalents at the relevant operating entities of MBSB Group. Periodic follow-up is conducted on actions taken until closure. All key audit findings are reported to the Board through the Chairman of AC of MBSB Group and their equivalents at the relevant operating entities of MBSB Group. Audit reports and the status of follow-up reviews are presented to the AC and the Board of MBSB Group and its equivalents at the relevant operating entities of MBSB Group on a quarterly basis.



Refer to the Report of the Audit Committee on page 154 of this Integrated Annual Report for further details on the internal audit function

INDEPENDENT CREDIT REVIEW DEPARTMENT

The Independent Credit Review (ICR) Department ensures that credit decision-making remains consistent with the overall credit risk management objectives of MBSB Bank and its relevant operating entities within the MBSB Group. The findings of the ICR reviews are reported to MBSB Bank's Board Audit Committee BAC, BRMCC, and BICC, as well as the equivalent committees within other operating entities of MBSB Group. As part of the ICR reviews, the following areas are assessed:

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

KEY ELEMENTS OF INTERNAL CONTROL SYSTEM

MBSB Group's internal control system is designed to manage and reduce risks that will hinder MBSB Group from achieving its strategic and business objectives. The other key elements of the internal control system established by the Board that provide effective governance and oversight of internal controls include:

CONTROL ENVIRONMENT AND ACTIVITIES

Organisation Structure: A formal organisational structure of MBSB Group with clearly defined lines of accountability and responsibility, authority limits, and reporting is established for the purpose of achieving and maintaining a strong control environment within MBSB Group.

Policies and Procedures: Policies, procedures, and processes governing MBSB Group's businesses and operations are documented, communicated, and are made available to all employees through MBSB Group's intranet portal. The policies, procedures, and processes are reviewed and updated regularly to ensure relevance to the current business, operational, and applicable regulatory environments.

Business Planning and Budgeting Process: A robust and integrated budgeting process is established where the annual budgets, business plans, and strategic initiatives, taking into account the risk appetite, are deliberated, and approved by the Board.

In addition, the Board reviews the operational and financial performance of MBSB Group where the relevant management reports on the financial performance and risk exposure are presented to the Board. This enables the Board to oversee and monitor MBSB Group's overall performance objectives, key initiatives, financial plans, and annual budget effectively.

Human Resource Policies and Guidelines: MBSB Group has in place policies and procedures that govern the recruitment, appointment, performance management, and rewards as well as matters relating to discipline, termination, and dismissal. In addition, various initiatives are implemented within MBSB Group focusing on human capital development, talent management, and succession planning.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Core Values and Code of Ethics and Conduct: 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.

Whistleblowing Policy: Whistleblowing Policy 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 whistleblowing mechanism with the assurance that it shall be dealt with confidentiality and that the complainant's identity is protected.

AML/CFT: MBSB Group is committed to fight against financial crime and ensuring effective implementation of measures in the areas of AML/CFT. The AML/CFT framework and policies are established, reviewed, and updated on an ongoing basis to combat money laundering and financing of terrorism activities as well as to meet regulatory requirements. 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.

Fraud Management: 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, where the fraud risk is assessed via RCSA and during product development.

Management of Information Assets: Confidentiality, integrity and availability of information are critical to the day-to-day operations and to facilitate management decision-making. All information must be properly managed, controlled, and protected as guided by these information handling rules which also cover cyber and technology risk considerations.

With the increased adoption of technology capabilities and the increasing risk of cyber threats, information security has been among our key focus areas. The technology infrastructure and security controls within MBSB Group continue to be strengthened and monitored.

Business Continuity Management (BCM): The BCM policies have been established at the relevant operating entities within MBSB Group to build organisational resilience and an effective response and recovery mechanism to safeguard the interest of key stakeholders, reputation, and brand. A sound BCM programme has been implemented at the relevant operating entities within MBSB Group where critical business functions are recovered within the required time frame and minimises the cost of damages and interruptions in the event of any disruption.

Reviews, assessments, updates, and testing of the BCM plans are conducted regularly to ensure adequacy, effectiveness, and relevance of the business recoveries. Test exercises are conducted to familiarise and equip employees with the skills and processes required to ensure that in the event of any disruption, critical business processes can continue or be recovered in a timely manner.

Risk and Control Self-Assessment (RCSA): RCSA serves as a tool for the 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 their activities and key processes 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.

INFORMATION AND COMMUNICATION

The financial performance of MBSB Group is presented and reported to the Management Committees, the Board Committees and / or the Board of the relevant operating entities within MBSB Group on a periodical basis where the financial performance is monitored against the strategic business plan, budget, and risk appetite approved by the Board of the relevant operating entities within MBSB Group.

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 the MBSB for the financial year ended 31 December 2023.

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 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 SORMIC was approved by the Board of Directors on 27 March 2024.

REPORT OF THE AUDIT COMMITTEE

PURPOSE OF AUDIT COMMITTEE

The establishment of the Malaysia Building Society Berhad's ("MBSB") Audit Committee ("AC") is to assist the MBSB's Board of Directors ("MBSB Board") in:

- Providing independent oversight on the financial reporting, risk management and internal control systems and ensuring appropriate methods and procedures are in place to provide the level of assurance required by each Board member; and
- Serving as an independent party to objectively review the financial information of MBSB and its subsidiaries ("MBSB Group").

COMPOSITION OF THE AC

Paragraph 15.09(1)(c) of the Bursa Malaysia's Main Market Listing Requirements ("MMLR") requires that at least one (1) member of Audit Committee must be a member of MIA or equivalent expertise or experience in the field of finance.

The Chairman of the AC, Encik Mohamad Abdul Halim Ahmad is an Associate Member of ICAEW and a member of MIA.

In 2023, a total of 16 meetings were held. The composition of the AC and attendance of each member at the Committee meetings held during the financial year are as follows: -

| Committee Member | Attendance |
|---|--------------|
| Encik Mohamad Abdul Halim Ahmad <i>(Chairman/Independent Non-Executive Director)</i> | 16/16 (100%) |
| Dr Loh Leong Hua <i>(Member/Independent Non-Executive Director)</i> | 16/16 (100%) |
| Datin Hoi Lai Ping <i>(Member/ Independent Non-Executive Director)</i> | 16/16 (100%) |

AUTHORITY OF THE AC

The AC, in discharging its duties, has explicit authority to investigate any matters within its Terms of Reference ("TOR") and has full access to and cooperation from the Management. The AC meetings were also attended by the Group Chief Executive Officer ("GCEO"), Group Chief Financial Officer ("GCFO"), Group Chief Risk Officer ("GCRO"), Group Chief Internal Auditor ("GCIA") together with the Audit Department Heads while the attendance of other Senior Management staff and external auditor were by invitation depending on the matters being deliberated.

The AC shall have the right to obtain the necessary resources to enable them to perform their duties and provide independent professional advice, if necessary, with any expenses related thereto to be borne by the MBSB.

The Nomination and Remuneration Committee of MBSB ("NRC") ensures that the AC is 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.

The AC Chairman reports to the Board on matters deliberated during the AC meetings via AC Chairman's Report. AC minutes of each meeting were also distributed to the Board. AC Chairman's Report is presented at all Board meetings highlighting key matters discussed and deliberated at the AC meetings.

ACTIVITIES OF THE AC IN 2023

The summary of the activities undertaken by AC for the financial year ended 31 December 2023 are detailed below.

Financial Reporting

- a) Assisted the Board in ensuring the accounting treatment, financial reporting and disclosures in the Annual Audited Financial Statement of MBSB and its subsidiaries ("MBSB Group") for the financial year ended 31 December 2023, 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).
- b) Reviewed the quarterly unaudited financial results of MBSB Group and discussed with the Management before recommending to the respective Boards for approval prior to submission to relevant regulatory authorities.
- c) Reviewed and recommended the audited financial statement for Board's approval.
- d) Reviewed and recommended the Basel II Pillar 3 Disclosure for Board's approval.
- e) Reviewed and recommended the Limited Review for the financial period ending 30 September 2023 for Board's approval.
- f) Reviewed and recommended the Proposed Capital Injection into MBSB Bank for Board's approval.
- g) Reviewed and recommended the appointment of External Auditor for MIDF Group to align with MBSB for Board's approval.
- h) Reviewed and recommended the Final Dividend proposal for Board's approval.
- i) Reviewed year-end submission to regulator and abridged financial statements for MBSB Group.

REPORT OF THE AUDIT COMMITTEE

External Auditor

- a) Reviewed with the external auditor on the following:
- Audit planning memorandum for the year ended 31 December 2023 comprising their audit plan, audit approach, audit strategy and scope of work for the year;
 - Audit Committee Report issued by the external auditor;
 - Audit findings together with Management's response to the findings of the external auditors;
 - Transparency Report; 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 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 MBSB Group's employees to the external auditor. Other officers of the MBSB Group are also invited to the AC 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. AC has obtained a written declaration from the audit engagement team which confirmed 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 reappointment to hold office until the conclusion of the next Annual General Meeting ("AGM").

Internal Audit

The AC activities related to the Group Internal Audit Division ("GIAD") are further deliberated in the "Statement on Internal Audit Function" and the "Group Internal Audit Division Activities in 2023" section in this Report.

Integrated Annual Report

- Reviewed and recommended the Report of the Audit Committee for Board's approval for inclusion in the Integrated Annual Report for the FY2023.
- Reviewed and recommended the Statement on Risk Management and Internal Control (SORMIC) for Board's approval.
- Reviewed and recommended the Corporate Governance Overview Statement and Corporate Governance Report for Board's approval.

Related Party Transaction and Conflict of Interest (COI)

The AC also considered transactions with a related party and/or interested persons to ensure that such transactions are undertaken on an arm's length basis on normal commercial terms consistent with Bursa Group's business practices and policies, not prejudicial to the interests of Bursa and its minority shareholders and on terms which are generally no more favourable to the related parties and/or interested persons (pursuant to Chapter 10 of the MMLR).

During the FY2023, the AC had reviewed related party transactions entered by MBSB and its subsidiaries that may arise within the 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.

The AC had also reviewed conflict of interest (COI) extended to encompass Directors and Key Senior Management within the Group and there was no potential COI reported in FY2023.

Directors' Training

During the year, the members of each Committee have attended the relevant training programmes, Conferences and seminars as disclosed in MBSB Corporate Governance ("CG") Report 2023.

STATEMENT ON INTERNAL AUDIT FUNCTION FOR THE AC

The internal audit function is performed in-house and undertaken by the Group's IAD personnel ("GIAD") at the relevant operating entities within MBSB Group. The Group Chief Internal Auditor ("GCIA") reports administratively to the GCEO and directly to the AC as an independent unit that provides independent and reasonable assurance that the system of internal controls continues to operate satisfactorily and effectively. The GIAD is guided by the Internal Audit Charter, Internal Audit Manual and the respective entities 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"). A similar structure is also established within MBSB Group.

To maintain objectivity and independence, the appointment, remuneration, performance appraisal, transfer and dismissal of the GCIA is decided by the AC. GIAD 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 Group's operations. It evaluates whether:

- Internal controls are adequate, efficient and effective;
- The objectives of the MBSB Group are being achieved efficiently and effectively; and
- The established policies and procedures are being followed.

The AC reviewed and assessed the performance of the GCIA, including the fit and proper assessment in the Fit and Proper Requirements Policies & Procedures annually.

REPORT OF THE AUDIT COMMITTEE

GROUP INTERNAL AUDIT DIVISION ACTIVITIES IN 2023

The Internal Audit (“IA”) activities were performed by internal auditors of MBSB Group. GIAD activities in 2023 are summarised below:

- a) Presented its annual risk-based audit plan and changes to the plan which includes audit objectives, budget and scope of work to the relevant Audit Committees at each entity.
- b) Conducted scheduled audits as per approved audit plan, ad-hoc audit assignments and investigations as instructed by the relevant Audit Committees at each entity.
- c) Conducted audit of Related Party Transaction and Connected Parties for credit transactions and exposures.
- d) Conducted the verification of MBSB’s Recovery Planning.
- e) Presented the Revised Terms of Reference of Audit Committee for Board’s approval.
- f) Provided quarterly reports on the status of internal audit activities to the AC and Board which included follow-ups on unresolved audit findings and completion of management action plans.
- g) Provided advisory services to review the operational guidelines and manuals to ensure pertinent controls embedded are consistent with the changes in businesses and operations.
- h) 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 and Outsourcing vendors.
- i) Conducted relevant regulatory audit on BNM, PIDM guidelines and requirements, Bursa, Security Commission (“SC”) and Federation of Investment Managers Malaysia (“FIMM”) guidelines and requirements.
- j) Shariah Audit (“SA”) is embedded in the respective audit assignments planned. In addition SA also conducted a thematic review on specific areas. All Shariah audit findings, recommendations and the reports issued in 2023 were presented to relevant committees at each entity.
- k) Reviewed the quality of credit risk assessment as well as the scope and effectiveness of credit risk monitoring activities under the post-approval reviews.
- l) Conducted annual reviews of the Business Contingency Plan and Disaster Recovery Plan testing to ensure compliance with BNM’s Guidelines on Business Continuity Management.
- m) Conducted post-mortem/special reviews on non-performing Corporate Accounts in which areas for improvement on credit assessment, facility structuring, credit administration and monitoring processes were noted.
- n) Provided advisory services to review operational guidelines and manuals to ensure pertinent controls in place are consistent with the changes in businesses and operations.
- o) The GCIA was invited to attend various levels of committee meetings at MBSB Bank as a 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 programme (“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 programme 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 GIAD, while the external assessment is conducted once every five (5) years by a qualified external assessor.

INTERNAL AUDIT RESOURCES, PROFESSIONAL PROFICIENCY AND COST

The overall costs incurred for maintaining IA function in MBSB Group for FY2023 was approximately RM13.7 million. The internal auditors 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.

The upskilling of internal auditors through continuous learning and development remains a key focus. This is achieved through structured and formalised training programmes. GIAD 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”), Asian Institute of Chartered Banker (“AICB”) and Islamic Banking and Finance Institute Malaysia (“IBFIM”).

CONCLUSION

In the annual assessment of the effectiveness of the Board Committees for FY2023, MBSB Board members are satisfied that the AC members have discharged their function, duties and responsibilities in accordance with the TOR to provide independent oversight of the MBSB Group’s internal and external audit functions, internal controls and ensuring checks and balances within the Group.



The background of the page is a city skyline at sunset. The sun is a large, bright yellow orb in the upper right quadrant, casting a warm glow over the scene. The sky transitions from a pale orange near the horizon to a deeper yellow at the top. In the foreground, a dark, reflective surface, possibly water, shows the reflection of the buildings and the sun. Overlaid on the cityscape is a semi-transparent bar chart with several vertical bars of varying heights, colored in shades of orange and red. Dotted lines in white and blue trace paths across the chart and the city buildings, suggesting data trends or architectural lines.

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 satisfied that the information contained in the financial statements give a true and fair view of the financial position of the Group and of the Company at the end of the financial year and of the financial performance and cash flows for the financial year.

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

For the financial year ended 31 December 2023

The Directors have pleasure in presenting their report together with the audited financial statements of the Malaysia Building Society Berhad ("the Company") and its subsidiaries (together referred to as "the Group") for the financial year ended 31 December 2023.

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 until 31 January 2024 following disposal of the loans to Emerald Unity Sdn. Bhd. as disclosed in Note 52 of the financial statements.

Financial results

| | Group RM'000 | Company RM'000 |
|-----------------------------------|-------------------------|---------------------------|
| Net profit for the financial year | 491,809 | 427,590 |

Dividends

The dividends on ordinary shares paid or declared by the Company since 31 December 2022 were as follows:

| | RM'000 |
|--|---------------|
| In respect of the financial year ended 31 December 2022: | |
| - single-tier interim dividend of 8.50 sen per ordinary share on 7,171,483,803 ordinary shares declared on 20 March 2023 and paid on 17 April 2023 | 609,576 |

On 18 April 2024, the Company announced a single-tier final dividend of 3.5 sen per ordinary share in respect of the financial year ended 31 December 2023. Based on the number of shares in issue of 8,222,312,432 ordinary shares as at 31 December 2023, the dividend payable would be RM287,780,935.

The financial statements for the current financial year do not reflect the proposed final dividend. Such dividend, if approved by the shareholders in the forthcoming Annual General Meeting, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2024.

Reserves, provisions and allowances

There were no material transfers to or from reserves or provisions or allowances during the financial year other than those disclosed in the financial statements and notes to the financial statements.

DIRECTORS' REPORT

For the financial year ended 31 December 2023

Issue of shares and debentures

During the financial year, the Company increased its issued and paid up ordinary share capital by RM772,359,042 from RM7,198,068,070 to RM7,970,427,112 as follows:

| | Number of new ordinary shares Units'000 | RM'000 | Issue/ exercise price (sen) |
|---|---|---------|--------------------------------------|
| Issued on 2 October 2023 pursuant to the acquisition of the entire equity interest in Malaysia Industrial Development Finance Berhad ("MIDF") | 1,050,829 | 772,359 | 0.74 |

Save as disclosed above, there were no other new shares or debentures issued during the financial year.

Bad and doubtful debts and financing

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps to ascertain that proper actions had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing and satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing.

At the date of this Report, the Directors are not aware of any circumstances which would render the amount written off for bad debts and financing, or the amount of the allowance for doubtful debts and financing in the financial statements of the Group and of the Company, inadequate to any substantial extent.

Current assets

Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps to ascertain that any current assets, other than debts and financing, which were unlikely to realise 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.

At the date of this Report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading.

Valuation methods

At the date of this Report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Contingent and other liabilities

At the date of this Report, there does not exist:

- (a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year other than those arising from the normal course of business of the Group and of the Company.

No contingent or other liability in the Group or the Company has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

Change of circumstances

At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company, that would render any amount stated in the financial statements misleading.

Items of an unusual nature

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2023, have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Directors

The Directors of the Company who have held office during the financial year and during the period from the end of the financial year to the date of this report are:

Encik Mohamad Abdul Halim bin Ahmad
Puan Lynette Yeow Su-Yin
Encik Sazaliza bin Zainuddin
Dr. Loh Leong Hua
Tan Sri Abdul Rahman bin Mamat (appointed on 5 December 2023)
Datuk (Dr.) Yasmin binti Mahmood (appointed on 5 December 2023)
Dato' Wan Kamaruzaman bin Wan Ahmad (appointed 24 January 2024)
Datin Hoi Lai Ping (resigned on 24 January 2024)
Ir. Moslim bin Othman (resigned on 6 February 2024)
Tan Sri Azlan bin Mohd Zainol (deceased on 12 January 2023)

DIRECTORS' REPORT

For the financial year ended 31 December 2023

Directors (cont'd.)

The Directors of the Company's subsidiaries who have held office during the financial year and during the period from the end of the financial year to the date of this report (not including those Directors listed above) are:

Datuk Azrulnizam bin Abdul Aziz
 Datuk Johar bin Che Mat
 Encik Kamarulzaman bin Ahmad
 Encik Arul Sothy Mylvaganam
 Encik Ho Kwong Hoong
 Cik Hasnah binti Omar
 Dato' Kaziah binti Abd Kadir
 Encik Ahmad Lutfi bin Abdul Mutalip @ Talib
 Datuk Mohd Nasir bin Ali
 Encik Ahlan Nasri bin Mohd Nazir @ Nasir
 Encik Azlan bin Abdullah
 Mr. Tai Keat Chai
 Encik Hasman Yusri bin Yusoff
 Encik Shan Kamahl bin Mohammad
 Encik Ahmad Farouk bin Mohamed
 Mr. Johnson Rudd a/l Sunny Rudd
 Encik Azizi bin Mustafa
 Encik Sheikh Shahrudin bin Sheikh Salim
 Mr. Chia Ku Tang
 Ms. Rupavathy a/p A.V. Govindasamy
 Encik Asrul Hazli Salleh
 Ms. Ng Jui Shan
 Encik Jesleigh bin Johari
 Encik Hazim bin Yahya
 Dato' Azlan bin Shahrin (appointed on 30 March 2023)
 Encik Kheirul Anwar bin Mohamed (appointed on 9 November 2023)
 Dato' Seri Diraja Nur Julie Gwee Ariff (appointed on 15 November 2023)
 Lim Choon Seng (resigned on 6 April 2023)
 Encik Ramanathan Rajoo (resigned on 6 April 2023)
 Encik Wan Ahmad Satria bin Wan Hussein (resigned on 9 November 2023)
 Datuk Joseph Dominic Silva (resigned on 15 November 2023)
 Dato' Charon Wardini bin Mokhzani (resigned on 15 December 2023)

Directors' interests in shares and share options

According to the Register of Directors' shareholdings, the interests of the Directors in office at the end of the financial year in the shares and options over shares of the Company and its related corporations during the financial year were as follows:

| Name of Directors | ← Number of ordinary shares → | | | 31.12.2023 |
|----------------------------------|-------------------------------|----------------------|----------|------------|
| | 05.12.2023 | Granted/ Acquired | Disposed | |
| <i>Indirect interest:</i> | | | | |
| Ordinary shares of MBSB | | | | |
| Tan Sri Abdul Rahman bin Mamat # | 148,400 | - | - | 148,400 |

Indirect interest via shareholding held by his son. Tan Sri Abdul Rahman bin Mahat, by virtue of his total indirect interest of 148,400 shares in MBSB, is deemed to have an interest in the shares of all MBSB's subsidiaries to the extent that MBSB has interest.

Other than as disclosed above, the Directors in office at the end of the financial year did not hold any interest in shares and options over shares in the Company and its related corporations during the financial year.

There were no options were granted to any person to take up unissued shares of the Company during the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received, nor 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 36 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.

Indemnity and Takaful cost

The Directors and Officers of the Group and of the Company are covered by Directors' and Officers' Liability Takaful. The annual takaful cost that is payable by the Group and the Company amount to RM217,410 and RM135,000 respectively.

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).

DIRECTORS' REPORT

For the financial year ended 31 December 2023

Subsidiaries

The principal activities of the subsidiaries are described in Note 12. There have been no significant changes in the nature of the principal activities of the subsidiaries during the financial year.

Directors' remuneration

The remuneration in aggregate for Directors of the Group and the Company for the financial year are as follows:

| | Group RM'000 | Company RM'000 |
|-----------------------------|-----------------|-------------------|
| Directors' fees | 2,247 | 939 |
| Directors' other emoluments | 1,759 | 777 |

Auditors' remuneration

Auditors' remuneration of the Group and the Company are RM2,921,000 (2022: RM4,993,000) and RM702,000 (2022: RM2,914,000) respectively. Details of auditors' remuneration are as set out in Note 35 to the financial statements.

Other auditors' remuneration of the Group is RM1,008,000 (2022: nil). Details of auditors' remuneration are as set out in Note 35 to the financial statements.

Business review for 2023

The Group registered a profit before taxation and zakat of RM560 million for 2023 as compared to a profit before taxation and zakat of RM691 million in prior year. As at 31 December 2023, the Group had assets of RM66,663 million (2022: RM54,948 million), gross loans, financing and advances of RM42,044 million (2022: RM38,600 million), total deposits of RM47,624 million (2022: RM36,468 million) and shareholders' equity of RM9,838 million (2022: RM8,959 million).

The Group completed the acquisition of Malaysian Industrial Development Finance Berhad ("MIDF") on 2 October 2023. With this, MIDF is now a wholly-owned subsidiary of the Company and Permodalan Nasional Berhad ("PNB") emerged as a substantial shareholder of MBSB with an equity stake of 12.78%. The Employees Provident Fund's ("EPF") shareholding in the Company reduced from 65.87% to 57.45%.

MBSB's gross financing grew by 9.0% for the year to RM42 billion, mainly supported by its consumer and commercial financing as well as from the acquisition of MIDF. Consumer Banking, which accounts for 69.34% of the total gross financing portfolio, grew by 5.27%, led by property financing and followed by personal financing ("PF-i"). The increase in PF-i was mainly driven by Ihsan-i financing amounting to RM1 billion. In Commercial Banking gross financing grew by 18.63% contributed by the wholesale & retail trade, manufacturing, and primary agriculture sectors.

Outlook for 2024

The global economy is projected to grow moderately in 2024 for both advanced and emerging economies. The International Monetary Fund forecasts global gross domestic product growth to be 2.9%, a slight decrease from 3.0% in 2023, with inflation subsiding and labour markets showing resilience. According to the Ministry of Finance, Malaysia's economy is expected to grow by approximately 4.0% in 2024, driven by sustained domestic consumption and improved export activities. Meanwhile, Bank Negara Malaysia ("BNM") raised the Overnight Policy Rate ("OPR") once in 2023 by 25 basis points to 3.0%. At the current OPR level, the monetary policy stance is supportive of the economy and aligns with the current assessment of inflation and growth prospects.

The Group's key strategy for 2024 is to continue raising Current Accounts and Savings Accounts ("CASA") level and improve its funding costs. The Group will also aim to realise synergies with MIDF to provide customers with better service, innovative products, and personalised solutions, especially for small medium enterprises ("SMEs") and retail customers in the mass affluent segment. This strategy will be anchored in our continuous improvement in digitalisation, making it easier for our customers to conduct banking and manage their operations.

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 BNM's policy document on Corporate Governance ("BNM/RH/PD 029-9") issued on 3 August 2016.

Statement of Shariah Governance

MBSB Bank Berhad ("MBSB Bank")

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 Ruling of the BNM SAC, 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 2024-2025 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.

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.

DIRECTORS' REPORT

For the financial year ended 31 December 2023

MIDF

The Shariah Committee, as designated by MIDF Amanah Investment Bank Berhad (“MIDF Investment Bank”)’s Board, serves in upholding the integrity of the organisation’s Islamic business practices in accordance with Shariah principles. Their role encompasses providing decisions, views and opinions related to Shariah matters and to perform oversight role on Shariah matters related to the Islamic business, operations, activities and affairs of MIDF Investment Bank to ensure its continuous compliance with Shariah.

The general roles and responsibilities of the Shariah Committee are, amongst others, to provide independent and sound advice to MIDF Investment Bank and the entities under MIDF Group on Shariah matters in respect of their Islamic finance operations, responsible and accountable for all Shariah decisions, opinions and views provided in the course of discharging the duties and responsibilities as a Shariah Committee, validate and endorse the relevant Policies, Procedures, and Islamic finance documentations for any Shariah-related products and service as Shariah-compliant, assist MIDF Investment Bank and the entities under MIDF for any submission to SAC BNM or that of Securities Commission Malaysia, assess work carried out by Shariah functions and Shariah control functions.

The Shariah Committee provides its quarterly reports to the Board of MIDF and MIDF Investment Bank which encompasses, amongst others, highlights on the decisions, advices and opinions provided on the issues related to Islamic business, operations, activities and affairs of MIDF Investment Bank and the entities under MIDF Group.

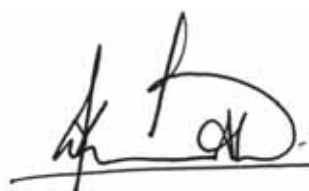
Significant events during the financial year and subsequent event after the financial year end

Significant events during the financial year are disclosed respectively in Note 51 of the financial statements. Subsequent event after the financial year end is disclosed respectively in Note 52 of the financial statements.

Auditors

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146), have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the Directors dated 22 April 2024.



Dato' Wan Kamaruzaman bin Wan Ahmad
Director



Mohamad Abdul Halim bin Ahmad
Director

Petaling Jaya, Malaysia

STATEMENT BY DIRECTORS

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

We, Dato' Wan Kamaruzaman bin Wan Ahmad 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 177 to 345 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 2023 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 22 April 2024.



Dato' Wan Kamaruzaman bin Wan Ahmad
Director

Petaling Jaya, Malaysia



Mohamad Abdul Halim bin Ahmad
Director

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 177 to 345 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 22 April 2024



Ramanathan Rajoo
MIA No. CA7012

Before me,



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYSIA BUILDING SOCIETY BERHAD
(Incorporated in Malaysia)
Registration No. 197001000172 (9417-K)

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 2023, 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 2023 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, comprising material accounting policy information and other explanatory information, as set out on pages 177 to 345.

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.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)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.

| Key audit matters | How our audit addressed the key audit matters |
|--|--|
| <p>Expected credit losses for loans, financing and advances</p> <p>Refer to accounting policy 2(t) and notes 8, 22(b), 33 and 53(a) of the financial statements.</p> <p>We focused on this area due to the significant size of the carrying value of the loans, financing and advances.</p> <p>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"> • Identification of loans, advances and financing that have experienced a significant increase in credit risk; • The ECL models are inherently complex and judgement is applied in determining the appropriate construct of the model; and • Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors, probability weighted multiple scenarios and ECL overlay adjustments made, given the economic uncertainty that may impact ECL. | <p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> • 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. • 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 and formed our judgement as to whether there was a significant increase in credit risk or objective evidence of impairment. • Where objective evidence of impairment was identified by the Group and impairment loss was individually calculated, we examined both the quantum and timing of future cash flows used by the Group in the impairment loss calculation, challenged the assumptions and compared the assumptions to external evidence where available. Calculations of the discounted cash flows were also re-performed. • Assessed and tested the methodologies and significant assumptions inherent within the ECL models applied against the requirements of MFRS 9. • Tested the design and operating effectiveness of the controls relating to: <ul style="list-style-type: none"> • Governance over ECL model development and model refinements, including model build, model approval, model monitoring and model validation; and • Data used to determine the allowances for credit losses. |

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYSIA BUILDING SOCIETY BERHAD

(Incorporated in Malaysia)

Registration No. 197001000172 (9417-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

| Key audit matters | How our audit addressed the key audit matters |
|--|---|
| <p>Expected credit losses for loans, financing and advances (continued)</p> | <p>We performed the following audit procedures (continued):</p> <ul style="list-style-type: none"> • Assessed and considered reasonableness of forward-looking forecasts assumptions; • 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 • Involved our financial risk modelling experts and IT specialists in areas such as reviewing propriateness of the ECL models and data reliability. <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, advances and financing.</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, which we obtained prior to the date of this Auditors' report, and Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the 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 on the information that we obtained prior to the date of this Auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 internal control of the Group and of the Company.
- (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 ability of the Group or of the Company 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF MALAYSIA BUILDING SOCIETY BERHAD
(Incorporated in Malaysia)
Registration No. 197001000172 (9417-K)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D.)

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

- (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.

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 12 to the financial statements.

OTHER MATTERS

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



WILLIAM MAH
03085/07/2025 J
Chartered Accountant

Kuala Lumpur
22 April 2024

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2023

| | Note | Group | | Company | |
|---|-------|-------------------|-------------------|------------------|------------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Assets | | | | | |
| Cash and short-term funds | 3(a) | 5,607,314 | 2,205,950 | 9,642 | 59,636 |
| Deposits and placements with banks and other financial institutions | 3(b) | 749,812 | 597,746 | 65,078 | 100,033 |
| Financial assets at fair value through profit or loss | 4 | 283,054 | 240,357 | - | - |
| Financial investments at fair value through other comprehensive income | 5 | 12,637,634 | 11,392,780 | - | - |
| Financial investments at amortised cost | 6 | 4,608,470 | 1,625,792 | - | - |
| Derivative financial assets | 7 | 40,080 | 15,017 | - | - |
| Loans, financing and advances | 8 | 40,491,527 | 36,933,658 | 272,225 | 368,451 |
| Other receivables | 9 | 344,217 | 125,435 | 37,194 | 42,648 |
| Tax recoverable | | 259,283 | 394,716 | 149,468 | 390,835 |
| Deferred tax assets | 10 | 95,220 | 107,237 | - | - |
| Statutory deposits with Bank Negara Malaysia | 11 | 822,661 | 610,000 | - | - |
| Investments in subsidiaries | 12 | - | - | 7,530,795 | 6,558,436 |
| Property and equipment | 13 | 324,833 | 321,226 | 22,524 | 22,975 |
| Right-of-use assets | 14(a) | 29,885 | 26,743 | - | - |
| Investment properties | 15 | 3,092 | 820 | - | - |
| Goodwill | 16 | 148,031 | 148,031 | - | - |
| Intangible assets | 17 | 161,126 | 144,694 | 2 | - |
| Non-current assets held for sale | 18 | 57,047 | 58,103 | - | - |
| Total assets | | 66,663,286 | 54,948,305 | 8,086,928 | 7,543,014 |

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2023

| | Note | Group | | Company | |
|--|-------|-------------------|-------------------|------------------|------------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Liabilities and shareholders' equity | | | | | |
| Deposits from customers | 19 | 38,800,067 | 28,957,135 | - | - |
| Deposits and placements of banks and other financial institutions | 20 | 8,823,566 | 7,511,336 | - | - |
| Investment accounts of customers | 21 | - | 2,080,767 | - | - |
| Islamic repurchase agreement | | 2,005,199 | - | - | - |
| Derivative financial liabilities | 7 | 5,158 | 23,470 | - | - |
| Other payables | 22 | 680,544 | 519,439 | 5,951 | 50,624 |
| Lease liabilities | 14(b) | 29,964 | 27,334 | - | - |
| Recourse obligation on financing sold | 23 | 4,031,732 | 4,355,408 | - | - |
| Provision for taxation and zakat | | 35,945 | 69,903 | - | - |
| Deferred tax liabilities | 10 | 11,571 | 13,603 | 174 | 1,960 |
| Sukuk | 24 | 2,197,432 | 2,430,717 | - | - |
| Borrowings and government grant | 25 | 203,842 | - | - | - |
| Total liabilities | | 56,825,020 | 45,989,112 | 6,125 | 52,584 |
| Ordinary share capital | 26 | 7,970,427 | 7,198,068 | 7,970,427 | 7,198,068 |
| Regulatory reserve | 27 | 106,644 | - | - | - |
| Fair value reserves | 28 | (115,908) | (341,366) | - | - |
| Retained earnings | | 1,876,865 | 2,102,491 | 110,376 | 292,362 |
| | | 9,838,028 | 8,959,193 | 8,080,803 | 7,490,430 |
| Non-controlling interests | | 238 | - | - | - |
| Total equity | | 9,838,266 | 8,959,193 | 8,080,803 | 7,490,430 |
| Total liabilities and shareholders' equity | | 66,663,286 | 54,948,305 | 8,086,928 | 7,543,014 |
| Commitments and contingencies | 43 | 7,316,685 | 5,134,111 | - | 9,782 |

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 2023

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Revenue | 29 | 2,821,280 | 2,694,494 | 449,589 | 188,567 |
| Income derived from investment of deposits and Islamic capital funds | 30 | 2,783,152 | 2,674,762 | - | - |
| Income attributable to depositors | | (1,465,779) | (892,322) | - | - |
| Income attributable to securitisation | | (159,961) | (142,314) | - | - |
| Income attributable to sukuk and other borrowing | | (142,377) | (128,432) | - | - |
| Income attributable to wakalah unrestricted investment account | | (31,473) | (52,685) | - | - |
| Net income from Islamic operations | | 983,562 | 1,459,009 | - | - |
| Interest income | 31 | 30,980 | 7,995 | 7,737 | 24,384 |
| Interest expense | 32 | (16,470) | - | - | - |
| Net interest income | | 14,510 | 7,995 | 7,737 | 24,384 |
| Expected credit losses on loans, financing and advances and other impairment | 33 | (120,085) | (118,496) | (31,274) | 95,631 |
| Net loss on modification of cash flows | | - | (59,973) | - | - |
| Operating income | | 877,987 | 1,288,535 | (23,537) | 120,015 |
| Net other income | 34 | 393,431 | 53,260 | 470,021 | 182,030 |
| Net income | | 1,271,418 | 1,341,795 | 446,484 | 302,045 |
| Operating expenses | 35 | (711,695) | (650,459) | (22,268) | (54,788) |
| Profit before taxation and zakat | | 559,723 | 691,336 | 424,216 | 247,257 |
| Taxation | 37 | (59,522) | (227,971) | 3,374 | (27,511) |
| Zakat | | (8,392) | (3,177) | - | - |
| Profit for the year | | 491,809 | 460,188 | 427,590 | 219,746 |
| Attributable to: | | | | | |
| Shareholders of the Company | | 491,809 | 460,188 | 427,590 | 219,746 |
| Non-controlling interests | | - | - | - | - |
| Profit for the financial year | | 491,809 | 460,188 | 427,590 | 219,746 |
| Earnings per ordinary share attributable to shareholders of the Company (sen): | | | | | |
| Basic | 38 | 6.62 | 6.42 | | |
| Dividends per ordinary share (sen) | 39 | 3.50 | 8.50 | | |

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 2023

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods: | | | | | |
| - Net gain/(loss) from change in fair values | | 246,457 | (224,226) | - | - |
| - Realised loss transferred to statements of income on disposal | | 50,111 | (13,066) | - | - |
| - Transfer (to)/from deferred tax | | (71,110) | 56,972 | - | - |
| Other comprehensive income/(expense), net of tax: | | 225,458 | (180,320) | - | - |
| Other comprehensive expense not to be reclassified to profit or loss in subsequent periods: | | | | | |
| - Re-measurement loss on defined benefit plans | | (1,028) | - | - | - |
| - Income tax relating to re-measurement loss on defined benefit plans | | (187) | - | - | - |
| Other comprehensive expense, net of tax: | | (1,215) | - | - | - |
| Other comprehensive income/(expense) for the financial year, net of tax | | | | | |
| | | 224,243 | (180,320) | - | - |
| Total comprehensive income for the financial year | | 716,052 | 279,868 | 427,590 | 219,746 |
| Total comprehensive income for the financial year attributable to: | | | | | |
| Shareholders of the Company | | 716,052 | 279,868 | 427,590 | 219,746 |
| Non-controlling interests | | - | - | - | - |
| | | 716,052 | 279,868 | 427,590 | 219,746 |

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2023

| Group | Non-distributable | | Distributable | | Non-controlling interests | Total equity |
|--|-------------------|---------------------|---------------------|-------------------|---------------------------|--------------|
| | Share capital | Regulatory reserves | Fair value reserves | Retained earnings | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2023 | 7,198,068 | - | (341,366) | 2,102,491 | 8,959,193 | 8,959,193 |
| Profit for the year | - | - | - | 491,809 | 491,809 | 491,809 |
| Other comprehensive income/ (expense) for the year: | | | | | | |
| - net changes in fair value | - | - | 246,457 | - | 246,457 | 246,457 |
| - realised loss transferred to statements of income on disposal | - | - | 50,111 | - | 50,111 | 50,111 |
| - re-measurement loss on defined benefit plans | - | - | - | (1,028) | (1,028) | (1,028) |
| - income tax relating to component of other comprehensive income | - | - | (71,110) | (187) | (71,297) | (71,297) |
| Transfer of retained profits to regulatory reserve | - | - | 225,458 | (1,215) | 224,243 | 224,243 |
| Dividends to owners of the Company (Note 39) | - | 106,644 | - | (106,644) | - | - |
| Acquisition of MIDF (Note 51) | - | - | - | (609,576) | (609,576) | (609,576) |
| Issuance of shares for acquisition of MIDF (Note 26) | 772,359 | - | - | - | 772,359 | 772,359 |
| At 31 December 2023 | 7,970,427 | 106,644 | (115,908) | 1,876,865 | 9,838,028 | 9,838,266 |
| At 1 January 2022 | 7,198,068 | - | (161,046) | 1,637,069 | 8,679,325 | 8,679,325 |
| Profit for the year | - | - | - | 460,188 | 460,188 | 460,188 |
| Other comprehensive expense for the year: | | | | | | |
| - net changes in fair value | - | - | (224,226) | - | (224,226) | (224,226) |
| - realised loss transferred to statements of income on disposal | - | - | (13,066) | - | (13,066) | (13,066) |
| - income tax relating to component of other comprehensive income | - | - | 56,972 | - | 56,972 | 56,972 |
| Transfer of regulatory reserve to retained profits | - | - | (180,320) | - | (180,320) | (180,320) |
| | - | (5,234) | - | 5,234 | - | - |
| At 31 December 2022 | 7,198,068 | - | (341,366) | 2,102,491 | 8,959,193 | 8,959,193 |

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2023

| | Non-distributable Share capital RM'000 | Distributable Retained earnings RM'000 | Total RM'000 |
|--|---|---|------------------|
| Company | | | |
| At 1 January 2023 | 7,198,068 | 292,362 | 7,490,430 |
| Profit for the year | - | 427,590 | 427,590 |
| Dividends to owners of the Company (Note 39) | - | (609,576) | (609,576) |
| Issuance of shares for acquisition of MIDF (Note 26) | 772,359 | - | 772,359 |
| At 31 December 2023 | 7,970,427 | 110,376 | 8,080,803 |

| | Non-distributable Share capital RM'000 | Distributable Retained earnings RM'000 | Total RM'00 |
|----------------------------|---|---|------------------|
| Company | | | |
| At 1 January 2022 | 7,198,068 | 72,616 | 7,270,684 |
| Profit for the year | - | 219,746 | 219,746 |
| At 31 December 2022 | 7,198,068 | 292,362 | 7,490,430 |

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2023

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Cash flows from operating activities | | | | |
| Profit before taxation and zakat | 559,723 | 691,336 | 424,216 | 247,257 |
| Adjustments for: | | | | |
| Depreciation of property and equipment | 39,731 | 43,156 | 465 | 481 |
| Amortisation of intangible assets | 41,669 | 41,474 | - | - |
| Depreciation of right-of-use asset | 26,124 | 22,308 | - | - |
| Depreciation of investment properties | 22 | - | - | - |
| Lease profit expense | 917 | 1,023 | - | - |
| Loss on sale of loans, financing and advances | 21,322 | - | 21,322 | - |
| Loss/(gain) on disposal of: | | | | |
| - property and equipment | 163 | 8 | - | - |
| - foreclosed properties | (3,980) | (2,597) | (3,980) | (2,597) |
| - non-current assets held for sale | (1,331) | (850) | - | - |
| Loss/(gain) on sale of: | | | | |
| - financial assets at FVTPL | 9,867 | 18,195 | - | - |
| - financial investments at FVOCI | 50,111 | 13,066 | - | - |
| - financial investments at amortised cost | (16) | - | - | - |
| Unrealised gain on financial assets at FVTPL | (4,217) | (4,200) | - | - |
| Unrealised loss on derivatives | 980 | - | - | - |
| Loss/(gain) on foreign exchange transaction | 13,276 | (12,390) | - | - |
| Gain from acquisition of MIDF | (354,383) | - | - | - |
| Allowance/(writeback) for impairment | 98,763 | 118,496 | 9,952 | (95,631) |
| Loss on modification of cash flows | - | 59,973 | - | - |
| Profit/interest adjustments: | | | | |
| - financial assets at FVTPL | (24,775) | (6,587) | - | - |
| - financial investments at FVOCI | (388,537) | (409,620) | - | - |
| - financial investments at amortised cost | (118,997) | (50,942) | - | - |
| - Islamic repurchase agreement | 21,732 | - | - | - |
| - recourse obligation on financing sold | 159,961 | 142,314 | - | - |
| - sukuk | 120,645 | 128,432 | - | - |
| - borrowings and government grant | 750 | - | - | - |
| Operating profit before working capital changes | 269,520 | 792,595 | 451,975 | 149,510 |

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2023

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Working capital changes: | | | | |
| (Increase)/decrease in deposits with financial institutions with maturity of more than three months | (14,826) | 246,142 | 49,971 | 474,547 |
| (Increase)/decrease in statutory deposits with Bank Negara Malaysia | (108,760) | 40,000 | - | - |
| (Increase)/decrease in loans, financing and advances | (1,804,663) | (2,567,547) | 44,574 | 207,955 |
| Increase in derivative assets | (31,085) | (4,776) | - | - |
| (Increase)/decrease in other receivables | (34,180) | (35,013) | (213,313) | 46,363 |
| Increase in deposits from customers, banks and other financial institutions | 5,414,631 | 3,164,226 | - | - |
| Decrease in investment accounts | (2,080,767) | (14,147) | - | - |
| (Decrease)/increase in derivative liabilities | (18,312) | 21,107 | - | - |
| Decrease in other payables | (102,207) | (520,151) | (46,493) | (187,557) |
| Cash generated from operations | 1,489,351 | 1,122,436 | 286,714 | 690,818 |
| Net tax paid/(refund) | 33,166 | (130,289) | 15,306 | (28,182) |
| Zakat paid | (10,008) | (3,177) | - | - |
| Net cash generated from operating activities | 1,512,509 | 988,970 | 302,020 | 662,636 |

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

| | Group | | Company | |
|---|------------------|------------------|------------------|------------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Cash flows from investing activities | | | | |
| Acquisition of MIDF | 722,725 | - | - | - |
| Increase in investment in subsidiaries | - | - | (200,000) | (1,000,000) |
| Purchase of property and equipment | (39,840) | (17,115) | (14) | (17) |
| Purchase of intangible assets | (43,253) | (35,408) | (2) | - |
| Proceeds on sale of loans, financing and advances | 22,176 | - | 22,175 | - |
| Proceeds from disposal of non-current assets held for sale | 2,024 | 1,328 | - | - |
| Proceeds from disposal of foreclosed properties | 9,591 | 4,165 | 9,591 | 4,165 |
| Proceeds from disposal of property and equipment | 170 | 11 | - | - |
| Profit income from financial assets at FVTPL | 26,579 | 7,290 | - | - |
| Net sale/(purchase) of financial assets at FVTPL | 121,103 | (14,846) | - | - |
| Profit income from: | | | | |
| - financial investments at FVOCI | 446,154 | 472,243 | - | - |
| - financial investments at amortised cost | 127,514 | 61,522 | - | - |
| Net sale/(purchase) of: | | | | |
| - financial investments at FVOCI | 755,452 | 105,387 | - | - |
| - financial investments at amortised cost | (656,034) | (1,005,933) | - | - |
| Dividend received | - | - | 440,828 | 162,839 |
| Net cash generated from/(used in) investing activities | 1,494,361 | (421,356) | 272,578 | (833,013) |
| Cash flows from financing activities | | | | |
| Net issuance of Islamic repurchase agreement | 1,999,658 | - | - | - |
| Net issuance of recourse obligation on financing sold | (322,255) | 1,210,324 | - | - |
| Repayment of: | | | | |
| - sukuk | (232,871) | (237,786) | - | - |
| - borrowings and government grant | (22,000) | - | - | - |
| Issuance of sukuk | - | 299,000 | - | - |
| Profit expense paid on: | | | | |
| - Islamic repurchase agreement | (16,191) | - | - | - |
| - recourse obligation on financing sold | (161,382) | (138,539) | - | - |
| - sukuk | (121,059) | (126,148) | - | - |
| Payment of lease liabilities | (27,290) | (23,322) | - | - |
| Dividends paid on ordinary shares | (609,576) | - | (609,576) | - |
| Net cash generated from financing activities | 487,034 | 983,529 | (609,576) | - |

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

STATEMENTS OF CASH FLOWS

For the year ended 31 December 2023

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Net increase/(decrease) in cash and cash equivalents | 3,493,904 | 1,551,143 | (34,978) | (170,377) |
| Cash and cash equivalents at 1 January | 2,205,982 | 654,839 | 59,636 | 230,013 |
| Cash and cash equivalents at 31 December | 5,699,886 | 2,205,982 | 24,658 | 59,636 |
| Cash and cash equivalents is represented by: | | | | |
| Cash and short-term funds (Note 3(a)) | 5,607,314 | 2,205,950 | 9,642 | 59,636 |
| Deposits and placements with banks and other financial institutions (Note 3(b)) | 749,812 | 597,746 | 65,078 | 100,033 |
| Less: | 6,357,126 | 2,803,696 | 74,720 | 159,669 |
| Deposits and placements with banks and other financial institutions with original maturity of more than three months | (657,240) | (597,714) | (50,062) | (100,033) |
| Cash and cash equivalents at 31 December | 5,699,886 | 2,205,982 | 24,658 | 59,636 |

An analysis of changes in liabilities arising from financing activities for the financial year is as follows:

| Group | Islamic repurchase agreement RM'000 | Lease liabilities RM'000 | Recourse obligation on financing sold RM'000 | Sukuk RM'000 | Borrowings and government grant RM'000 | Total RM'000 |
|-----------------------------------|--|--------------------------------|--|-----------------|--|-----------------|
| At 1 January 2023 | - | 27,334 | 4,355,408 | 2,430,717 | - | 6,813,459 |
| Addition from acquisition of MIDF | - | 1,963 | - | - | 225,092 | 227,05 |
| Profit expense during the year | 21,732 | 917 | 159,961 | 120,645 | 750 | 304,005 |
| Profit paid during the year | (16,191) | - | (161,382) | (121,059) | - | (298,632) |
| Additions | 1,999,658 | 27,040 | - | - | - | 2,026,698 |
| Repayment and redemption | - | (27,290) | (322,255) | (232,871) | (22,000) | (604,416) |
| At 31 December 2023 | 2,005,199 | 29,964 | 4,031,732 | 2,197,432 | 203,842 | 8,468,169 |
| At 1 January 2022 | - | 38,998 | 3,141,309 | 2,367,219 | - | 5,547,526 |
| Profit expense during the year | - | 1,023 | 142,314 | 128,432 | - | 271,769 |
| Profit paid during the year | - | - | (138,539) | (126,148) | - | (264,687) |
| Additions | - | 10,635 | 2,424,999 | 299,000 | - | 2,734,634 |
| Repayment and redemption | - | (23,322) | (1,214,675) | (237,786) | - | (1,475,783) |
| At 31 December 2022 | - | 27,334 | 4,355,408 | 2,430,717 | - | 6,813,459 |

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

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 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 12. There have been no significant changes in the nature of the principal activities of the subsidiaries during the financial year.

On 2 October 2023, the Company completed the acquisition of the entire share capital of MIDF with the final purchase consideration of RM1,014,295,048.55 satisfied through the issuance and allotment of 1,050,828,629 new ordinary shares in MBSB at the issue price of RM0.9652 to PNB. In the financial statements, MIDF and its subsidiaries are referred to as MIDF Group.

The immediate and ultimate holding body of the Company is EPF, a statutory body established under the Employee Provident Fund Act 1991 (Act 452).

The consolidated financial statements of the Group as at and for the financial year ended 31 December 2023 comprise the Company and its subsidiaries.

These financial statements were approved by the Board of Directors on 22 April 2024.

1. Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, debts instruments at fair value through other comprehensive income, derivatives financial instruments and non-current assets held for sale.

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 income and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

1. Basis of preparation (cont'd.)

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 51.

(a) Standards, amendments to published standards and interpretation that are effective and applicable to the Group and the Company

The relevant new accounting standards, amendments to published standards and interpretation that are effective and applicable to the Group and the Company for the financial year beginning 1 January 2023 are as follows:

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction'

The amendments clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

- Amendments to MFRS 101, MFRS Practice Statement 2 and MFRS 108 on disclosure of accounting policies and definition of accounting estimates

Amendments on disclosure of accounting policies - Amendments to MFRS 101 and MFRS Practice Statement 2

The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications.

The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments on definition of accounting estimates (Amendments to MFRS 108)

The amendments to MFRS 108, redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior period errors. Examples of accounting estimates include expected credit losses; net realisable value of inventory; fair value of an asset or liability; depreciation for property, plant and equipment; and provision for warranty obligations.

The adoption of the above amendments to published standards did not have any impact on the current period or any period and is not likely to affect future periods.

1. Basis of preparation (cont'd.)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective

The Group and the Company will apply these standards and amendments to published standards from:

(i) Financial year beginning on/after 1 January 2024

- Amendments to MFRS 101 'Classification of liabilities as current or non-current' and 'Non-current liabilities with covenants'

There are two amendments to MFRS 101 'Presentation of Financial Statements'

The first amendment, 'Classification of liabilities as current or non-current' clarify that a liability is classified as non-current if an entity has the right to defer settlement for at least 12 months after the reporting period. Such a right exists when an entity complies with covenants based on its circumstances at the reporting date, even if compliance with such covenants were tested only within 12 months after that date.

The second amendment, 'Non-current liabilities with covenants' were in response to concerns raised on applying the 2020 amendments explained in the preceding paragraph on the current vs non-current classification of liabilities with covenants that would have become effective for annual periods beginning on or after 2023. The 2022 amendments specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

Both amendments are effective for annual reporting periods beginning on or after 1 January 2024 and shall be applied retrospectively.

- Amendments to MFRS 16 'Lease Liability' in a Sale and Leaseback

The amendments specify that the measurement of the lease liability arises in a sale and leaseback transaction which satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

1. Basis of preparation (cont'd.)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective (cont'd.)

The Group and the Company will apply these standards and amendments to published standards from : (cont'd.)

(i) Financial year beginning on/after 1 January 2025

- Amendments to MFRS 121 'Lack of Exchangeability'

An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose.

A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.

When a currency is not exchangeable into another currency, the spot exchange rate needs to be estimated, i.e. to determine the rate at which an orderly exchange transaction would take place at that date between market participants under prevailing economic conditions.

The amendments do not specify how an entity estimates the spot exchange rate but permit an entity to use observable exchange rate without adjustment or another estimation technique, provided it could meet the objective of estimating the spot exchange rate set out in the amendments.

When the amendments are first applied, an entity is not permitted to restate comparative information. Instead, the entity should translate the amount affected by foreign currency that lacks exchangeability using the estimated spot exchange rates at the date of initial application. Entity is also required to make additional disclosures when exchangeability is lacking.

The adoption of the amendments to published standards are not expected to give rise to material financial impact to the Group and the Company.

2. Summary of material accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements unless otherwise stated.

(a) Currency translations

(i) Functional and presentation currency

Items included in the financial statements of the Group and the Company is measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Group and the Company's functional and presentation currency and has been rounded to the nearest thousand (RM'000) except when otherwise indicated.

2. Summary of material accounting policies (cont'd.)

The accounting policies set out below have been applied consistently to the periods presented in these financial statements unless otherwise stated. (cont'd.)

(a) Currency translations (cont'd.)

(ii) Foreign currency transactions and balances

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(t) 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

2. Summary of material 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 does 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.

(iii) 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.

(c) Intangible assets and amortisation

(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.

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.

2. Summary of material accounting policies (cont'd.)

(c) Intangible assets and amortisation (cont'd.)

(i) Goodwill (cont'd.)

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.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Software and license

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. 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

2. Summary of material accounting policies (cont'd.)

(c) Intangible assets and amortisation (cont'd.)

(iv) Amortisation (cont'd.)

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.

(d) 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 | * |
| 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.

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.

2. Summary of material accounting policies (cont'd.)

(e) Leases

Leases are recognised as right-of-use (“ROU”) asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Company (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Company allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

(i) Lease term

In determining the lease term, the Group and the Company 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 and the Company 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 and the Company 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. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset’s useful life and the lease term on a straight-line basis. If the Group and the Company are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset’s useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- Fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- Amounts expected to be payable by the Group and the Company under residual value guarantees;
- The exercise price of a purchase and extension options if the Group and the Company are reasonably certain to exercise that option; and
- Payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising that option.

Lease payments are discounted using the profit rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Company, an incremental borrowing rate is used in determining the discount rate which assumes the profit rate that the Group and the Company would have to pay to borrow over a similar term, the funds necessary to obtain the asset.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

2. Summary of material accounting policies (cont'd.)

(e) Leases (cont'd.)

(iii) Lease liabilities (cont'd.)

Lease payments are allocated between principal and finance cost. The finance cost is charged to statements of income over the lease period so as to produce a constant periodic rate of profit on the remaining balance of the liability for each period.

The Group and the Company present the lease liabilities as a separate line item in the statements of financial position. Profit expense on the lease liability is presented within the operating expenses in the statements of profit or loss and other comprehensive income.

(iv) Short term leases and leases of low value assets

The Group and the Company elect to apply MFRS 16 recognition exemption such as short-term leases and leases for which the underlying asset is of low value. Short-term leases are leases with a lease term of 12 months or less with no purchase option. Low-value assets comprise small items of office furniture. Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in the statements of profit or loss and other comprehensive income.

(f) Investment properties

Investment properties, which is a freehold land and a building, is owned for capital appreciation and is not occupied by the Company.

The investment properties are initially recognised at cost and subsequently at cost less any accumulated impairment losses. The carrying amount of the investment properties are reviewed at the end of each reporting period to determine whether there are 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 properties are initially measured similarly as other right-of-use assets.

An investment properties are 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 are recognised in profit or loss in the period in which the item are derecognised.

For building classified as investment property, depreciation is charged to profit or loss on a straight-line basis over the estimated useful life of 40 years.

(g) 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 and the Company. 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 EPF, a defined contribution pension scheme. Such contributions are recognised as an expense in profit or loss when incurred.

2. Summary of material accounting policies (cont'd.)

(g) Employee benefits (cont'd.)

(iii) Defined benefit plans

The MIDF Group operates an unfunded, defined Retirement Benefit Scheme ("the Scheme") for their eligible employees. The MIDF Group's obligation under the Scheme, calculated using the Projected Unit Credit Method, is determined based on actuarial computations by independent actuaries, through which the amount of benefit that employees have earned in return for their service in the current and prior financial years is estimated. That benefit is discounted in order to determine its present value. Re-measurements, comprising of actuarial gains and losses are recognised immediately in the statements of financial position with a corresponding debit or credit to retained earnings through OCI in the period in which they occur. Re-measurements are not reclassified to profit or loss in subsequent periods.

Past service costs are recognised in profit or loss on the earlier of:

- The date of the plan amendment or curtailment; and
- The date that the MIDF Group recognises restructuring-related costs.

Net interest is calculated by applying the discount rate to the net defined benefit liability. The MIDF Group recognises the following changes in the net defined benefit obligation under "staff costs" in the statements of profit or loss;

- Service costs comprising current service costs, past-service costs, gains and losses on curtailments and non-routine settlements; and
- Net interest expense or income.

(h) Foreclosed assets

Foreclosed assets are stated at the lower of carrying amount and fair value less costs to sell and reported within "Other Assets".

(i) 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.

(j) 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(t).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

2. Summary of material accounting policies (cont'd.)

(k) 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.

(l) 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.

(m) Fiduciary assets

The Group provides trust and other fiduciary services that result in the holding or investing of assets on behalf of its clients. Assets held in fiduciary capacity are not recognised as the assets of the Group.

(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.

2. Summary of material accounting policies (cont'd.)

(n) Impairment of non-financial assets (cont'd.)

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 assets

(i) Classification

The Group classify their financial assets into the following measurement categories:

- Fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- Amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

(a) Business model assessment

The Group conduct assessment of the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio whether the business strategy is to earn contractual interest revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel.

(b) Assessment whether contractual cash flows are solely payments of principal and profit/interest ("SPPI")

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Company assess whether the financial assets' contractual cash flows represent solely payment of principal and profit/interest. In applying the SPPI test, the Group and the Company consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. profit includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and profit/interest.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

2. Summary of material accounting policies (cont'd.)

(o) Financial assets (cont'd.)

(i) Classification (cont'd.)

(b) Assessment whether contractual cash flows are solely payments of principal and profit/interest ("SPPI") (cont'd.)

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investment in debt instruments, this will depend on the business model in which the investment is held. For investment in equity instruments, it is determined by the irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI by the Group and the Company.

(i) Financial assets at fair value through OCI comprise of:

- Equity securities which are not held for trading, and for which the Group and the Company have made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss, and
- Debt securities where the contractual cash flows are solely principal and profit and the objective of the Group's and the Company's business model is achieved both by collecting contractual cash flows and selling financial assets.

(ii) The Group and the Company classify their financial assets at amortised cost only if both of the following criteria are met:

- The asset is held within a business model with the objective of collecting the contractual cash flows, and
- The contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal outstanding.

(iii) The Group and the Company classify the following financial assets at fair value through profit or loss:

- Debt investments that do not qualify for measurement at either amortised cost or fair value through comprehensive income;
- Equity investments that are held for trading, and
- Equity investments for which the entity has not elected to recognise at fair value through other comprehensive income.

2. Summary of material accounting policies (cont'd.)

(o) Financial assets (cont'd.)

(ii) Recognition and initial measurement

A financial asset is recognised in the statement of financial position when the Group and the Company become parties to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group and the Company commit to purchase and sell the assets.

At initial recognition, the Group and the Company measure financial assets at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

(iii) Subsequent measurement

(a) Debt instrument

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in which the Group and the Company classify their debt instruments.

(i) *Amortised cost*

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit/interest, and that are not designated at fair value through profit or loss are measured at amortised cost using the effective profit/interest method. Any gain or loss on a debt investment measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Profit/interest income from these financial assets is included in profit/finance income using the effective profit/interest rate method.

(ii) *Fair value through other comprehensive income ("FVOCI")*

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit/interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses or reversal of impairment losses, profit income and foreign exchange gains and losses which are recognised in profit and loss.

When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in non-interest income. Profit/interest income from these financial assets is included in profit/finance income using the effective profit/interest rate method.

(iii) *Fair value through profit or loss ("FVTPL")*

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. The Group may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within non-interest income in the period which it arises.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

2. Summary of material accounting policies (cont'd.)

(o) Financial assets (cont'd.)

(iii) Subsequent measurement (cont'd.)

(b) Equity instrument (cont'd.)

The Group and the Company subsequently measure all equity investments at fair value except where the management has elected, at initial recognition to irrevocably designate at equity instrument at FVOCI. Where the Group's and the Company's management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's and the Company's right to receive payments is established.

Changes in the fair value of financial investments at fair value through profit or loss are recognised in non-interest income in the statement of income as applicable.

(iv) Reclassification of financial assets

The Group and the Company reclassify financial assets when and only when their business model for managing those assets changes. In such cases, the Group and the Company are required to reclassify all affected financial assets. However, it will be inappropriate to reclassify financial assets that have been designated at FVTPL, or equity instrument that have been designated at FVOCI even when there is a change in business model. Such designation are irrevocable.

(v) Modification of financing

The Group and the Company may renegotiate or otherwise modify the contractual cash flows of financing to customers. When this happens, the Group and the Company assess whether or not the new terms are substantially different to the original terms. The Group and the Company do this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the financing.
- Significant extension of the financing term when the borrower is not in financial difficulty.
- Significant change in the profit/interest rate.
- Change in the currency the loan/financing is denominated in.
- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the financing.

If the terms are substantially different, the Group and the Company derecognise the original financial asset and recognises a "new" asset at fair value and recalculates a new effective profit/interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group and the Company also assess whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in statements of profit or loss and other comprehensive income as a gain or loss on derecognition.

2. Summary of material accounting policies (cont'd.)

(o) Financial assets (cont'd.)

(v) Modification of financing (cont'd.)

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Group and the Company recalculate the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in statements of profit or loss and other comprehensive income. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective profit rate (or credit-adjusted effective profit rate for purchased or originated credit-impaired financial assets).

(p) Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value less transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statement of profit or loss and other comprehensive income. Financial liabilities are derecognised when extinguished.

(i) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments.

The financial liabilities measured at fair value through profit and loss upon initial recognition are trading derivatives and financial liabilities designated at fair value.

Financial liabilities, other than those held for trading, are classified as financial liabilities designated at fair value through profit or loss if they meet one or more of the criteria set out below, and are so designated by management.

The Group and the Company may designate financial liabilities at fair value through profit or loss when the designation:

- Eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases;
- Applies to groups of financial liabilities that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy; and
- Relates to financial liabilities containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

The fair value designation, once made, is irrevocable. Designated financial liabilities are recognised when the Group and the Company enter into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and are normally derecognised when extinguished (liabilities). Measurement is initially at fair value, with transaction costs taken to the statements of income. Subsequently, the fair values are remeasured, and gains and losses from changes therein are recognised in the statements of income.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

2. Summary of material accounting policies (cont'd.)

(p) Financial liabilities (cont'd.)

(i) Financial liabilities at fair value through profit or loss (cont'd.)

The component of fair value changes relating to the Group and the Company's own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling to profit or loss, but are transferred to retained earnings when realised.

The Group and the Company determine the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of financial liabilities at fair value through profit or loss. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the conversion option embedded derivative are excluded from the assessment of market risk fair value changes. The Group and the Company believe that this approach most faithfully represents the amount of change in fair value due to the Group's and the Company's own credit risk, as the changes in factors contributing to the fair value of the items other than the changes in the benchmark interest rate are not deemed to be significant.

(ii) Financial liabilities at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost.

Financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, investment accounts of customers, Islamic repurchase agreement, other payables, lease liabilities, recourse obligation on financing sold, sukuk, borrowings and government grant.

(q) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of defaults, insolvency or bankruptcy.

(r) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group and the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Subsequent to initial recognition, financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 "Financial instruments" and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 "Revenue from Contracts with Customers", where appropriate.

Any increase in the liability relating to guarantees is reported in the statement of profit or loss and other comprehensive income within ECL for commitments and contingencies.

2. Summary of material accounting policies (cont'd.)

(s) Islamic repurchase agreements

Obligations on securities sold/transferred under Islamic repurchase agreements are securities which the Group and the Company had sold/transferred from its portfolio, with a commitment to repurchase/transfer back at future dates. Such financing transactions and the obligation to repurchase/transfer back the securities are reflected as a liability on the statements of financial position.

The difference between purchase and resale price is treated as profit and accrued over the life of the repurchase agreement using the effective yield method.

(t) Impairment of financial assets

The Group and the Company assess on a forward-looking basis the ECL associated with its financial assets carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group and the Company assess whether the credit risk on an exposure has increased significantly on an individual or collective basis. The Group and the Company first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Company determine the objective evidence of impairment exists, i.e. credit-impaired for an individually assessed financial asset, a lifetime ECL will be recognised for impairment loss. Financial assets which are collectively assessed are grouped on the basis of similar credit risk characteristics.

The Group and the Company have adopted the general approach for ECL.

Measurement

The Group and the Company recognise loss allowances for 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.

PD provides an estimate of the likelihood that a customer will be unable to meet its debt obligation or default over a particular time horizon, usually in the course of 1 year.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

2. Summary of material accounting policies (cont'd.)

(t) Impairment of financial assets (cont'd.)

Measurement (cont'd.)

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 customer'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 customer.

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 material accounting policies (cont'd.)

(t) 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, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

2. Summary of material accounting policies (cont'd.)

(t) 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 customer 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 material accounting policies (cont'd.)

(t) 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 customer, 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 customer does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-down/write-off. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

2. Summary of material accounting policies (cont'd.)

(u) 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.

(v) 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.

(w) Recognition of interest/profit income and interest/profit expense

Interest/profit income and expense for all interest/profit bearing financial instruments are recognised within interest income and interest expense and income from Islamic operations in the statements of profit or loss and other comprehensive income using the effective interest/profit method. Interest/profit income from financial assets at fair value through profit or loss is disclosed as separate line item in statements of profit or loss and other comprehensive income.

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 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.

Interest/profit income is calculated by applying the effective interest/profit rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest/profit rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(x) Recognition of fees and other income

(i) The Group earn fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Group has satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates or amount agreed with customers, and net of expenses directly related to it. The Group generally satisfies its performance obligation and recognises the fee and commission income on the following basis:

- Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include fees related to the completion of corporate advisory transactions, commissions, service charges and fees and fees on loans, advances and financing. These fees constitute a single performance obligation.
- For a service that is provided over a period of time, fee and commission income is recognised over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services will be billed periodically over time. Such fees include guarantee fees and commitment fees.

The Group do not provide any significant credit terms to customers for the above products and services.

Directly related expenses typically include sales commissions, but do not include expenses for services delivered over a period (such as service contracts) and other expenses that are not specifically related to fee and commission income transactions.

2. Summary of material accounting policies (cont'd.)

(x) Recognition of fees and other income(cont'd.)

- (ii) Income from Government Scheme Funds is in relation to management fees derived from managing and distributing the funds under the respective schemes. The fees are variable consideration. The Group estimates the amount to which it will be entitled, but constrains that amount until it is highly probable that including the estimated fee in the transaction price will not result in a significant revenue reversal.
- (iii) Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of preacquisition profits. However, the investment may need to be tested for impairment as a consequence. Dividend income received from subsidiary companies, financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income are recognised as non-interest income in statements of profit or loss and other comprehensive income. Dividends that clearly represent a recovery of part of the cost of investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at fair value through other comprehensive income.
- (iv) Net gain or loss from disposal of financial assets at fair value through profit or loss and debt instruments at fair value through other comprehensive income are recognised in statements of profit or loss and other comprehensive income upon disposal of the securities, as the difference between net disposal proceeds and the carrying amount of the securities.
- (v) Brokerage income is recognised when contracts are executed. Fees that constitute single performance obligation is recognised upon completion of transactions such as rollover fees, nominees services and handling charges.
- (vi) Corporate advisory fees are recognised as income after fulfilling each of the performance obligation.
- (vii) Rental income is recognised on an overtime basis.

(y) Current and deferred taxes

The tax expense for the period comprises current and deferred income tax. Tax is recognised in statement of income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and includes all taxes based upon the taxable profits.

Deferred income tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences and unused tax losses can be utilised.

Deferred income tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax related to the fair value re-measurement of debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income, which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statement of income together with deferred gain or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

2. Summary of material accounting policies (cont'd.)

(y) Current and deferred taxes (cont'd.)

Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the statements of financial position date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(z) 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 zakat amount shall be distributed to individuals or groups that fall into any of the eight (8) categories of eligible recipients (asnaf):

- (i) Al-Fuqara - the poor
- (ii) Al-Masakin - the needy
- (iii) Al-'Amil - the zakat collector
- (iv) Al-Muallaf - those whose hearts are inclined to Islam
- (v) Al-Riqab - slave or captive (prisoner of war)
- (vi) Al-Gharimin - insolvent debtor
- (vii) Fi Sabilillah - in the path of Allah
- (viii) Ibnu al-Sabil - a traveler without provisions

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.

(aa) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources and assesses the performance of the operating segments of an entity. The Group has determined the Board as the collective body of chief operating decision makers.

Segment revenue, expense, assets and liabilities are those amount resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

(ab) Government grant

The benefit of a government loan at a below-market rate of interest is treated as a government grant. Government grant is recognised when there is a reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. The Group has elected to present such grant as a deduction against the related costs.

When the grant relates to an asset, the Group has elected to present such grant as deferred income, which is recognised in profit or loss as oncome in equal amounts over the expected useful life of the related asset.

2. Summary of material accounting policies (cont'd.)

(ac) 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.

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.

(ad) Non-current assets held for sale

Non-current assets are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell and an impairment loss is recognised for any initial or subsequent write-down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset, but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset is recognised at the date of derecognition.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

3. Cash and short-term funds and deposits and placements with banks and other financial institutions

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| (a) Cash and short-term funds: | | | | |
| Cash and balances with banks and other financial institutions | 589,749 | 367,480 | 3,833 | 13,132 |
| Money at call and deposit placements maturing within 1 month | 5,017,565 | 1,838,470 | 5,809 | 46,504 |
| | 5,607,314 | 2,205,950 | 9,642 | 59,636 |
| (b) Deposits and placements with banks and other financial institutions with original maturity of more than 1 month | 749,812 | 597,746 | 65,078 | 100,033 |
| | 6,357,126 | 2,803,696 | 74,720 | 159,669 |

The ECL for cash and short-term funds and deposits and placements above is nil (2022: nil).

As at reporting date, the dealer's representatives' and clients' monies held in trust by the Group amounted to approximately RM16,994,000 (2022: nil). These amounts are excluded from the cash and short-term funds of the Group.

4. Financial assets at FVTPL

| | Group | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Money Market Instruments | | |
| <u>In Malaysia</u> | | |
| Private mandate investments | 240,357 | 240,357 |
| Malaysian Government Investment Issues | 10,368 | - |
| | 250,725 | 240,357 |
| Unit trusts | 32,329 | - |
| | 283,054 | 240,357 |

5. Financial investments at FVOCI

| | 2023 RM'000 | Group 2022 RM'000 |
|--|----------------|-------------------------|
| Money Market Instruments | | |
| Malaysian Government Investment Issues | 8,326,803 | 8,479,600 |
| | 8,326,803 | 8,479,600 |
| Debt securities | | |
| <u>In Malaysia</u> | | |
| Private and Islamic debt securities | 2,597,651 | 1,021,894 |
| Government Guaranteed debt securities | 1,637,112 | 1,891,286 |
| Corporate bonds | 74,661 | - |
| | 4,309,424 | 2,913,180 |
| Equity instruments | | |
| Unquoted securities in Malaysia: | | |
| Shares - Malaysian Rating Corporation Berhad | 1,407 | - |
| | 1,407 | - |
| | 12,637,634 | 11,392,780 |

During the year, a total profit amounting to RM246,248,000 (loss in 2022: RM250,324,000) was recognised in other comprehensive income. Upon sale of the financial investments, the Group recognised a loss of RM50,111,000 (2022: loss of RM13,066,000) 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.

The Group designated the share investment under equity securities as FVOCI. The FVOCI designation was made as the investment is held for socio-economic purposes and not for trading. The dividend income recognised during the financial year is nil (2022: nil).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

5. Financial investments at FVOCI (cont'd.)

Movement of allowance for credit losses recognised in FVOCI reserve:

| | Group | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| At 1 January 2023 | 10 | - | - | 10 |
| Acquisition of MIDF | 358 | - | 20,960 | 21,318 |
| Total charge during the year: | 209 | - | - | 209 |
| New financial investments purchased during the year | 176 | - | - | 176 |
| Matured financial investments during the year | (14) | - | - | (14) |
| Changes in credit risk parameters | 47 | - | - | 47 |
| At 31 December 2023 | 577 | - | 20,960 | 21,537 |

| | Group | | | Total RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| At 1 January 2022 | 14 | - | - | 14 |
| Total reversal during the year: | (4) | - | - | (4) |
| Matured financial investments during the year | (4) | - | - | (4) |
| At 31 December 2022 | 10 | - | - | 10 |

6. Financial investments at amortised cost

| | Group | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Money Market Instruments | | |
| Malaysian Government Investment Issues | 1,262,183 | 378,302 |
| Debt securities | | |
| In Malaysia | | |
| Private and Islamic debt securities | 3,097,186 | 1,183,318 |
| Government Guaranteed corporate sukuk | 75,684 | 65,279 |
| Corporate bonds | 175,269 | - |
| | 4,610,322 | 1,626,899 |
| Less: ECL | | |
| - Stage 1 | (1,705) | (868) |
| - Stage 2 | (147) | (239) |
| | 4,608,470 | 1,625,792 |

6. 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 | |
| At 1 January 2023 | 868 | 239 | - | 1,107 |
| Acquisition of MIDF | 1,011 | - | - | 1,011 |
| Total reversal during the year: | (174) | (92) | - | (266) |
| Matured financial investments during the period | (32) | - | - | (32) |
| Changes in credit risk parameters | (226) | (92) | - | (318) |
| New financial investments purchased during the year | 84 | - | - | 84 |
| At 31 December 2023 | 1,705 | 147 | - | 1,852 |

| | Group | | | Total RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| At 1 January 2022 | 841 | 371 | - | 1,212 |
| Total charge/(reversal) during the year: | 27 | (132) | - | (105) |
| Matured financial investments during the period | (2) | - | - | (2) |
| Changes in credit risk parameters | (1) | (132) | - | (133) |
| New financial investments purchased during the year | 30 | - | - | 30 |
| At 31 December 2022 | 868 | 239 | - | 1,107 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

7. Derivative financial assets/(liabilities)

The following table summarises the contractual or underlying notional amounts of derivative financial instruments held at fair value through profit or loss. The notional or contractual amount of these instruments reflects the volume of transactions outstanding at financial position date and do not represent amounts at risk.

Derivative financial instruments are revalued on a gross position and the unrealised gains or losses are reflected as derivative financial assets and liabilities respectively.

| 2023 | National amount RM'000 | Group Fair Value | |
|---|------------------------------|---------------------|-----------------------|
| | | Assets RM'000 | Liabilities RM'000 |
| Derivatives | | | |
| <u>Foreign exchange contracts:</u> | | | |
| Currency forward | | | |
| - Less than one year | 2,820,048 | 32,805 | (5,158) |
| <u>Interest rate related derivatives:</u> | | | |
| Interest rate swaps | | | |
| - Less than one year | 300,000 | 7,275 | - |
| | 3,120,048 | 40,080 | (5,158) |

| 2022 | National amount RM'000 | Group Fair Value | |
|------------------------------------|------------------------------|---------------------|-----------------------|
| | | Assets RM'000 | Liabilities RM'000 |
| Derivatives | | | |
| <u>Foreign exchange contracts:</u> | | | |
| Currency forward | | | |
| - Less than one year | 1,976,886 | 15,017 | (23,470) |

8. Loans, financing and advances

| | Group | | Company | |
|--|-------------------|-------------------|----------------|----------------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| (i) By type | | | | |
| At amortised cost | | | | |
| Term loans/financing | | | | |
| - Personal financing | 19,467,482 | 19,154,239 | - | - |
| - Housing loans/ financing | 9,636,637 | 8,456,659 | - | 63,189 |
| - Industrial hire purchase | 764,085 | 718,549 | - | - |
| - Bridging loans/financing | 652,400 | 628,976 | 179,819 | 178,079 |
| - Auto financing | 22,667 | 45,128 | - | - |
| - Other term loans/financing | 5,505,197 | 4,664,864 | 352,342 | 387,798 |
| - Syndicated term loans/financing | 2,018,478 | 1,268,030 | - | - |
| Revolving credit | 113,356 | 1,614,785 | - | - |
| Trade finance | 2,637,621 | 1,827,761 | - | - |
| Margin accounts | 1,003,996 | - | - | - |
| Cashline | 193,585 | 141,846 | - | - |
| Staff loans/financing | 28,807 | 38,854 | - | - |
| Gross loans, financing and advances | 42,044,311 | 38,559,691 | 532,161 | 629,066 |
| Less: ECL | | | | |
| - Stage 1 | (344,317) | (293,979) | - | (1,222) |
| - Stage 2 | (80,059) | (337,893) | - | (3,493) |
| - Stage 3 | (1,128,408) | (994,161) | (259,936) | (255,900) |
| Net loans, financing and advances | 40,491,527 | 36,933,658 | 272,225 | 368,451 |

Included in personal financing and house financing are net financing that have been assigned as security for financing facilities granted to the Group as shown below:

| | Group | |
|--|---------------|---------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Islamic financing facility granted by: | | |
| (i) Cagamas Berhad - recourse obligation on financing sold (Note 23) | 4,382,769 | 4,707,136 |
| (ii) Sukuk (Note 24) | 1,502,126 | 1,736,343 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

8. Loans, financing and advances (cont'd.)

(ii) By residual contractual maturity

| | Group | | Company | |
|---------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Maturing within one year | 5,938,507 | 4,603,494 | 295,922 | 293,422 |
| One year to three years | 1,978,062 | 1,769,468 | - | 47,980 |
| Three years to five years | 2,591,709 | 2,147,521 | - | 2,809 |
| Over five years | 31,536,033 | 30,039,208 | 236,239 | 284,855 |
| | 42,044,311 | 38,559,691 | 532,161 | 629,066 |

(iii) By type of customers

| | Group | | Company | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Individuals: | | | | |
| - Malaysian nationals | 29,902,325 | 27,605,351 | - | 45,623 |
| Foreign nationals | 774,843 | 127,680 | - | - |
| Domestic business enterprises: | | | | |
| - Small medium enterprises | 4,552,390 | 3,101,506 | 437,066 | 443,202 |
| - Non-bank financial institutions | 718,567 | 1,422,819 | - | - |
| - Others | 6,096,186 | 6,302,335 | 95,095 | 140,241 |
| | 42,044,311 | 38,559,691 | 532,161 | 629,066 |

(iv) By sector

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Household sectors | 29,901,885 | 27,606,187 | - | 45,623 |
| Construction | 3,628,043 | 3,491,218 | 295,922 | 296,684 |
| Finance, insurance, real estate and business services | 3,104,470 | 3,398,089 | - | 3,425 |
| Wholesale & retail trade and restaurants & hotels | 1,584,976 | 1,087,502 | - | 3,033 |
| Manufacturing | 1,668,415 | 1,139,674 | - | 50,892 |
| Education, health and others | 1,134,669 | 473,462 | 236,239 | 228,202 |
| Transport, storage and communications | 505,549 | 339,613 | - | 1,207 |
| Mining and quarrying | 97,801 | 65,077 | - | - |
| Electricity, gas and water | 215,901 | 911,234 | - | - |
| Agriculture | 202,602 | 47,635 | - | - |
| | 42,044,311 | 38,559,691 | 532,161 | 629,066 |

8. Loans, financing and advances (cont'd.)**(v) By profit rate sensitivity**

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Fixed rate: | | | | |
| Personal financing | 13,109,750 | 14,704,766 | - | - |
| Bridging, structured and term loans and financing | 1,939,089 | 771,881 | - | - |
| Mortgage and property Islamic | 345,749 | 379,062 | - | 121 |
| Auto financing | 24,427 | 47,105 | - | - |
| Variable rate: | | | | |
| Bridging, structured and term loans and financing | 10,949,629 | 10,092,931 | 532,161 | 565,877 |
| Mortgage and property Islamic | 9,317,370 | 8,106,724 | - | 63,068 |
| Personal financing | 6,358,297 | 4,457,222 | - | - |
| | 42,044,311 | 38,559,691 | 532,161 | 629,066 |

(vi) By geographical distribution

| | Group | | Company | |
|----------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Malaysia | 42,044,311 | 38,559,691 | 532,161 | 629,066 |

(vii) Movement of gross loans, financing and advances

| 2023 | Group | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 33,407,228 | 2,545,236 | 2,607,227 | 38,559,691 |
| Acquisition of MIDF | 1,646,040 | 74,285 | 288,598 | 2,008,923 |
| Transfer to Stage 1 | 1,108,840 | (1,032,060) | (76,780) | - |
| Transfer to Stage 2 | (541,739) | 621,480 | (79,741) | - |
| Transfer to Stage 3 | (168,120) | (376,845) | 544,965 | - |
| New financing/disbursement during the year | 10,122,453 | 535,537 | 406,125 | 11,064,115 |
| Repayment during the year | (8,388,509) | (568,370) | (412,152) | (9,369,031) |
| Other movements | 95,344 | (45,829) | 166,537 | 216,052 |
| Derecognition of credit impaired financial asset | - | - | (44,200) | (44,200) |
| Reclassification from non-current assets held for sale | - | - | 1,403 | 1,403 |
| Write-offs | (791) | (903) | (328,633) | (330,327) |
| Derecognition due to debt sale | (36,694) | (7,986) | (17,635) | (62,315) |
| As at 31 December | 37,244,052 | 1,744,545 | 3,055,714 | 42,044,311 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

8. Loans, financing and advances (cont'd.)

(vii) Movement of gross loans, financing and advances (cont'd.)

| 2022 | Group | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 29,172,078 | 5,342,428 | 1,666,104 | 36,180,610 |
| Transfer to Stage 1 | 2,181,325 | (2,162,852) | (18,473) | - |
| Transfer to Stage 2 | (865,713) | 901,510 | (35,797) | - |
| Transfer to Stage 3 | (218,266) | (859,367) | 1,077,633 | - |
| New financing/disbursement during the year | 8,024,878 | 498,125 | 112,761 | 8,635,764 |
| Repayment during the year | (4,893,626) | (1,059,852) | (146,750) | (6,100,228) |
| Other movements | 66,196 | (108,156) | 188,415 | 146,455 |
| Loss on modification of cash flows | (57,135) | (2,839) | - | (59,974) |
| Reclassification from non-current assets held for sale | - | - | 12,214 | 12,214 |
| Write-offs | (2,509) | (3,761) | (248,880) | (255,150) |
| As at 31 December | 33,407,228 | 2,545,236 | 2,607,227 | 38,559,691 |

| 2023 | Company | | | Total RM'000 |
|--------------------------------|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 36,972 | 54,471 | 537,623 | 629,066 |
| Transfer to Stage 1 | 33 | (33) | - | - |
| Repayment during the year | (269) | (46,452) | (49) | (46,770) |
| Other movements | - | - | 12,722 | 12,722 |
| Refinancing to MBSB Bank | (42) | - | (251) | (293) |
| Write-offs | - | - | (249) | (249) |
| Derecognition due to debt sale | (36,694) | (7,986) | (17,635) | (62,315) |
| As at 31 December | - | - | 532,161 | 532,161 |

| 2022 | Company | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 42,791 | 120,351 | 702,575 | 865,717 |
| Transfer to Stage 1 | 6,440 | (6,067) | (373) | - |
| Transfer to Stage 2 | (4,767) | 5,073 | (306) | - |
| Transfer to Stage 3 | (1,699) | (5,345) | 7,044 | - |
| New financing/disbursement during the year | 88 | 123 | - | 211 |
| Repayment during the year | (5,674) | (11,910) | (22,148) | (39,732) |
| Other movements | 195 | 195 | 8,220 | 8,610 |
| Refinancing to MBSB Bank | (376) | (47,810) | (130,239) | (178,425) |
| Write-offs | (26) | (139) | (27,150) | (27,315) |
| As at 31 December | 36,972 | 54,471 | 537,623 | 629,066 |

8. Loans, financing and advances (cont'd.)**(viii) Movement of ECL for loans, financing and advances**

| 2023 | Group | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 293,979 | 337,893 | 994,161 | 1,626,033 |
| Acquisition of MIDF | 4,857 | 2,284 | 155,692 | 162,833 |
| Charged/(reversal) to profit or loss (Note 33) | 46,554 | (258,530) | 319,493 | 107,517 |
| Changes in the ECL due to transfer within stages: | | | | |
| - Transfer to Stage 1 | 145,683 | (91,777) | (53,906) | - |
| - Transfer to Stage 2 | (4,752) | 34,332 | (29,580) | - |
| - Transfer to Stage 3 | (2,418) | (80,799) | 83,217 | - |
| New financing/disbursement during the year | 107,226 | 10,519 | 10,536 | 128,281 |
| Repayment during the year | (206,744) | (104,370) | (49,756) | (360,870) |
| Changes in credit risk parameters # | 17,313 | (26,310) | 378,202 | 369,205 |
| Changes to model assumptions and methodologies ^ | (9,754) | (125) | 25 | (9,854) |
| Derecognition of credit impaired financial asset | - | - | (19,245) | (19,245) |
| Reclassification from non-current assets held for sale | - | - | 1,417 | 1,417 |
| Write-offs | - | - | (326,371) | (326,371) |
| Derecognition due to debt sale | (1,073) | (1,588) | (15,701) | (18,362) |
| Others | - | - | (283) | (283) |
| As at 31 December | 344,317 | 80,059 | 1,128,408 | 1,552,784 |

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.

^ The changes to model assumptions and methodologies were in relation to incorporation of MEV factors with more intuitive trends, revision to Probability of Default ("PD") and Loss Given Default ("LGD") modelling and revisions to management overlay assumptions.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

8. Loans, financing and advances (cont'd.)

(viii) Movement of ECL for loans, financing and advances (cont'd.)

| 2022 | Group | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 347,004 | 597,878 | 732,626 | 1,677,508 |
| (Reversal)/charged to profit or loss (Note 33) | (53,025) | (259,985) | 487,956 | 174,946 |
| Changes in the ECL due to transfer within stages: | | | | |
| - Transfer to Stage 1 | 231,081 | (220,164) | (10,917) | - |
| - Transfer to Stage 2 | (13,883) | 37,172 | (23,289) | - |
| - Transfer to Stage 3 | (2,729) | (126,049) | 128,778 | - |
| New financing/disbursement during the year | 85,738 | 27,214 | 14,897 | 127,849 |
| Repayment during the year | (242,969) | (44,178) | (50,534) | (337,681) |
| Changes in credit risk parameters # | (8,839) | 66,896 | 476,168 | 534,225 |
| Change to model assumptions and methodologies ^ | (101,424) | (876) | (47,147) | (149,447) |
| Reclassification from non-current assets held for sale | - | - | 10,656 | 10,656 |
| Write-offs | - | - | (237,077) | (237,077) |
| As at 31 December | 293,979 | 337,893 | 994,161 | 1,626,033 |

| 2023 | Company | | | Total RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 1,222 | 3,493 | 255,900 | 260,615 |
| (Reversal)/charged to profit or loss (Note 33) | (149) | (1,905) | 19,737 | 17,683 |
| Changes in the ECL due to transfer within stages: | | | | |
| - Transfer to Stage 1 | 2 | (2) | - | - |
| Repayment during the year | (150) | (1,903) | (344) | (2,397) |
| Changes in credit risk parameters # | - | - | 20,224 | 20,224 |
| Refinancing to MBSB Bank | (1) | - | (143) | (144) |
| Derecognition due to debt sale | (1,073) | (1,588) | (15,701) | (18,362) |
| As at 31 December | - | - | 259,936 | 259,936 |

The changes in credit risk parameters include impact of forward-looking on key MEV and changes to loss rate for the ECL model.

^ The changes to model assumptions and methodologies were in relation to incorporation of MEV factors with more intuitive trends, revision to PD and LGD modelling and revisions to management overlay assumptions.

8. Loans, financing and advances (cont'd.)**(viii) Movement of ECL for loans, financing and advances (cont'd.)**

| 2022 | Company | | | Total RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 1,527 | 8,984 | 378,117 | 388,628 |
| Reversal to profit or loss (Note 33) | (305) | (5,491) | (95,256) | (101,052) |
| Changes in the ECL due to transfer within stages: | | | | |
| - Transfer to Stage 1 | 726 | (439) | (287) | - |
| - Transfer to Stage 2 | (163) | 419 | (256) | - |
| - Transfer to Stage 3 | (59) | (709) | 768 | - |
| Repayment during the year | (860) | (442) | (23,914) | (25,216) |
| Changes in credit risk parameters # | 66 | 1,394 | 17,713 | 19,173 |
| Change to model assumptions and methodologies ^ | - | 1,006 | - | 1,006 |
| Refinancing to MBSB Bank | (15) | (6,720) | (89,280) | (96,015) |
| Write-offs | - | - | (26,961) | (26,961) |
| As at 31 December | 1,222 | 3,493 | 255,900 | 260,615 |

The changes in credit risk parameters include impact of forward-looking on key MEV and changes to loss rate for the ECL model.

^ The changes to model assumptions and methodologies were in relation to incorporation of MEV factors with more intuitive trends, revision to PD and LGD modelling and revisions to management overlay assumptions.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

8. Loans, financing and advances (cont'd.)

(ix) Movements of impaired loans, financing and advances

| | Group | | Company | |
|---|------------------|------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Balance as at 1 January | 2,607,227 | 1,666,104 | 537,623 | 702,575 |
| Acquisition of MIDF | 288,598 | - | - | - |
| Classified as impaired during the year | 951,090 | 1,190,394 | - | 7,044 |
| Reclassified as non-impaired | (156,521) | (54,270) | - | (679) |
| Repayment during the year | (412,152) | (146,750) | (49) | (22,148) |
| Other movements | 166,537 | 188,415 | 12,722 | 8,220 |
| Derecognition of credit impaired financial asset | (44,200) | - | - | - |
| Refinancing to MBSB Bank | - | - | (251) | (130,239) |
| Reclassification from non-current assets held for sale | 1,403 | 12,214 | - | - |
| Amount written off | (328,633) | (248,880) | (249) | (27,150) |
| Derecognition due to debt sale | (17,635) | - | (17,635) | - |
| Balance as at 31 December | 3,055,714 | 2,607,227 | 532,161 | 537,623 |
| Less: ECL stage 3 | (1,128,408) | (994,161) | (259,936) | (255,900) |
| Net impaired loans, advances and financing | 1,927,306 | 1,613,066 | 272,225 | 281,723 |
| | | | | |
| Net impaired as a percentage of net loans, financing and advances | 4.76% | 4.37% | 100.00% | 76.46% |
| | | | | |
| Gross impaired as a percentage of gross loans, financing and advances | 7.27% | 6.76% | 100.00% | 85.46% |

(x) Impaired loans, financing and advances by sector

| | Group | | Company | |
|---|------------------|------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Household sector | 691,906 | 502,986 | - | 16,594 |
| Construction | 1,096,024 | 1,074,928 | 295,922 | 292,328 |
| Education, health and others | 380,141 | 312,717 | 236,239 | 227,817 |
| Finance, insurance, real estate and business services | 344,635 | 195,691 | - | 884 |
| Manufacturing | 183,692 | 233,941 | - | - |
| Wholesale & retail trade and restaurants & hotels | 306,563 | 286,095 | - | - |
| Transport, storage and communication | 4,253 | 358 | - | - |
| Mining and quarrying | 48,500 | 511 | - | - |
| Total | 3,055,714 | 2,607,227 | 532,161 | 537,623 |

8. Loans, financing and advances (cont'd.)**(xi) Impaired loans, financing and advances by geographical distribution**

| | Group | | Company | |
|----------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Malaysia | 3,055,714 | 2,607,227 | 532,161 | 537,623 |

9. Other receivables

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Amount due from MBSB Bank | - | - | 35,619 | - |
| Amount due from other subsidiaries | - | - | - | 53,863 |
| Foreclosed properties (a) | 36,580 | 41,238 | 309 | 41,238 |
| Prepayments and deposits (b) | 32,530 | 16,364 | - | - |
| Fee receivables | 63,800 | - | - | - |
| Sundry receivables | 153,685 | 26,239 | 1,266 | 1,387 |
| Public Low Cost Housing Programme ("PLCHP") | - | 23 | - | 23 |
| Deferred expenses | 60,849 | 41,706 | - | - |
| Amount due from brokers and clients (c) | 20,249 | - | - | - |
| Trade receivable | - | 56 | - | - |
| | 367,693 | 125,626 | 37,194 | 96,511 |
| Less: | | | | |
| ECL | | | | |
| - Non trade | (23,476) | (135) | - | (53,863) |
| - Trade | - | (56) | - | - |
| | 344,217 | 125,435 | 37,194 | 42,648 |

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For the Financial Year Ended 31 December 2023

9. Other receivables (cont'd.)

Movement in ECL for other assets is as follows:

| 2023 | Group | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | - | - | 191 | 191 |
| Addition from acquisition of MIDF | - | - | 101,082 | 101,082 |
| Total charged to profit or loss (Note 33) | - | - | 19,305 | 19,305 |
| Other receivables | - | - | 60 | 60 |
| Recognition of credit impaired financial asset | - | - | 19,245 | 19,245 |
| Write-off | - | - | (97,102) | (97,102) |
| | - | - | 23,476 | 23,476 |

| 2022 | Group | | | Total RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | - | - | 621,739 | 621,739 |
| Total charged to profit or loss (Note 33) | - | - | (59) | (59) |
| Trade and other receivables | - | - | (59) | (59) |
| Write-off | - | - | (621,489) | (621,489) |
| | - | - | 191 | 191 |

| 2023 | Company | | | Total RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | - | - | 53,863 | 53,863 |
| Total charged to profit or loss (Note 33) | - | - | 1,654 | 1,654 |
| Amount due from subsidiaries | - | - | 1,654 | 1,654 |
| Write-off | - | - | (55,517) | (55,517) |
| | - | - | - | - |

9. Other receivables (cont'd.)

Movement in ECL for other assets is as follows: (cont'd.)

| 2022 | Company | | | Total RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | - | - | 50,172 | 50,172 |
| Total charged to profit or loss (Note 33) | - | - | 3,691 | 3,691 |
| Amount due from subsidiaries | - | - | 3,691 | 3,691 |
| | - | - | 53,863 | 53,863 |

(a) Foreclosed properties

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 2023. 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 | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Balance as at 1 January | 10,717 | 13,059 | 10,717 | 13,059 |
| (Writeback)/allowance made during the financial year | 202 | (168) | 109 | (168) |
| Disposal made during the financial year | (7,947) | (2,174) | (7,947) | (2,174) |
| Transfer to MBSB Bank | - | - | (2,321) | - |
| Balance as at 31 December | 2,972 | 10,717 | 558 | 10,717 |

(b) Prepayments and deposits

Included in prepayments and deposits of the Group and of the Company are rental deposits paid to the EPF, the ultimate holding body, amounting to nil (2022: RM17,235).

(c) Amount due from brokers and clients

Clients' and brokers' debit balances arose from trading of securities, through the investment banking subsidiary, which are not yet due for settlement as at reporting date.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

10. Deferred tax assets/(liabilities)

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| At 1 January | 93,634 | 8,695 | (1,960) | 3,458 |
| Addition from acquisition of MIDF | 14,417 | - | - | - |
| Recognised in profit or loss (Note 37) | 46,895 | 27,967 | 1,786 | (5,418) |
| Recognised in other comprehensive income (Note 37) | (71,297) | 56,972 | - | - |
| At 31 December | 83,649 | 93,634 | (174) | (1,960) |

Presented, after appropriate offsetting, as follows:

| | | | | |
|--------------------------|----------|----------|-------|---------|
| Deferred tax assets | 95,220 | 107,237 | - | - |
| Deferred tax liabilities | (11,571) | (13,603) | (174) | (1,960) |
| | 83,649 | 93,634 | (174) | (1,960) |

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:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Deferred tax assets (before offsetting) | | | | |
| Accelerated capital allowances | - | - | 522 | - |
| Fair value reserve of financial investment at FVOCI | 40,702 | 107,816 | - | - |
| Impairment allowance | 50,892 | - | - | - |
| Others | 12,674 | 14,754 | 124 | 3,556 |
| | 104,268 | 122,570 | 646 | 3,556 |
| Offsetting | (9,048) | (15,333) | (646) | (3,556) |
| | 95,220 | 107,237 | - | - |
| Deferred tax liabilities (before offsetting) | | | | |
| Accelerated capital allowances | (5,838) | (27,391) | - | (2,606) |
| Impairment allowances | - | (1,545) | (820) | (2,910) |
| Others | (14,781) | - | - | - |
| | (20,619) | (28,936) | (820) | (5,516) |
| Offsetting | 9,048 | 15,333 | 646 | 3,556 |
| | (11,571) | (13,603) | (174) | (1,960) |

10. 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:

| Group | Accelerated capital allowances RM'000 | Fair value reserve of financial investments at FVOCI RM'000 | Impairment allowances RM'000 | Others RM'000 | Total RM'000 |
|---|--|--|------------------------------------|------------------|-----------------|
| Deferred tax assets/(liabilities) | | | | | |
| At 1 January 2023 | (27,391) | 107,816 | (1,545) | 14,754 | 93,634 |
| Addition from acquisition of MIDF | (655) | 3,996 | 1,979 | 9,097 | 14,417 |
| Recognised in profit or loss (Note 37) | 22,208 | - | 50,458 | (25,771) | 46,895 |
| Recognised in other comprehensive income | - | (71,110) | - | (187) | (71,297) |
| At 31 December 2023 | (5,838) | 40,702 | 50,892 | (2,107) | 83,649 |
| At 1 January 2022 | | | | | |
| Recognised in profit or loss (Note 37) | 4,950 | - | 2,770 | 20,247 | 27,967 |
| Recognised in other comprehensive income | - | 56,972 | - | - | 56,972 |
| At 31 December 2022 | (27,391) | 107,816 | (1,545) | 14,754 | 93,634 |
| Company | | | | | |
| Deferred tax assets/(liabilities) | | | | | |
| At 1 January 2023 | | (2,606) | (2,910) | 3,556 | (1,960) |
| Recognised in profit or loss (Note 37) | | 3,128 | 2,090 | (3,432) | 1,786 |
| At 31 December 2023 | | 522 | (820) | 124 | (174) |
| At 1 January 2022 | | | | | |
| Recognised in profit or loss (Note 37) | | (3,134) | 1,256 | (3,540) | (5,418) |
| At 31 December 2022 | | (2,606) | (2,910) | 3,556 | (1,960) |

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For the Financial Year Ended 31 December 2023

10. Deferred tax assets/(liabilities) (cont'd.)

Deferred tax assets have not been recognised in respect of the following items:

| | Group | |
|-------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Unutilised tax losses | 554,212 | 114,111 |
| Unabsorbed capital allowances | 201 | - |
| Others | - | 1,380 |

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:

| | Group | |
|---------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Expiring 2028 | 477,394 | 109,654 |
| Expiring 2029 | 306 | 413 |
| Expiring 2030 | 52 | 425 |
| Expiring 2031 | 10,748 | 12 |
| Expiring 2032 | 22,889 | 3,607 |
| Expiring 2033 | 42,823 | - |
| | 554,212 | 114,111 |

11. 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.

12. Investments in subsidiaries

| | Company | |
|-------------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Unquoted shares at cost | 7,567,399 | 6,595,040 |
| Less: Accumulated impairment losses | (36,604) | (36,604) |
| | 7,530,795 | 6,558,436 |

12. Investments in subsidiaries (cont'd.)

Movements in the cost of investment is as follows:

| | Company | |
|---------------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Balance as at 1 January | 6,595,040 | 5,595,040 |
| Subscription of shares in MBSB Bank | 200,000 | 1,000,000 |
| Investment in Emerald Unity Sdn. Bhd. | * | - |
| Acquisition of MIDF | 772,359 | - |
| | 7,567,399 | 6,595,040 |

* On 30 March 2023, the Company incorporated Emerald Unity Sdn. Bhd. with investment of RM1.

(a) The details of the subsidiaries are as follows:

| Name of subsidiaries | Effective interest held (%) | | Principal activities |
|---|-----------------------------|------|--|
| | 2023 | 2022 | |
| MBSB Bank Berhad | 100 | 100 | Islamic banking and related financial services |
| Malaysian Industrial Development Finance Berhad ("MIDF") ¹ | 100 | - | Investment holding |
| MBSB Properties Sdn. Bhd. | 100 | 100 | Leasing of real property |
| MBSB Development Sdn. Bhd. | 100 | 100 | Property development |
| Prudent Legacy Sdn. Bhd. ^{1 2 3} | 92 | 92 | In liquidation |
| Definite Pure Sdn. Bhd. ² | 100 | 100 | Property development |
| Malaya Borneo Building Society Limited ("MBBS") ^{1 2} | - | 100 | Struck off |
| MBSB Tower Sdn. Bhd. | 100 | 100 | Property development |
| 88 Legacy Sdn. Bhd. | 100 | 100 | Property development |
| Emerald Unity Sdn. Bhd. | 100 | - | Special purpose vehicle |

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For the Financial Year Ended 31 December 2023

12. Investments in subsidiaries (cont'd.)

(a) The details of the subsidiaries are as follows: (cont'd.)

| Name of subsidiaries | Effective interest held (%) | | Principal activities |
|--|-----------------------------|------|---|
| | 2023 | 2022 | |
| <u>Subsidiary of MBSB Bank</u> Jana Kapital Sdn. Bhd. | 100 | 100 | Investment holding |
| <u>Subsidiaries of MIDF</u> MIDF Amanah Investment Bank Berhad ¹ | 100 | - | Investment banking and related financial services |
| MIDF Amanah Asset Management Berhad ¹ | 100 | - | Fund management and investment advisory |
| MIDF Amanah Capital Berhad ¹ | 100 | - | Investment and property holding |
| MIDF DFI Bhd ¹ | 100 | - | Dormant |
| Amanah International Finance Sdn. Bhd. ¹ | 100 | - | Provision of real estate |
| MIDF Amanah Ventures Sdn. Bhd ¹ | 100 | - | Venture capital |
| Omega Matrix (M) Sdn. Bhd. ¹ | 100 | - | Loan management |
| Oriental 1936 Berhad ¹ | 75.2 | - | Dormant |
| <u>Subsidiaries of</u> <u>MIDF Amanah Investment Bank Berhad</u> MIDF Amanah Investment Nominees (Asing) Sdn. Bhd. | 100 | - | Investment banking and related financial services |
| MIDF Amanah Investment Nominees (Tempatan) Sdn. Bhd. | 100 | - | Investment banking and related financial services |

¹ Audited by a firm of auditors other than PricewaterhouseCoopers PLT

² Dormant entity

³ In liquidation and did not give rise significant impact to the result of the Group and the Company

All the above subsidiaries were incorporated in Malaysia except for MBBS which was incorporated in Singapore.

13. Property and equipment

| Group | Freehold land RM'000 | Building RM'000 | Building renovation RM'000 | Furniture and equipment RM'000 | Motor vehicles RM'000 | Data processing equipment RM'000 | Work in progress RM'000 | Total RM'000 |
|--|-------------------------|--------------------|-------------------------------|--------------------------------------|--------------------------|--|-------------------------------|-----------------|
| Cost | | | | | | | | |
| At 1 January 2023 | 5,933 | 259,242 | 94,765 | 22,412 | 1,674 | 108,060 | 525 | 492,611 |
| Addition from acquisition of MIDF | - | 2,166 | 8,099 | 11,509 | 2,850 | 18,619 | 470 | 43,713 |
| Additions | - | - | 21,036 | 5,400 | - | 4,407 | 8,339 | 39,182 |
| Transfer to non-current assets held for sale (Note 18) | - | (794) | (951) | - | - | - | - | (1,745) |
| Transfer from intangible assets (Note 17) | - | - | - | - | - | - | 831 | 831 |
| Disposal | - | - | - | - | (554) | - | - | (554) |
| Reclassification | - | - | 5,578 | - | - | 1,566 | (7,144) | - |
| Written off | - | - | (142) | (53) | - | (701) | - | (896) |
| At 31 December 2023 | 5,933 | 260,614 | 128,385 | 39,268 | 3,970 | 131,951 | 3,021 | 573,142 |
| Accumulated depreciation and impairment losses | | | | | | | | |
| At 1 January 2023: | | | | | | | | |
| Accumulated depreciation | - | 24,037 | 56,597 | 19,802 | 1,104 | 69,568 | - | 171,108 |
| Accumulated impairment losses | - | 277 | - | - | - | - | - | 277 |
| Addition from acquisition of MIDF | - | 24,314 | 56,597 | 19,802 | 1,104 | 69,568 | - | 171,385 |
| Depreciation charge for the year (Note 35) | - | 1,635 | 7,526 | 11,352 | 1,960 | 17,409 | - | 39,882 |
| Transfer to non-current assets held for sale (Note 18) | - | 8,382 | 15,891 | 1,713 | 289 | 13,456 | - | 39,731 |
| Disposal | - | (592) | (952) | - | - | - | - | (1,544) |
| Reclassification | - | - | - | - | (249) | - | - | (249) |
| Written off | - | - | 2 | (4) | - | 2 | - | - |
| | - | - | (142) | (53) | - | (701) | - | (896) |
| At 31 December 2023 | - | 33,739 | 78,922 | 32,810 | 3,104 | 99,734 | - | 248,309 |
| Analysed as: | | | | | | | | |
| Accumulated depreciation | - | 33,462 | 78,922 | 32,810 | 3,104 | 99,734 | - | 248,032 |
| Accumulated impairment losses | - | 277 | - | - | - | - | - | 277 |
| Net book value | | | | | | | | |
| At 31 December 2023 | 5,933 | 226,875 | 49,463 | 6,458 | 866 | 32,217 | 3,021 | 324,833 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

13. Property and equipment (cont'd.)

| Group | Freehold land RM'000 | Building RM'000 | Building renovation RM'000 | Furniture and equipment RM'000 | Motor vehicles RM'000 | Data processing equipment RM'000 | Work in progress RM'000 | Total RM'000 |
|---|-------------------------|--------------------|----------------------------------|---|-----------------------------|---|----------------------------------|-----------------|
| Cost | | | | | | | | |
| At 1 January 2022 | 5,933 | 254,009 | 42,991 | 21,740 | 1,357 | 100,705 | 49,470 | 476,205 |
| Additions | - | 6,045 | 2,316 | 744 | 317 | 7,428 | 525 | 17,375 |
| Transfer to non-current assets held for sale (Note 18) | - | (812) | (12) | - | - | - | - | (824) |
| Disposals | - | - | - | (72) | - | (73) | - | (145) |
| Reclassification | - | - | 49,470 | - | - | - | (49,470) | - |
| At 31 December 2022 | 5,933 | 259,242 | 94,765 | 22,412 | 1,674 | 108,060 | 525 | 492,611 |
| Accumulated depreciation and impairment losses | | | | | | | | |
| At 1 January 2022: | | | | | | | | |
| Accumulated depreciation | - | 14,065 | 38,457 | 18,724 | 944 | 56,452 | - | 128,642 |
| Accumulated impairment losses | - | 277 | - | - | - | - | - | 277 |
| Depreciation charge for the year (Note 35) | - | 14,342 | 38,457 | 18,724 | 944 | 56,452 | - | 128,919 |
| Transfer to non-current assets held for sale (Note 18) | - | 10,524 | 18,152 | 1,144 | 160 | 13,176 | - | 43,156 |
| Disposals | - | (552) | (12) | - | - | - | - | (564) |
| | - | - | - | (66) | - | (60) | - | (126) |
| At 31 December 2022 | - | 24,314 | 56,597 | 19,802 | 1,104 | 69,568 | - | 171,385 |
| Analysed as: | | | | | | | | |
| Accumulated depreciation | - | 24,037 | 56,597 | 19,802 | 1,104 | 69,568 | - | 171,108 |
| Accumulated impairment losses | - | 277 | - | - | - | - | - | 277 |
| Net book value | | | | | | | | |
| At 31 December 2022 | 5,933 | 234,928 | 38,168 | 2,610 | 570 | 38,492 | 525 | 321,226 |

13. Property and equipment (cont'd.)

| Company | Freehold land RM'000 | Buildings RM'000 | Furniture and equipment RM'000 | Data processing equipment RM'000 | Total RM'000 |
|---|----------------------------|---------------------|---|---|-----------------|
| Cost | | | | | |
| At 1 January 2023 | 9,968 | 18,579 | - | - | 28,547 |
| Additions | - | - | 7 | 7 | 14 |
| | 9,968 | 18,579 | 7 | 7 | 28,561 |
| Accumulated depreciation | | | | | |
| At 1 January 2023 | - | 5,572 | - | - | 5,572 |
| Depreciation charge for the year (Note 35) | - | 465 | - | - | 465 |
| At 31 December 2023 | - | 6,037 | - | - | 6,037 |
| Net book value | | | | | |
| At 31 December 2023 | 9,968 | 12,542 | 7 | 7 | 22,524 |
| | | | | | |
| | Freehold land RM'000 | Buildings RM'000 | Furniture and equipment RM'000 | Data processing equipment RM'000 | Total RM'000 |
| Cost | | | | | |
| At 1 January 2022 | 9,968 | 18,579 | - | - | 28,547 |
| Accumulated depreciation | | | | | |
| At 1 January 2022 | - | 5,108 | - | - | 5,108 |
| Depreciation charge for the year (Note 35) | - | 481 | - | - | 481 |
| Net transfer to MBSB Bank | - | (17) | - | - | (17) |
| At 31 December 2022 | - | 5,572 | - | - | 5,572 |
| Net book value | | | | | |
| At 31 December 2022 | 9,968 | 13,007 | - | - | 22,975 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

14. Right-of-use assets and lease liabilities

(a) Right-of-use assets

Carrying amount of right-of-use assets by class of underlying assets are as follows:

| | Group | |
|----------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Office equipment | 320 | 436 |
| Buildings | 27,113 | 15,279 |
| Land use rights | 246 | - |
| Network and security | 2,206 | 11,028 |
| | 29,885 | 26,743 |

Additions to the right-of-use assets and depreciation charge during the financial year for the Group is as follows:

| | Office equipment RM'000 | Buildings RM'000 | Land- use rights RM'000 | Network and security RM'000 | Total RM'000 |
|--|-------------------------------|---------------------|-------------------------------|-----------------------------------|-----------------|
| 2023 | | | | | |
| 1 January | 436 | 15,279 | - | 11,028 | 26,743 |
| Addition from acquisition of MIDF | - | 1,862 | 250 | - | 2,112 |
| Charge for the financial year (Note 35) | (341) | (16,957) | (4) | (8,822) | (26,124) |
| Additions | 225 | 26,929 | - | - | 27,154 |
| At 31 December | 320 | 27,113 | 246 | 2,206 | 29,885 |
| 2022 | | | | | |
| At 1 January | 731 | 17,832 | - | 19,850 | 38,413 |
| Charge for the financial year (Note 35) | (374) | (13,112) | - | (8,822) | (22,308) |
| Additions | 79 | 10,559 | - | - | 10,638 |
| At 31 December | 436 | 15,279 | - | 11,028 | 26,743 |

14. Right-of-use assets and lease liabilities (cont'd.)**(b) Lease liabilities**

| | Group | |
|--------------------|--------|--------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Non-current | | |
| Lease liabilities | 25,593 | 19,955 |
| Current | | |
| Lease liabilities | 4,371 | 7,379 |
| | 29,964 | 27,334 |

The movement of lease liabilities during the financial year is as follows:

| | Group | |
|-----------------------------------|----------|----------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| At 1 January | 27,334 | 38,998 |
| Addition from acquisition of MIDF | 1,963 | - |
| Additions | 27,040 | 10,635 |
| Profit expense on leases | 917 | 1,023 |
| Lease payments | (27,290) | (23,322) |
| At 31 December | 29,964 | 27,334 |

Amount recognised in the statement of cash flows:

| | Group | |
|---|----------|----------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Included in net cash from financing activities | | |
| Profit expense on lease liabilities (Note 35) | 917 | 1,023 |
| Payment of lease liabilities | (27,290) | (23,322) |
| Total cash outflow for leases | (26,373) | (22,299) |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

15. Investment properties

| | Group | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| At cost | | |
| Freehold land | 820 | 820 |
| Buildings | 4,442 | - |
| | 5,262 | 820 |
| Accumulated depreciation | | |
| At 1 January | - | - |
| Addition from acquisition of MIDF | 2,148 | - |
| Depreciation charge for the year (Note 35) | 22 | - |
| At 31 December | 2,170 | - |
| Net book value | 3,092 | 820 |

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

Had these buildings been carried at fair value, the carrying amounts, by class, that would have been included in the financial statements of the group are as follows:

| | Group | |
|------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Investment properties | | |
| Freehold land | 1,300 | 1,250 |
| Buildings | 8,608 | - |
| | 9,908 | 1,250 |

The fair value of the investment property of RM9,908,000 (2022: 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.

16. Goodwill

| | Group | |
|----------|----------------|----------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Goodwill | 148,031 | 148,031 |
| | 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 acquisition of MBSB Bank in February 2018.

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.

Impairment testing for CGU containing goodwill

The recoverable amount of CGUs is determined based on VIU calculations. VIU is the present value of the future cash flows expected to be derived from the CGUs or groups of CGUs. This calculation uses pre-tax cash flow projections based on the 2024 financial budget, which is approved by the Board of Directors with a further projection of 2 years (2022: 2 years). Cash flows beyond the 3 years period are extrapolated using an estimated growth rate of 4.0% (2022: 4.0%) representing the forecasted Gross Domestic Product growth rate of the country for all CGUs.

The cash flow projections are derived based on a number of key factors including past performance and management's expectation of market developments. The discount rates used are pre-tax and reflect specific risks relating to the CGUs.

In addition, the recoverable amount is assessed by incorporating multiple scenarios with variation in the assumptions used including discount rate and growth rates to estimate the expected cash flow, to allow assessment on the sensitivity of goodwill recoverable amount taking into consideration assumed probabilities of different future events and/or scenarios, in view of the uncertain economic condition.

The estimated terminal growth rates and discount rates used for VIU calculations are as follows:

| | Terminal Growth rate | | Discount rate | |
|-------------------|---------------------------------|-------------|--------------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 |
| Corporate Banking | 4.0% | 4.0% | 10.1% | 12.9% |
| Retail Banking | 4.0% | 4.0% | 10.3% | 12.5% |

Based on the impairment test performed, management believes that no reasonable possible change in any of the key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

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For the Financial Year Ended 31 December 2023

17. Intangible assets

| Group | Software license RM'000 | Work in progress RM'000 | Banking license RM'000 | Core deposits RM'000 | Total RM'000 |
|---|-------------------------------|-------------------------------|------------------------------|----------------------------|-----------------|
| Cost | | | | | |
| At 1 January 2023 | 324,662 | 7,004 | 47,415 | 6,216 | 385,297 |
| Addition from acquisition of MIDF | 33,415 | 7,186 | - | - | 40,601 |
| Additions | 19,689 | 24,395 | - | - | 44,084 |
| Reclassification | 15,718 | (15,718) | - | - | - |
| Transfer to property and equipment (Note 13) | - | (831) | - | - | (831) |
| At 31 December 2023 | 393,484 | 22,036 | 47,415 | 6,216 | 469,151 |
| Accumulated amortisation | | | | | |
| At 1 January 2023 | 235,509 | - | - | 5,094 | 240,603 |
| Addition from acquisition of MIDF | 25,753 | - | - | - | 25,753 |
| Amortisation charge for the year (Note 35) | 40,633 | - | - | 1,036 | 41,669 |
| At 31 December 2023 | 301,895 | - | - | 6,130 | 308,025 |
| Net book value | | | | | |
| At 31 December 2023 | 91,589 | 22,036 | 47,415 | 86 | 161,126 |
| | | | Note (a) | Note (b) | |
| | Software license RM'000 | Work in progress RM'000 | Banking license RM'000 | Core deposits RM'000 | Total RM'000 |
| Cost | | | | | |
| At 1 January 2022 | 293,730 | 2,528 | 47,415 | 6,216 | 349,889 |
| Additions | 26,301 | 9,107 | - | - | 35,408 |
| Reclassification | 4,631 | (4,631) | - | - | - |
| At 31 December 2022 | 324,662 | 7,004 | 47,415 | 6,216 | 385,297 |
| Accumulated amortisation | | | | | |
| At 1 January 2022 | 195,074 | - | - | 4,055 | 199,129 |
| Amortisation charge for the year (Note 35) | 40,435 | - | - | 1,039 | 41,474 |
| At 31 December 2022 | 235,509 | - | - | 5,094 | 240,603 |
| Net book value | | | | | |
| At 31 December 2022 | 89,153 | 7,004 | 47,415 | 1,122 | 144,694 |
| | | | Note (a) | Note (b) | |

17. Intangible assets (cont'd.)

| Company | Work in progress RM'000 | Total RM'000 |
|------------------------------------|-------------------------------|-----------------|
| Cost | | |
| At 31 December 2022/1 January 2023 | - | - |
| Additions | 2 | 2 |
| At 31 December 2023 | 2 | 2 |

(a) Banking license

| | 2023 RM'000 | Group 2022 RM'000 |
|--|----------------|-------------------------|
| Allocation of banking license to cash-generating units ("CGUs") | | |
| 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 has 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 16. As the recoverable amount was in excess of the carrying amount, no impairment was required.

(b) Core deposits

Core deposits represent the current account and saving account deposits that were acquired from the acquisition of MBSB Bank.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

18. Non-current assets held for sale

| | Group | |
|--|--------|--------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Non-current assets held for sale comprise: | | |
| Financing held for sale (a) | - | 564 |
| Other assets held for sale (b) | 57,047 | 57,539 |
| | 57,047 | 58,103 |

(a) Financing held for sale

| | Group | |
|--|----------|----------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| <u>Gross movement</u> | | |
| At 1 January | 11,457 | 23,671 |
| Reclassification to loans, financing and advances (Note 8(vii)) | (1,403) | (12,214) |
| Derecognition during the year | (10,054) | - |
| Gross financing held for sale | - | 11,457 |
| <u>ECL movement</u> | | |
| Less impairment allowance: | | |
| At 1 January | (10,893) | (21,549) |
| Reclassification to loans, financing and advances (Note 8(viii)) | 1,417 | 10,656 |
| Derecognition during the year | 9,476 | - |
| Total impairment allowance | - | (10,893) |
| Net financing held for sale | - | 564 |

| | Group | |
|------------------------------------|--------|--------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| By economic purpose: | | |
| Purchase of residential properties | - | 11,233 |
| Purchase of other fixed assets | - | 136 |
| Purchase of transport vehicles | - | 43 |
| Others | - | 45 |
| | - | 11,457 |

The non-current assets held for sale is in relation to the agreement which MBSB Bank entered with an external party to dispose of its retail financing. The exercise completed in February 2023.

18. Non-current assets held for sale (cont'd.)**(b) Other assets held for sale**

| | Group | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Lands and office units | 56,846 | 56,846 |
| Property and equipment | 201 | 260 |
| Right-of-use assets | - | 433 |
| | 57,047 | 57,539 |
| | | |
| <u>Property and equipment:</u> | | |
| At 1 January | 260 | - |
| Disposal during the year | (260) | - |
| Transfer from property and equipment (Note 13) | 201 | 260 |
| At 31 December | 201 | 260 |
| | | |
| <u>Right-of-use assets:</u> | | |
| At 1 January | 433 | 433 |
| Disposal during the year | (433) | - |
| At 31 December | - | 433 |

19. Deposits from customers**(i) By type of deposit:**

| | Group | |
|------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Term Deposits | 36,025,662 | 26,749,347 |
| Demand deposits | 2,021,453 | 1,473,237 |
| Savings deposits | 752,952 | 734,551 |
| | 38,800,067 | 28,957,135 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

19. Deposits from customers (cont'd.)

(ii) Maturity of term deposits from customers:

| | Group | |
|-----------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Due within six months | 27,151,261 | 19,627,347 |
| More than six months to one year | 6,199,332 | 4,421,626 |
| More than one year to three years | 482,298 | 1,266,438 |
| More than three years | 2,192,771 | 1,433,936 |
| | 36,025,662 | 26,749,347 |

(iii) By type of customers:

| | Group | |
|---------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Government and statutory bodies | 19,306,461 | 15,232,596 |
| Business enterprises | 14,186,512 | 8,909,664 |
| Individuals | 5,307,094 | 4,814,875 |
| | 38,800,067 | 28,957,135 |

20. Deposits and placements of banks and other financial institutions

(i) By type of deposit:

| | Group | |
|--------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Other financial institutions: | | |
| - Licensed investment banks | 29,271 | 779 |
| - Licensed commercial banks | 921 | - |
| - Licensed islamic banks | 1,201,820 | 1,121,734 |
| - Other financial institutions | 7,591,554 | 6,388,823 |
| | 8,823,566 | 7,511,336 |

21. Investment accounts of customers

| | 2023 RM'000 | Group 2022 RM'000 |
|---|----------------|-------------------------|
| Wakalah unrestricted investment account | - | 2,080,767 |

The investment account placements were used to fund personal financing.

(i) By type of customers:

| | 2023 RM'000 | Group 2022 RM'000 |
|---------------------------------|----------------|-------------------------|
| Government and statutory bodies | - | 1,626,676 |
| Other financial institutions | - | 454,091 |
| | - | 2,080,767 |

(ii) Movement of investment accounts of customers:

| | 2023 RM'000 | Group 2022 RM'000 |
|-------------------------------|----------------|-------------------------|
| Balance as at 1 January | 2,080,767 | 2,094,914 |
| New placement during the year | 2,526,300 | 5,795,123 |
| Redemption | (4,592,220) | (5,809,189) |
| Finance expense | 31,473 | 52,685 |
| Profit distributed | (46,320) | (52,766) |
| Balance as at 31 December | - | 2,080,767 |

(iii) By maturity:

| | 2023 RM'000 | Group 2022 RM'000 |
|----------------------------------|----------------|-------------------------|
| Due within six months | - | 1,926,610 |
| More than six months to one year | - | 154,157 |
| | - | 2,080,767 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

21. Investment accounts of customers (cont'd.)

(iv) Rate of Return ("ROR") and Performance Incentive Fee based on residual maturity

| 2023 | Investment Account Holder Average ROR % | Group Performance incentive fee % |
|-----------------------------------|--|--|
| Unrestricted investment accounts: | | |
| Due within six months | - | - |
| More than six months to one year | - | - |
| 2022 | Investment Account Holder Average ROR % | Group Performance incentive fee % |
| Unrestricted investment accounts: | | |
| Due within six months | 4.13 | 4.67 |
| More than six months to one year | 4.05 | 4.76 |

22. Other payables

| | Note | Group | | Company | |
|---|------|----------------|----------------|----------------|-----------------|
| | | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'0000 |
| Amount due to subsidiary | | - | - | - | 40,527 |
| Amount due to brokers and clients | (a) | 20,156 | - | - | - |
| Amount due to Government Scheme Funds ("GSF") | | 83,019 | - | - | - |
| Sundry creditors | | 267,056 | 232,068 | 5,432 | 9,303 |
| Al-Mudharabah security funds | | 117,885 | 132,944 | - | - |
| Expected credit losses for commitments and contingencies | (b) | 35,250 | 52,772 | - | 422 |
| Employee benefits | (c) | 13,970 | - | - | - |
| Deferred income | | 5,243 | 1,314 | - | - |
| Other provisions and accruals | | 137,965 | 100,341 | 519 | 372 |
| | | 680,544 | 519,439 | 5,951 | 50,624 |

22. Other payables (cont'd.)**(a) Amount due to brokers and clients**

| | Group 2023 RM'000 |
|---------|----------------------------------|
| Brokers | 10,237 |
| Clients | 9,919 |
| | 20,156 |

(b) Expected credit losses for commitments and contingencies

Movement of expected credit losses for commitments and contingencies are as follows:

| 2023 | Group | | | Total |
|--|----------------|----------------|----------------|---------------|
| | Stage 1 | Stage 2 | Stage 3 | RM'000 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| As at 1 January | 15,277 | 32,440 | 5,055 | 52,772 |
| Acquisition of MIDF | 1,307 | - | - | 1,307 |
| Total charge/(reversal) to profit or loss (Note 33) | 11,709 | (27,160) | (2,910) | (18,361) |
| Changes in ECL due to transfer within stages: | | | | |
| - Transfer to Stage 1 | 1,948 | (1,935) | (13) | - |
| - Transfer to Stage 2 | (913) | 950 | (37) | - |
| - Transfer to Stage 3 | (8) | (356) | 364 | - |
| New financing during the year | 12,223 | 255 | 68 | 12,546 |
| Derecognised/converted to loans/ financing during the year (other than write-offs) | (3,743) | (8,937) | (3,963) | (16,643) |
| Changes in credit risk parameters # | 2,202 | (17,137) | 671 | (14,264) |
| Derecognition due to debt sale | (72) | (101) | (283) | (456) |
| Write-offs | - | - | (12) | (12) |
| As at 31 December | 28,221 | 5,179 | 1,850 | 35,250 |

The changes in credit risk parameters includes the impact of forward-looking on MEV and changes to loss rate for the ECL model.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

22. Other payables (cont'd.)

(b) Expected credit losses for commitments and contingencies (cont'd.)

Movement of expected credit losses for commitments and contingencies are as follows: (cont'd.)

| 2022 | Group | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 17,117 | 35,929 | 1,400 | 54,446 |
| Total (reversal)/charge to profit or loss (Note 33) | (1,840) | (3,489) | 3,983 | (1,346) |
| Changes in ECL due to transfer within stages: | | | | |
| - Transfer to Stage 1 | 24,754 | (24,753) | (1) | - |
| - Transfer to Stage 2 | (306) | 386 | (80) | - |
| - Transfer to Stage 3 | (25) | (873) | 898 | - |
| New financing during the year | 12,333 | 1,395 | 95 | 13,823 |
| Derecognised/converted to loans/ financing during the year (other than write-offs) | (6,688) | (8,098) | (547) | (15,333) |
| Changes in credit risk parameters # | (24,285) | 2,618 | 4,334 | (17,333) |
| Change to model assumptions and methodologies ^ | (7,623) | 25,836 | (716) | 17,497 |
| Write-offs | - | - | (328) | (328) |
| As at 31 December | 15,277 | 32,440 | 5,055 | 52,772 |

The changes in credit risk parameters includes the impact of forward-looking on key MEV and changes to loss rate for the ECL model.

^ The changes to model assumptions and methodologies were in relation to incorporation of MEV factors with more intuitive trends, revision to PD and LGD modelling and revisions to management overlay assumptions.

| 2023 | Company | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 131 | 69 | 222 | 422 |
| Total (reversal)/charge to profit or loss (Note 33) | (59) | 32 | 61 | 34 |
| Changes in ECL due to transfer within stages: | | | | |
| - Transfer to Stage 1 | 2 | (2) | - | - |
| - Transfer to Stage 2 | (17) | 31 | (14) | - |
| - Transfer to Stage 3 | - | (42) | 42 | - |
| Derecognised/drawdown to loans/ financing during the year | (46) | - | - | (46) |
| Changes in credit risk parameters # | 2 | 45 | 33 | 80 |
| Derecognition due to debt sale | (72) | (101) | (283) | (456) |
| As at 31 December | - | - | - | - |

The changes in credit risk parameters includes the impact of forward-looking key MEV and changes to loss rate for the ECL model.

22. Other payables (cont'd.)**(b) Expected credit losses for commitments and contingencies (cont'd.)**

Movement of expected credit losses for commitments and contingencies are as follows: (cont'd.)

| 2022 | Company | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 174 | 59 | 26 | 259 |
| Total (reversal)/charge to profit or loss (Note 33) | (43) | 10 | 196 | 163 |
| Changes in ECL due to transfer within stages: | | | | |
| - Transfer to Stage 1 | 16 | (16) | - | - |
| - Transfer to Stage 2 | (8) | 15 | (7) | - |
| - Transfer to Stage 3 | (3) | (32) | 35 | - |
| Derecognised/drawdown to loans/ financing during the year | (16) | (5) | (7) | (28) |
| Changes in credit risk parameters # | (32) | 48 | 175 | 191 |
| Write-offs | - | - | - | - |
| As at 31 December | 131 | 69 | 222 | 422 |

The changes in credit risk parameters includes the impact of forward-looking on key MEV and changes to loss rate for the ECL model.

(c) Employee benefits

MIDF Group operates an unfunded, defined Retirement Benefit Scheme ("the Scheme") for its eligible employees. The Scheme is a final salary plan and the level of benefits provided depends on the employees' length of service and salary at retirement age.

Under the retirement benefit scheme, eligible employees are entitled to retirement benefits based on the length of service and last drawn salary. Retirement benefits are payable only to eligible employees who have completed at least five years of service with the Group at the time of their retirement.

The amount of employee benefits recognised in the statements of financial position is determined as follows:

| | Group 2023 RM'000 |
|---|-------------------------|
| Presented value of unfunded defined benefit obligations | 13,970 |
| Present value of net obligations | 13,970 |
| Analysed as: | |
| Non-current | |
| Later than 2 years but not later than 5 years | 1,037 |
| Later than 5 years | 12,933 |
| | 13,970 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

22. Other payables (cont'd.)

(c) Employee benefits (cont'd.)

Movement in the net defined benefit liability recognised in the statements of financial position are as follows:

| | Group 2023 RM'000 |
|---|----------------------------------|
| As at 1 January | - |
| Acquisition of MIDF | 12,971 |
| Benefits paid | (394) |
| | <hr/> 12,577 |
| Total charge to profit or loss (Note 35): | |
| Current cost and interest cost | 365 |
| | <hr/> 365 |
| | Group 2023 RM'000 |
| Recognised in other comprehensive income: | |
| Remeasurement of the net defined benefit liability: | |
| - Actual loss arising from plan experience | 492 |
| - Actual gain arising from changes in financial assumptions | 536 |
| | <hr/> 1,028 |
| At 31 December | <hr/> 13,970 |

Principal actuarial assumptions used are as follows:

| | Group 2023 |
|----------------------------------|-----------------------|
| Discount rate | 4.40% |
| Expected rate of salary increase | 5.00% |
| Mortality rate | 0.02%-0.70% |

22. Other payables (cont'd.)**(c) Employee benefits (cont'd.)**

Movement in the net defined benefit liability recognised in the statements of financial position are as follows: (cont'd.)

A quantitative sensitivity analysis for significant assumptions above is as shown below:

| Assumptions | Discount rate | | Future salary increase | |
|-----------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| | 0.5% increase RM'000 | 0.5% decrease RM'000 | 0.5% increase RM'000 | 0.5% decrease RM'000 |
| Sensitivity analysis | | | | |

(Decrease)/increase in the net defined benefit obligation:

Group

| | | | | |
|-------------|---------|-------|-------|-------|
| 2023 | (1,279) | (407) | (410) | 1,281 |
|-------------|---------|-------|-------|-------|

The sensitivity analysis above has been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

23. Recourse obligation on financing sold

| | Group | |
|---------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Repayments due within 12 months | 1,952,477 | 267,189 |
| Repayments due after 12 months | 2,079,255 | 4,088,219 |
| | 4,031,732 | 4,355,408 |

These amounts relate to proceeds received from the sale of Islamic house and personal financing to Cagamas Berhad with recourse to MBSB Bank. 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.

The recourse obligation on financing sold facilities granted by Cagamas Berhad are secured on a portfolio of property and personal islamic financing amounting to RM4,382,769,000 (2022: RM4,707,136,000) as disclosed in Note 8(i).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

24. Sukuk

| | Note | Group | |
|--|------|----------------|----------------|
| | | 2023 RM'000 | 2022 RM'000 |
| Sukuk - MBSB Structured Covered ("SC") Murabahah | (a) | 599,506 | 833,805 |
| Tier-2 Sukuk Wakalah | (b) | 1,295,819 | 1,295,012 |
| Sustainability Sukuk Wakalah | (c) | 302,107 | 301,900 |
| | | 2,197,432 | 2,430,717 |

(a) Sukuk - MBSB Structured Covered ("SC") Murabahah

| | Group | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Maturity of Sukuk - MBSB SC Murabahah: | | |
| Within one year | 228,351 | 239,633 |
| More than one year | 371,155 | 594,172 |
| | 599,506 | 833,805 |

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 are 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 2023, the carrying amount of financing receivables identified to back the outstanding Sukuk - MBSB SC Murabahah amounted to RM1,502,126,000 (2022: RM1,736,343,000) as disclosed in Note 8(i).

24. Sukuk (cont'd.)**(b) Tier-2 Sukuk Wakalah**

| | Group | |
|-----------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Maturity of Tier-2 Sukuk Wakalah: | | |
| Within one year | 2,201 | 2,201 |
| More than one year | 1,293,618 | 1,292,811 |
| | 1,295,819 | 1,295,012 |

MBSB Bank's Sukuk Wakalah Programme of up to RM10 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

(c) Sustainability Sukuk Wakalah

| | Group | |
|---|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Maturity of Sustainability Sukuk Wakalah: | | |
| Within one year | 2,837 | 2,800 |
| More than one year | 299,270 | 299,100 |
| | 302,107 | 301,900 |

In April 2022, the Bank issued Sustainability Sukuk Wakalah in nominal value of RM300 million, comprising a 5-year RM200 million at 4.36% p.a. and a 7-year RM100 million at 4.73% p.a. The salient terms of the Sustainability Sukuk Wakalah are as follows:

- (i) not pledged to any security
- (ii) non convertible

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

25. Borrowings and government grant

| | Note | Group 2023 RM'000 |
|--------------------------------------|------|-------------------------|
| Borrowings | | |
| Loan from JBIC-FSMI | (a) | 109,092 |
| Loan from MITI | (b) | 77,191 |
| | | 186,283 |
| Government grant | | |
| Loan from MITI | (b) | 17,559 |
| Total borrowing and government grant | | 203,842 |

(a) Loan from Japan Bank of International Cooperation Fund for Small and Medium Industries ("JBIC-FSMI")

| | Group 2023 RM'000 |
|-----------------------------------|-------------------------|
| At 1 January | - |
| Addition from acquisition of MIDF | 108,342 |
| Interest expense (Note 32) | 750 |
| | 109,092 |
| At 31 December | 109,092 |

The details of the loan from JBIC-FSMI are as follows:

- (i) Repayment terms: First instalment - RM3,492,287 on 20 March 2009
60 half yearly instalments - RM3,492,249 up to 20 March 2039
- (ii) Security: Unsecured
- (iii) Interest rate: 2.75% per annum

There is no foreign exchange risk as the loan is provided in Ringgit Malaysia.

25. Borrowings and government grant (cont'd.)**(b) Loan from Soft Loan Scheme for Services Sector ("SLSSS") provided by Ministry of International Trade and Industry ("MITI")**

| | Group 2023 RM'000 |
|-----------------------------------|----------------------------------|
| Borrowings | |
| At 1 January | - |
| Addition from acquisition of MIDF | 97,998 |
| Repayment | (22,000) |
| Profit expense * | 1,193 |
| <hr/> | |
| At 31 December | 77,191 |
| <hr/> | |
| Government grant | |
| At 1 January | - |
| Addition from acquisition of MIDF | 18,752 |
| Amortisation * | (1,193) |
| <hr/> | |
| At 31 December | 17,559 |
| <hr/> | |
| | 94,750 |
| <hr/> | |

* Grant income is deducted against the profit expense in profit or loss.

The details of the loan from MITI and repayment term has been revised during the year as follows:

- i) Repayment terms: Five (5) annual installments of RM22,000,000 each and the last installments of RM50,000,000.
Repayable at the end of nineteen years (including a grace period of 10 years) from the date of first drawdown (31 December 2011).
 - ii) Security: Unsecured
 - iii) Interest rate: Nil #
- # The facility of RM200 million with MITI is based on the Shariah financing concept of Al-Qardhul Hassan.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

26. Ordinary share capital

| | Company | | | |
|--|-------------------|-------------------|------------------|------------------|
| | Number of shares | | Amount | |
| | 2023 Units'000 | 2022 Units'000 | 2023 RM'000 | 2022 RM'000 |
| Ordinary shares Issued and fully paid: | | | | |
| At 1 January | 7,171,483 | 7,171,483 | 7,198,068 | 7,198,068 |
| Issuance of shares for acquisition of MIDF | 1,050,829 | - | 772,359 | - |
| At 31 December | 8,222,312 | 7,171,483 | 7,970,427 | 7,198,068 |

The holders of ordinary shares are entitled to receive dividends from time to time, as and when declared by the Company, 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 Company.

27. Regulatory reserve

Regulatory reserve of the Group is maintained by the subsidiaries, which is transferred from the retained earnings, as an additional credit risk absorbent to ensure robustness on the loans/financing impairment assessment methodology.

BNM Guidelines on Financial Reporting/Financial Reporting for Islamic Banking Institutions requires institutions to maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

As at 31 December 2023, the regulatory reserve is maintained to meet the local regulatory requirement.

28. Fair value reserve

The fair value reserve includes the cumulative net changes in the fair value of financial investments at FVOCI and the ECL arising from financial investments at FVOCI, until the financial investments are derecognised.

29. Revenue

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Profit/interest income from: | | | | |
| Loans, financing and advances | 2,225,412 | 2,182,830 | 3,473 | 11,022 |
| Deposits and placements with banks and other financial institutions | 56,411 | 32,779 | 4,264 | 13,362 |
| Financial investments at FVOCI | 388,537 | 409,620 | - | - |
| Financial investments at at amortised cost | 118,997 | 50,942 | - | - |
| Financial assets at FVTPL | 24,775 | 6,587 | - | - |
| Fee income | | | | |
| Net financing processing fees | 731 | 16,796 | - | - |
| Facility fees | 3,373 | 7,736 | - | 916 |
| Other facility fees | 2,870 | 3,003 | 1,015 | 398 |
| Underwriting fees | 195 | - | - | - |
| Corporate advisory fees | 6,006 | - | - | - |
| Income from Government Scheme Funds | 15,701 | - | - | - |
| Brokerage fees | 1,780 | - | - | - |
| Others | 4,980 | 134 | - | - |
| Insurance and commission | | | | |
| Insurance commission | 27,257 | 11,128 | 9 | 30 |
| Gross dividend income | | | | |
| Dividend income | - | - | 440,828 | 162,839 |
| Investment income | | | | |
| Net (loss)/gain on sale of: | | | | |
| - financial assets at FVTPL | (9,867) | (18,195) | - | - |
| - financial investments at FVOCI | (50,111) | (13,066) | - | - |
| - financial investments at amortised cost | 16 | - | - | - |
| Net unrealised gain on revaluation of: | | | | |
| - financial assets at FVTPL | 4,217 | 4,200 | - | - |
| | 2,821,280 | 2,694,494 | 449,589 | 188,567 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

30. Income derived from investment of deposits and Islamic capital funds

| | Group | |
|---|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Financing and advances | 2,200,915 | 2,174,850 |
| Financial investments at FVOCI | 386,355 | 409,620 |
| Financial investments at amortised cost | 116,870 | 50,942 |
| Financial assets at FVTPL | 24,775 | 6,587 |
| Deposits and placements with banks and other financial institutions | 54,237 | 32,763 |
| | <hr/> | <hr/> |
| | 2,783,152 | 2,674,762 |

The amounts reported above include finance income and hibah calculated using the effective profit rate method that relates to the following:

| | Group | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Financial investments at amortised cost | 2,372,022 | 2,258,555 |
| Financial investments at FVOCI | 386,355 | 409,620 |
| | <hr/> | <hr/> |
| Finance income and hibah from financial assets not measured at FVTPL | 2,758,377 | 2,668,175 |

31. Interest income

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Interest income from: | | | | |
| Loans and advances | 24,497 | 7,980 | 3,473 | 11,022 |
| Deposits and placements with banks and other financial institutions | 2,174 | 15 | 4,264 | 13,362 |
| Financial investments at FVOCI | 2,182 | - | - | - |
| Financial investments at amortised cost | 2,127 | - | - | - |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| | 30,980 | 7,995 | 7,737 | 24,384 |

32. Interest expense

| | Group | |
|---|--------|--------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Deposits from customers | 15,651 | - |
| Deposits and placements with banks and other financial institutions | 69 | - |
| Borrowings | 750 | - |
| | 16,470 | - |

33. Expected credit losses on loans, financing and advances and other impairment

| | Group | | Company | |
|--|-----------|-----------|---------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| <u>Expected credit losses on loans, financing and advances made/(written back)</u> | | | | |
| Loans, financing and advances (Note 8(viii)) | | | | |
| - Stage 1 | 46,554 | (53,025) | (149) | (305) |
| - Stage 2 | (258,530) | (259,985) | (1,905) | (5,491) |
| - Stage 3 | 319,493 | 487,956 | 19,737 | (95,256) |
| Credit impaired loans, financing and advances: | | | | |
| - Write-off | 3,956 | 26,670 | 249 | 4,085 |
| - Recovered | (13,799) | (75,108) | (9,777) | (2,350) |
| Loss on sale of loans, financing and advances | 21,322 | - | 21,322 | - |
| | 118,996 | 126,508 | 29,477 | (99,317) |
| <u>Expected credit losses on financial investments made/(written back):</u> | | | | |
| Financial investments at FVOCI (Note 5) | 209 | (4) | - | - |
| Financial investments at amortised cost (Note 6) | (266) | (105) | - | - |
| | (57) | (109) | - | - |
| <u>Other expected credit losses and impairment allowances made/(written back):</u> | | | | |
| Other receivables | 19,305 | (59) | - | - |
| Foreclosed properties | 202 | (168) | 109 | (168) |
| Non-current assets held for sale | - | (6,330) | - | - |
| Amount due from subsidiaries (Note 9) | - | - | 1,654 | 3,691 |
| Financing commitments and financial guarantees (Note 22) | (18,361) | (1,346) | 34 | 163 |
| | 1,146 | (7,903) | 1,797 | 3,686 |
| | 120,085 | 118,496 | 31,274 | (95,631) |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

34. Net other income

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Gain on acquisition | | | | |
| Acquisition of MIDF (Note 51(a)) | 354,383 | - | - | - |
| | 354,383 | - | - | - |
| Rental | | | | |
| Rental income | 174 | 109 | 3,817 | 5,761 |
| | 174 | 109 | 3,817 | 5,761 |
| Fee income | | | | |
| Net Financing Processing Fees | 731 | 16,797 | - | - |
| Facility fees | 3,373 | 7,736 | - | 916 |
| Other Facility Fees | 2,870 | 3,003 | 1,015 | 398 |
| Underwriting fees | 195 | - | - | - |
| Corporate advisory fees | 6,006 | - | - | - |
| Income from Government Scheme Funds | 15,701 | - | - | - |
| Brokerage fees | 1,780 | - | - | - |
| Others | 6,431 | 133 | - | - |
| | 37,087 | 27,669 | 1,015 | 1,314 |
| Insurance and commission | | | | |
| Insurance commission | 27,257 | 11,127 | 9 | 30 |
| | 27,257 | 11,127 | 9 | 30 |
| Investment income | | | | |
| Net (loss)/gain on sale of: | | | | |
| - financial assets at FVTPL | (9,867) | (18,195) | - | - |
| - financial investments at FVOCI | (50,111) | (13,066) | - | - |
| - financial investments at amortised cost | 16 | - | - | - |
| Net unrealised gain/(loss) on revaluation of: | | | | |
| - financial assets at FVTPL | 4,217 | 4,200 | - | - |
| - derivatives instruments | (980) | - | - | - |
| | (56,725) | (27,061) | - | - |
| Gross dividend income | | | | |
| Dividend income | - | - | 440,828 | 162,839 |
| | - | - | 440,828 | 162,839 |

34. Net other income (cont'd.)

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Other income | | | | |
| Ta'widh/penalty | 20,941 | 16,977 | 10,783 | 6,521 |
| (Loss)/gain on foreign exchange transactions | (13,276) | 12,390 | - | - |
| Sundry income | 18,442 | 8,931 | 9,589 | 2,968 |
| (Loss)/gain from disposal of: | | | | |
| Property and equipment | (163) | (8) | - | - |
| Non-current assets held for sale | 1,331 | 529 | - | - |
| Foreclosed properties | 3,980 | 2,597 | 3,980 | 2,597 |
| | 31,255 | 41,416 | 24,352 | 12,086 |
| | 393,431 | 53,260 | 470,021 | 182,030 |

35. Operating expenses

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Personnel expenses (a) | 395,723 | 310,713 | 4,294 | 2,071 |
| Establishment related expenses | 188,971 | 178,598 | 1,101 | 1,194 |
| Promotion and marketing related expenses | 14,631 | 15,904 | - | - |
| General administrative expenses | 112,370 | 145,244 | 16,873 | 51,523 |
| | 711,695 | 650,459 | 22,268 | 54,788 |

(a) Personnel expenses

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Wages and salaries | 286,644 | 230,075 | 1,908 | - |
| Contributions to Employees | | | | |
| Provident Fund and Social security costs | 46,360 | 34,340 | 234 | - |
| Directors fees (Note 36) | 4,006 | 4,219 | 1,716 | 1,949 |
| Employees' benefits (Note 22) | 365 | - | - | - |
| Shariah Committee remuneration | 646 | 555 | - | - |
| Staff medical | 24,280 | 15,946 | 30 | - |
| Training courses | 10,406 | 6,991 | 57 | - |
| Other staff related expenses | 23,016 | 18,587 | 349 | 122 |
| | 395,723 | 310,713 | 4,294 | 2,071 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

35. Operating expenses (cont'd.)

Included in operating expenses are the following:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Auditors' remuneration: | | | | |
| - Statutory audit | 1,964 | 1,690 | 483 | 310 |
| - Regulatory related services | 486 | 10 | 56 | 10 |
| - Non-audit fees | 471 | 3,293 | 163 | 2,594 |
| Other auditors' remuneration: | | | | |
| - Statutory audit | 986 | - | - | - |
| - Regulatory related services | 22 | - | - | - |
| Professional fees | 28,070 | 56,695 | - | - |
| Depreciation: | | | | |
| - property and equipment (Note 13) | 39,731 | 43,156 | 465 | 481 |
| - right-of-use asset (Note 14(a)) | 26,124 | 22,308 | - | - |
| - investment properties (Note 15) | 22 | - | - | - |
| Lease profit expenses | 917 | 1,023 | - | - |
| Amortisation of intangible assets (Note 17) | 41,669 | 41,474 | - | - |
| Directors' remuneration (Note 36) | 4,006 | 4,219 | 1,716 | 1,949 |

36. Directors' remuneration

| | Group | | Company | |
|------------------------------------|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Directors of the Group and Company | | | | |
| Non-Executive: | | | | |
| Fees | 2,247 | 2,147 | 939 | 1,033 |
| Other emoluments | 1,759 | 2,072 | 777 | 916 |
| | 4,006 | 4,219 | 1,716 | 1,949 |

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 | |
| | 2023 | 2022 | 2023 | 2022 |
| Non-executive directors: | | | | |
| RM1,000 - RM50,000 | 1 | - | 3 | - |
| RM50,001 - RM100,000 | 7 | - | - | - |
| RM100,001 - RM150,000 | - | 2 | - | 1 |
| RM150,001 - RM200,000 | - | - | - | 2 |
| RM200,001 - RM250,000 | - | - | 1 | - |
| RM250,001 - RM300,000 | 4 | 6 | 3 | 4 |
| RM300,001 - RM350,000 | 4 | 2 | 2 | 1 |
| RM350,001 - RM400,000 | 2 | 2 | - | - |
| RM400,001 - RM450,000 | 1 | 2 | - | - |

36. Directors' remuneration (cont'd.)

Details of the Directors' remuneration of each director during the financial year ended 31 December 2023 are as follows:

Group**31 December 2023**

| Directors | Director fees RM'000 | Allowance RM'000 | Benefits in kind RM'000 | Total RM'000 |
|---|-------------------------|---------------------|----------------------------|-----------------|
| 1. Tan Sri Azlan bin Mohd Zainol | 24 | - | 3 | 27 |
| 2. Encik Mohamad Abdul Halim bin Ahmad | 172 | 155 | - | 327 |
| 3. Ir. Moslim bin Othman | 152 | 126 | - | 278 |
| 4. Puan Lynette Yeow Su-Yin | 151 | 152 | - | 303 |
| 5. Encik Szalza bin Zainuddin | 251* | 186 | - | 437 |
| 6. Dr. Loh Leong Hua | 179 | 132 | - | 311 |
| 7. Datin Hoi Lai Ping | 147 | 119 | - | 266 |
| 8. Datuk Azrulnizam bin Abdul Aziz | 157 | 162 | - | 319 |
| 9. Datuk Johar bin Che Mat | 183 | 172 | - | 355 |
| 10. Encik Kamarulzaman bin Ahmad | 152 | 118 | - | 270 |
| 11. Encik Arul Sothy Mylvaganam | 157 | 118 | - | 275 |
| 12. Encik Ho Kwong Hoong | 187 | 172 | - | 359 |
| 13. Tan Sri Abdul Rahman bin Mamat | 47 | 15 | 8 | 70 |
| 14. Datuk (Dr.) Yasmin binti Mahmood | 43 | 15 | - | 58 |
| 15. Dato' Kaziah binti Abd Kadir | 66 | 26 | - | 92 |
| 16. Encik Ahmad Lutfi bin Abdul Mutalip @ Talib | 42 | 17 | 5 | 64 |
| 17. Datuk Hasnah binti Omar | 33 | 12 | 5 | 50 |
| 18. Datuk Mohd Nasir bin Ali | 70 | 21 | 4 | 95 |
| 19. Encik Ahlan Nasri bin Mohd Nazir @ Nasir | 34 | 16 | - | 50 |
| | 2,247 | 1,734 | 25 | 4,006 |

Company**31 December 2023**

| Directors | Director fees RM'000 | Allowance RM'000 | Total RM'000 |
|--|-------------------------|---------------------|-----------------|
| 1. Tan Sri Azlan bin Mohd Zainol | 12 | - | 12 |
| 2. Encik Mohamad Abdul Halim bin Ahmad | 172 | 155 | 327 |
| 3. Ir. Moslim bin Othman | 152 | 126 | 278 |
| 4. Puan Lynette Yeow Su-Yin | 151 | 152 | 303 |
| 5. Encik Szalza bin Zainuddin | 123* | 81 | 204 |
| 6. Dr. Loh Leong Hua | 162 | 132 | 294 |
| 7. Datin Hoi Lai Ping | 147 | 119 | 266 |
| 8. Tan Sri Abdul Rahman bin Mamat | 10 | 6 | 16 |
| 9. Datuk Yasmin binti Mahmood | 10 | 6 | 16 |
| | 939 | 777 | 1,716 |

* 50% of the Directors' fees are paid to the organisation to whom the director represents.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

36. Directors' remuneration (cont'd.)

Details of the Directors' remuneration of each director during the financial year ended 31 December 2022 are as follows: (cont'd.)

Group 31 December 2022

| Directors | Director fees RM'000 | Allowance RM'000 | Benefits in kind RM'000 | Total RM'000 |
|--|-------------------------|---------------------|----------------------------|-----------------|
| 1. Tan Sri Azlan bin Mohd Zainol | 280 | 111 | 31 | 422 |
| 2. Ir. Moslim Othman | 145 | 142 | - | 287 |
| 3. Encik Szalza Zainuddin | 235* | 196 | - | 431 |
| 4. Datuk Johar bin Che Mat | 167 | 188 | - | 355 |
| 5. Datuk Azrulizam bin Abdul Aziz | 150 | 179 | - | 329 |
| 6. Encik Kamarulzaman bin Ahmad | 145 | 143 | - | 288 |
| 7. Encik Arul Sothy Mylvaganam | 146 | 146 | - | 292 |
| 8. Encik Ho Kwong Hoong | 174 | 200 | - | 374 |
| 9. Encik Mohamad Abdul Halim bin Ahmad | 157 | 167 | - | 324 |
| 10. Dr. Loh Leong Hua | 150 | 148 | - | 298 |
| 11. Datin Hoi Lai Ping | 117 | 138 | - | 255 |
| 12. Puan Lynette Yeow Su-Yin | 136 | 142 | - | 278 |
| 13. Encik Aw Hong Boo | 72 | 74 | - | 146 |
| 14. Encik Lim Tian Huat | 73 | 67 | - | 140 |
| | 2,147 | 2,041 | 31 | 4,219 |

Company 31 December 2022

| Directors | Director fees RM'000 | Allowance RM'000 | Total RM'000 |
|--|-------------------------|---------------------|-----------------|
| 1. Tan Sri Azlan bin Mohd Zainol | 140 | 39 | 179 |
| 2. Ir. Moslim Othman | 145 | 142 | 287 |
| 3. Puan Lynette Yeow Su Yin | 136 | 142 | 278 |
| 4. Encik Szalza bin Zainuddin | 115* | 73 | 188 |
| 5. Dr. Loh Leong Hua | 150 | 148 | 298 |
| 6. Datin Hoi Lai Ping | 117 | 138 | 255 |
| 7. Encik Mohamad Abdul Halim bin Ahmad | 157 | 167 | 324 |
| 8. Encik Lim Tian Huat | 73 | 67 | 140 |
| | 1,033 | 916 | 1,949 |

* 50% of the Directors' fees are paid to the organisation to whom the director represents.

37. Taxation

| | Group | | Company | |
|--|---------------|----------------|----------------|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Malaysian income tax: | | | | |
| Current income tax | 54,929 | 228,035 | - | 23,521 |
| Under/(over) provision in prior year | 51,488 | 27,903 | (1,588) | (1,428) |
| | 106,417 | 255,938 | (1,588) | 22,093 |
| Deferred tax (Note 10) | (46,895) | (27,967) | (1,786) | 5,418 |
| Total income tax expense for the year | 59,522 | 227,971 | (3,374) | 27,511 |
| Tax recognised directly in equity: | | | | |
| Fair value reserve (Note 10) | (71,297) | 56,972 | - | - |

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 | |
|---|---------------|----------------|----------------|---------------|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit before taxation and zakat | 559,723 | 691,336 | 424,216 | 247,257 |
| Taxation at Malaysian statutory tax rate of 24% (2022: 24%) | 134,334 | 165,921 | 101,812 | 59,342 |
| Additional tax rate of 9% in excess of RM100 million | - | 48,245 | - | - |
| Effect of income not subject to tax | (101,386) | (895) | (105,799) | (39,082) |
| Effect of expenses not deductible for tax purposes | 26,556 | 20,068 | 3,863 | 1,226 |
| Utilisation of previously unrecognised tax losses | - | (66) | - | - |
| Temporary differences not recognised in prior years | (51,470) | (31,398) | (1,662) | 7,453 |
| Under/(over) provision of income tax in prior years | 51,488 | 27,903 | (1,588) | (1,428) |
| Effect of Cukai Makmur | - | (1,807) | - | - |
| Tax expense for the year | 59,522 | 227,971 | (3,374) | 27,511 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

38. 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.

| | 2023 | 2022 |
|--|-----------|-----------|
| Net profit for the year (RM'000) | 491,809 | 460,188 |
| Weighted average number of ordinary shares in issue ('000) | 7,433,471 | 7,171,484 |
| Basic earnings per share (sen) | 6.62 | 6.42 |

The Group has no dilution in their earnings per ordinary share in the current and previous financial years as there are no dilutive ordinary shares.

39. Dividends

Dividend declared by the Group and the Company:

| | Sen per share | Total amount RM'000 | Date of payment |
|---------------------------------------|---------------|------------------------|-----------------|
| Single-tier interim dividend for 2022 | 8.5 | 609,576 | 17 April 2023 |
| Single-tier interim dividend for 2021 | 3.0 | 215,145 | 12 January 2022 |

On 18 April 2024, the Company announced a single-tier final dividend of 3.5 sen per ordinary share in respect of the financial year ended 31 December 2023. Based on the number of shares in issue of 8,222,312,432 ordinary shares as at 31 December 2023, the dividend payable would be RM287,780,935.

The financial statements for the current financial year do not reflect the proposed final dividend. Such dividend, if approved by the shareholders in the forthcoming Annual General Meeting, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2024.

40. 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.

40. Capital adequacy (cont'd.)

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 is disclosed 'with TA' and 'without TA'.

| | Group | | | |
|---|------------------------------------|---------------------------------------|------------------------------------|---------------------------------------|
| | with TA 2023 RM'000 | without TA 2023 RM'000 | with TA 2022 RM'000 | without TA 2022 RM'000 |
| <u>Common Equity Tier 1 ("CET1") Capital</u> | | | | |
| Ordinary share capital | 7,970,427 | 7,970,427 | 7,198,068 | 7,198,068 |
| Retained earnings exclude merger reserve | 1,876,865 | 1,876,865 | 2,102,482 | 2,102,482 |
| Other reserves | (9,264) | (9,264) | (341,366) | (341,366) |
| Less : Regulatory adjustments | 9,838,028 | 9,838,028 | 8,959,184 | 8,959,184 |
| Goodwill | (148,031) | (148,031) | (148,031) | (148,031) |
| Deferred tax assets | (95,220) | (95,220) | (107,238) | (107,238) |
| Cumulative gains of financial investments at FVOCI | (22,274) | (22,274) | (10,856) | (10,856) |
| Intangible assets | (161,126) | (161,126) | (144,694) | (144,694) |
| Regulatory reserve attributable to financing | (106,644) | (106,644) | - | - |
| Total CET1 Capital | 9,304,733 | 9,304,733 | 8,548,365 | 8,548,365 |
| <u>Tier 1 Capital</u> | | | | |
| Additional Tier 1 capital instruments | - | - | - | - |
| Less: Tier 1 regulatory adjustments | - | - | - | - |
| Total Tier 1 capital | 9,304,733 | 9,304,733 | 8,548,365 | 8,548,365 |
| <u>Tier 2 Capital</u> | | | | |
| Stage 1 and Stage 2 ECL allowances | 545,294 | 545,294 | 452,361 | 452,361 |
| Tier 2 capital instruments | 1,300,000 | 1,300,000 | 1,300,000 | 1,300,000 |
| Total Tier 2 capital | 1,845,294 | 1,845,294 | 1,752,361 | 1,752,361 |
| Total capital base | 11,150,027 | 11,150,027 | 10,300,726 | 10,300,726 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

40. Capital adequacy (cont'd.)

Breakdown of risk weighted assets in various categories of risk weights are as follows:

| | Group | | | |
|---|---------------------------|------------------------------|---------------------------|------------------------------|
| | with TA 2023 RM'000 | without TA 2023 RM'000 | with TA 2022 RM'000 | without TA 2022 RM'000 |
| <u>Total risk weighted assets ("RWA")</u> | | | | |
| - Credit risk | 43,623,502 | 43,623,502 | 36,188,860 | 36,188,860 |
| - Market risk | 323,809 | 323,809 | 90,857 | 90,857 |
| - Operational risk | 2,795,170 | 2,795,170 | 2,862,186 | 2,862,186 |
| Total RWA | 46,742,481 | 46,742,481 | 39,141,903 | 39,141,903 |
| <u>Capital adequacy ratios</u> | | | | |
| CET1 capital ratio | 19.906% | 19.906% | 21.839% | 21.839% |
| Tier 1 capital ratio | 19.906% | 19.906% | 21.839% | 21.839% |
| Total capital ratio | 23.854% | 23.854% | 26.316% | 26.316% |

The capital ratios after a proposed single-tier final dividend of 3.5 sen per ordinary share in respect of financial year ended 31 December 2023 amounting to RM287,780,935 are as follows:

| | |
|--|---------|
| <u>Capital ratios (after single-tier interim dividend)</u> | |
| CET 1 capital ratio | 19.291% |
| Tier 1 capital ratio | 19.291% |
| Total capital ratio | 23.238% |

41. Significant related party transactions/balances

For the purpose of disclosures in the financial statements, parties (both companies and key management personnel) are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence.

(a) The related parties of, and their relationship with the Company, are as follows:

| Related parties | Relationship |
|----------------------------------|---|
| Employees Provident Fund ("EPF") | Ultimate holding body |
| Other companies | Other companies consist of: <ul style="list-style-type: none"> - Associate companies of EPF - Joint venture companies with EPF - Companies in which directors of the Company and subsidiaries of the Company hold directorship. |
| Key management personnel | Those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Group and the Company include Directors of the Company, Directors of subsidiaries of the Company and employees of the Group who make certain critical decisions in relation to the strategic direction of the Group. |
| Subsidiaries | Subsidiaries of the Company |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

41. Significant related party transactions/balances (cont'd.)

(b) Related party transactions

In addition to the related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related parties transactions.

| Related party transactions | EPF | | Other companies | | Subsidiaries | | Key management personnel | |
|--|--------|--------|-----------------|--------|--------------|--------|--------------------------|--------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Group | | | | | | | | |
| Income earned | | | | | | | | |
| Profit/interest on deposits and placements with banks and other financial institutions | - | - | 1 | 1 | - | - | - | - |
| Profit/interest on financial investment at: | | | | | | | | |
| - FVOCI | - | - | 3,615 | - | - | - | - | - |
| - Amortised cost | - | - | 1,008 | - | - | - | - | - |
| Profit/interest on loans, financing and advances | - | - | 197 | - | - | - | 28 | 19 |
| Brokerage fee | 492 | - | 219 | - | - | - | - | - |
| Expenditure incurred | | | | | | | | |
| Profit on deposits from customers | 52,808 | 37,893 | 17,771 | 9,852 | - | - | 62 | 1,002 |
| Profit on sukuk | 39,521 | 47,619 | - | - | - | - | - | - |
| Rental expenses | 22 | 50 | - | - | - | - | - | - |
| Other expenses [^] | - | - | 3,235 | 6,615 | - | - | - | - |
| Company | | | | | | | | |
| Income earned | | | | | | | | |
| Interest on deposits and placements | - | - | - | - | 4,264 | - | - | - |
| Interest on loans and advances | - | - | - | - | 1,782 | 3,042 | - | - |
| Rental income | - | - | - | - | 3,796 | - | - | - |
| Expenditure incurred | | | | | | | | |
| Intercompany recharges | - | - | - | - | 3,930 | - | - | - |

[^] Other expenses include transactions for services provided by related entities such as takaful expenses.

41. Significant related party transactions/balances (cont'd.)

(c) Related party balances

| Related party balances | EPF | | Other companies | | Subsidiaries | | Key management personnel | |
|---|----------------|----------------|-----------------|----------------|----------------|----------------|--------------------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Group | | | | | | | | |
| Amount due from | | | | | | | | |
| Cash and short-term funds | - | - | 24,477 | 113,963 | - | - | - | - |
| Deposits and placements with banks and other financial institutions | - | - | 32 | 32 | - | - | - | - |
| Financial investments at: | | | | | | | | |
| - FVOCI | - | - | 103,494 | - | - | - | - | - |
| - Amortised cost | - | - | 30,912 | - | - | - | - | - |
| Loans, financing and advances | - | - | 7,449 | - | - | - | 885 | 935 |
| Amount due to | | | | | | | | |
| Deposits from customers | 2,370,709 | 1,560,988 | 400,967 | 279,430 | - | - | 4,470 | 2,771 |
| Deposits and placements of banks and other financial institutions | - | - | 801,352 | 594,773 | - | - | - | - |
| Rental deposit | - | 17 | - | - | - | - | - | - |
| Sukuk | 665,063 | 846,548 | - | - | - | - | - | - |
| Company | | | | | | | | |
| Amount due from | | | | | | | | |
| Cash and short-term funds | - | - | - | - | 5,809 | - | - | - |
| Deposits and placements with banks and other financial institutions | - | - | - | - | 65,077 | - | - | - |
| Amount due from subsidiaries | - | - | - | - | 35,619 | 53,863 | - | - |
| Amount due to | | | | | | | | |
| Amount due to subsidiary | - | - | - | - | - | 40,527 | - | - |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

41. Significant related party transactions/balances (cont'd.)

(d) Key management personnel compensation

The remuneration of Directors and other members of key management during the year is as follows:

| | Group | |
|------------------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Short-term employee benefits | 42,928 | 15,273 |
| Pension costs | 4,896 | 1,767 |
| | <hr/> | <hr/> |
| | 47,824 | 17,040 |

Included in the total key management personnel are:

| | Group | |
|--|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Remuneration comprising salary, bonus, allowances and other emoluments of: | | |
| Group Chief Executive Officer | 3,365 | 702 |
| Acting Group Chief Executive Officer | - | 1,206 |
| | <hr/> | <hr/> |
| | 3,365 | 1,908 |

42. Credit exposures arising from transactions with connected parties

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Outstanding credit exposures with connected parties | 904,083 | 1,255,027 | - | 69 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures | 1.82% | 2.84% | 0.00% | 0.01% |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Percentage of outstanding credit exposures to connected parties which is non-performing or in default | 0.11% | 0.35% | 0.00% | 0.01% |

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

43. 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 | | Company | |
|---|-------------------------|---------------------------------|-------------------------|-----------------------------|
| | Principal amount RM'000 | Credit equivalent amount RM'000 | Principal amount RM'000 | Risk weighted amount RM'000 |
| 2023 | | | | |
| Direct credit substitutes | 80,589 | 80,589 | - | - |
| Trade-related contingencies | 69,139 | 34,569 | - | - |
| Short term self liquidating trade related contingencies | 56,657 | 11,331 | - | - |
| Irrevocable commitments to extend credit: | | | | |
| - one year or less | 1,789,696 | 357,929 | - | - |
| - over one year to five years | 1,839,478 | 917,899 | - | - |
| - over five years | 361,078 | 180,539 | - | - |
| Interest rate related contracts | | | | |
| - over one year to five years | 300,000 | 10,275 | - | - |
| Foreign exchange related contracts # | | | | |
| - one year or less | 2,820,048 | 75,103 | - | - |
| | 7,316,685 | 1,668,234 | - | - |

Foreign related contracts represents the notional amount of the derivative financial instruments recognised as derivative assets/liabilities.

| | Group | | Company | |
|---|-------------------------|---------------------------------|-------------------------|-----------------------------|
| | Principal amount RM'000 | Credit equivalent amount RM'000 | Principal amount RM'000 | Risk weighted amount RM'000 |
| 2023 | | | | |
| Direct credit substitutes | 19,359 | 19,359 | - | - |
| Trade-related contingencies | 81,715 | 37,169 | - | - |
| Short term self liquidating trade related contingencies | 29,069 | 5,814 | - | - |
| Irrevocable commitments to extend credit: | | | | |
| - one year or less | 793,601 | 158,218 | - | - |
| - over one year to five years | 1,885,883 | 942,078 | 9,782 | 3,460 |
| - over five years | 347,598 | 173,799 | - | - |
| Foreign exchange related contracts # | | | | |
| - one year or less | 1,976,886 | 44,668 | - | - |
| | 5,134,111 | 1,381,105 | 9,782 | 4,671 |
| | | | | 3,460 |

Foreign related contracts represents the notional amount of the derivative financial instruments recognised as derivative assets/liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

44. Capital Commitments

| | Group | |
|---|--------|--------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Property and equipment /intangible assets: Contracted but not provided for | 58,673 | 16,329 |

45. Contingent liabilities

Megah Berkat Sdn. Bhd. & 2 Ors ("Plaintiffs") vs MBSB Bank Berhad

The Plaintiffs commenced an action against MBSB Bank for breach of contract and fiduciary duty and negligence for failure to issue the Performance Guarantee as per their request. The Plaintiffs' claim, amongst others, is for a return of all money received from the 1st Plaintiff, special damages and other claims amounting to a total amount of approximately RM40.4 million.

MBSB Bank filed an application to strike out the Plaintiffs' Writ and Statement of Claim on 2 December 2021. The striking out application was allowed by the KL High Court on 13 June 2022.

The Plaintiffs filed an appeal against the Court's decision on 7 July 2022. On 5 May 2023, the Court of Appeal allowed the appeal. Accordingly, the matter is returned to the Court for full trial. The court has fixed this matter for full trial on 6 May 2024 to 10 May 2024.

The solicitor is of the view that MBSB Bank has a good chance of success in its defence of the action.

46. 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, 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/interest rates, currency exchange rates, credit spreads, commodity prices and their associated volatility;

(iii) Liquidity risk

Arising from the Group and the Company'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;

46. Financial risk management (cont'd.)**(iv) Operational risk**

Arising from risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events;

(v) Profit/interest rate and rate of return risk in the banking book

Current and potential risk to the Group and the Company's earning and economic value arising from movement in the profit rates/rate of return;

(vi) Capital risk

Arising from 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 SAC of BNM and Securities Commission ("SC"), SAC within the Group and other Shariah regulatory authorities.

(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 their 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 their 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 ("RMD") and submitted to the Audit Committee ("AC"), Risk Management Committee ("RMC") and/or the Board 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. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial risk management (cont'd.)

(b) Risk management framework (cont'd.)

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.

(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:** RMD 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.

46. Financial risk management (cont'd.)

(b) Risk management framework (cont'd.)

Key features of the Risk Management Framework include : (cont'd.)

(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 organisation 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.

(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 minimises 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, 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 ensures that they are within risk appetites established by the Board. Other than the RMCC, 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/financing portfolio concentration, deposits composition and depositors' concentration. The ALCO also manages the profit/interest rate exposures and profit/interest margin of the Group and the Company by reviewing the lending rates, cost of funds, profit/interest margin and the repricing gaps.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial risk management (cont'd.)

(c) Risk organisation (cont'd.)

- (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. MBSB no longer disburses loans/financing.
- (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.

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 - RMD 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 RMD 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 RMD. The RMD 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 customer, 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 customer's credit worthiness is insufficient to justify the granting of credit facilities.

46. Financial risk management (cont'd.)

(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 RMD also applies single customer counterparty limits to protect against unacceptably large exposures to a single risk. The RMD conducts analyses and reports concentration risk to the Board on a quarterly basis.

46.1 Credit risk

Credit risk is the risk of loss to the Group and the Company due to the deterioration in credit worthiness of its customers 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 RMD for independent assessment. Credit exposures are evaluated by the RMD 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 maximum exposure to credit risk at the statements of financial position is the amounts on the statements of financial position as well as off-balance sheet financial instruments, without taking into account any collateral held or other credit enhancements. For financial assets reflected in the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees and similar contracts granted, it is the maximum amount that the Group and the Company would have to pay if the guarantees were called upon. For credit related commitments and contingencies that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities. All financial assets of the Group and the Company are subject to credit risk except for cash in hands, foreclosed properties, prepayments, deferred expenses, statutory deposits with Bank Negara Malaysia as well as non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial risk management (cont'd.)

46.1 Credit risk (cont'd.)

The table below shows the maximum exposure to credit risk for the Group and the Company.

(i) Maximum exposure to credit risk (cont'd.)

| | Group | | Company | |
|---|-------------------|-------------------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Credit risk exposure relating to on-balance sheet assets | | | | |
| Cash and short-term funds * | 4,997,499 | 1,827,118 | 5,809 | 46,504 |
| Deposits and placements with banks and other financial institutions | 749,812 | 597,746 | 65,078 | 100,033 |
| Financial assets at FVTPL | 283,054 | 240,357 | - | - |
| Financial investments at FVOCI | 12,637,634 | 11,392,780 | - | - |
| Financial investments at amortised cost | 4,608,470 | 1,625,792 | - | - |
| Derivative financial assets | 40,080 | 15,017 | - | - |
| Loans, financing and advances | 40,491,527 | 36,933,658 | 272,225 | 368,451 |
| Other financial assets ^ | 222,657 | 30,531 | 1,266 | 1,410 |
| Non-current assets held for sale | - | 564 | - | - |
| | 64,030,733 | 52,663,563 | 344,378 | 516,398 |
| Credit risk exposure relating to off-balance sheet assets | | | | |
| Direct credit substitutes | 80,589 | 19,359 | - | - |
| Trade-related contingencies | 69,139 | 81,715 | - | - |
| Short term self-liquidating trade-related contingencies | 56,657 | 29,069 | - | - |
| Irrevocable commitments | 3,990,252 | 3,027,082 | - | 9,782 |
| Interest rate related contracts | 300,000 | - | - | - |
| | 4,496,637 | 3,157,225 | - | 9,782 |
| Total maximum exposure to credit risk | 68,527,370 | 55,820,788 | 344,378 | 526,180 |

* Cash and short-term funds exclude cash on hand

^ Other financial assets exclude foreclosed properties, prepayments and deferred expenses.

46. Financial risk management (cont'd.)**46.1 Credit risk (cont'd.)****(ii) Credit quality**

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:

Credit rating mapping table for loans, financing and advances, financing commitments and financial guarantees

| 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. |
| Unrated | Refers to financial asset which are currently not assigned with ratings due to unavailability of rating models. |
| Impaired | 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. |

Credit rating mapping table for other financial assets

| 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 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial risk management (cont'd.)

46.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

(a) Loans, financing and advances

The credit quality of the Group and the Company's loans, financing and advances are summarised as follows:

| | Group | | | |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| 2023 | | | | |
| Excellent | 147,319 | 541 | - | 147,860 |
| Good | 3,427,968 | 11,512 | - | 3,439,480 |
| Average | 5,808,573 | 434,038 | - | 6,242,611 |
| Below Average | 526,313 | 62,476 | - | 588,789 |
| Poor | 6,441 | 13,654 | - | 20,095 |
| Unrated | 27,327,438 | 1,222,324 | - | 28,549,762 |
| Impaired | - | - | 3,055,714 | 3,055,714 |
| Gross loans, financing and advances (Note 8(vii)) | 37,244,052 | 1,744,545 | 3,055,714 | 42,044,311 |
| Less: ECL (Note 8 (viii)) | (344,317) | (80,059) | (1,128,408) | (1,552,784) |
| Net loans, financing and advances | 36,899,735 | 1,664,486 | 1,927,306 | 40,491,527 |
| | | | | |
| | Company | | | |
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| 2023 | | | | |
| Impaired | - | - | 532,161 | 532,161 |
| Gross loans, financing and advances (Note 8(vii)) | - | - | 532,161 | 532,161 |
| Less: ECL (Note 8 (viii)) | - | - | (259,936) | (259,936) |
| Net loans, financing and advances | - | - | 272,225 | 272,225 |

46. Financial risk management (cont'd.)**46.1 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.)

| | Group | | | |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| 2022 | | | | |
| Excellent | 142,128 | 547 | - | 142,675 |
| Good | 3,492,094 | 154,831 | - | 3,646,925 |
| Average | 4,097,812 | 432,974 | - | 4,530,786 |
| Below Average | 258,242 | 130,834 | - | 389,076 |
| Poor | 19,231 | 41,462 | - | 60,693 |
| Unrated | 25,397,721 | 1,784,588 | - | 27,182,309 |
| Impaired | - | - | 2,607,227 | 2,607,227 |
| Gross loans, financing and advances (Note 8(vii)) | 33,407,228 | 2,545,236 | 2,607,227 | 38,559,691 |
| Less: ECL (Note 8 (viii)) | (293,979) | (337,893) | (94,161) | (1,626,033) |
| Net loans, financing and advances | 33,113,249 | 2,207,343 | 1,613,066 | 36,933,658 |
| | | | | |
| | Company | | | |
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| 2022 | | | | |
| Average | - | 46,430 | - | 46,430 |
| Unrated | 36,972 | 8,041 | - | 45,013 |
| Impaired | - | - | 537,623 | 537,623 |
| Gross loans, financing and advances (Note 8(vii)) | 36,972 | 54,471 | 537,623 | 629,066 |
| Less: ECL (Note 8 (viii)) | (1,222) | (3,493) | (255,900) | (260,615) |
| Net loans, financing and advances | 35,750 | 50,978 | 281,723 | 368,451 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial risk management (cont'd.)

46.1 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:

| 2023 | Group | | | |
|------------------------------------|-------------------|-------------------|-------------------|------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Financing commitments | | | | |
| Excellent | 362,521 | - | - | 362,521 |
| Good | 955,382 | 322 | - | 955,704 |
| Average | 1,743,486 | 276,424 | - | 2,019,910 |
| Below Average | 183,618 | 15,582 | - | 199,200 |
| Poor | - | - | 89 | 89 |
| Unrated | 724,168 | 18,341 | 10,319 | 752,828 |
| Gross financing commitments | 3,969,175 | 310,669 | 10,408 | 4,290,252 |
| Less: ECL (Note 22(b)) | (26,213) | (5,051) | (1,850) | (33,114) |
| Net financing commitments | 3,942,962 | 305,618 | 8,558 | 4,257,138 |
| Financial guarantees | | | | |
| Good | 84,253 | - | - | 84,253 |
| Average | 106,119 | 400 | - | 106,519 |
| Below Average | 2,413 | 3,050 | - | 5,463 |
| Unrated | 10,150 | - | - | 10,150 |
| Gross financial guarantees | 202,935 | 3,450 | - | 206,385 |
| Less: ECL (Note 22(b)) | (2,008) | (128) | - | (2,136) |
| Net financial guarantees | 200,927 | 3,322 | - | 204,249 |
| | Company | | | |
| 2023 | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Financing commitments | | | | |
| Unrated | - | - | - | - |
| Gross financing commitments | - | - | - | - |
| Less: ECL (Note 22(b)) | - | - | - | - |
| Net financing commitments | - | - | - | - |

46. Financial risk management (cont'd.)**46.1 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.)

| | Group | | | |
|------------------------------------|---------------------------|---------------------------|---------------------------|-------------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| 2022 | | | | |
| Financing commitments | | | | |
| Excellent | 6,447 | 17 | - | 6,464 |
| Good | 786,966 | 20,127 | - | 807,093 |
| Average | 1,100,530 | 228,608 | - | 1,329,138 |
| Below Average | 62,858 | 10,875 | - | 73,733 |
| Poor | - | 406 | 1,369 | 1,775 |
| Unrated | 778,515 | 24,552 | 5,813 | 808,880 |
| Gross financing commitments | 2,735,316 | 284,585 | 7,182 | 3,027,083 |
| Less: ECL (Note 22(b)) | (14,454) | (31,638) | (1,366) | (47,458) |
| Net financing commitments | 2,720,862 | 252,947 | 5,816 | 2,979,625 |
| Financial guarantees | | | | |
| Excellent | 1,680 | - | - | 1,680 |
| Good | 54,011 | 1,444 | - | 55,455 |
| Average | 39,423 | 3,518 | - | 42,941 |
| Below Average | 18,042 | - | - | 18,042 |
| Poor | - | - | 12,024 | 12,024 |
| Gross financial guarantees | 113,156 | 4,962 | 12,024 | 130,142 |
| Less: ECL (Note 22(b)) | (823) | (802) | (3,689) | (5,314) |
| Net financial guarantees | 112,333 | 4,160 | 8,335 | 124,828 |
| | Company | | | |
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| 2022 | | | | |
| Financing commitments | | | | |
| Unrated | 8,378 | 617 | 787 | 9,782 |
| Gross financing commitments | 8,378 | 617 | 787 | 9,782 |
| Less: ECL (Note 22(b)) | (132) | (70) | (220) | (422) |
| Net financing commitments | 8,246 | 547 | 567 | 9,360 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial risk management (cont'd.)

46.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

(b) Other financial assets

The credit quality of the Group and the Company's other financial assets are summarised as follows:

| 2023 | Group | | | |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| Cash and short-term funds | | | | |
| AAA | 4,783,106 | - | - | 4,783,106 |
| AA and below | 214,307 | - | - | 214,307 |
| Unrated* | 86 | - | - | 86 |
| | 4,997,499 | - | - | 4,997,499 |
| Deposits and placements with banks and other financial institutions | | | | |
| AAA | 749,780 | - | - | 749,780 |
| AA and below | 32 | - | - | 32 |
| | 749,812 | - | - | 749,812 |
| Financial assets and investments portfolios | | | | |
| AAA | 2,885,270 | - | - | 2,885,270 |
| AA and below | 1,794,312 | - | - | 1,794,312 |
| Unrated* | 12,644,490 | 205,086 | - | 12,849,576 |
| | 17,324,072 | 205,086 | - | 17,529,158 |
| Other financial assets | | | | |
| Unrated | 222,657 | - | - | 222,657 |
| | 222,657 | - | - | 222,657 |

* Unrated debt investments for the Group include government guaranteed securities of RM11,301,782,000 (2022: RM10,814,467,000)

46. Financial risk management (cont'd.)**46.1 Credit risk (cont'd.)****(ii) Credit quality (cont'd.)****(b) Other financial assets (cont'd.)**

The credit quality of the Group and the Company's other financial assets are summarised as follows: (cont'd.)

| | Company | | | |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| 2023 | | | | |
| Cash and short-term funds | | | | |
| AA and below | 5,809 | - | - | 5,809 |
| | 5,809 | - | - | 5,809 |
| Deposits and placements with banks and other financial institutions | | | | |
| AA and below | 65,078 | - | - | 65,078 |
| | 65,078 | - | - | 65,078 |
| Other financial assets | | | | |
| Unrated | 1,266 | - | - | 1,266 |
| | 1,266 | - | - | 1,266 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial risk management (cont'd.)

46.1 Credit risk (cont'd.)

(ii) Credit quality (cont'd.)

(b) Other financial assets (cont'd.)

The credit quality of the Group and the Company's other financial assets are summarised as follows: (cont'd.)

| | Group | | | |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| 2022 | | | | |
| Cash and short-term funds | | | | |
| AAA | 1,838,470 | - | - | 1,838,470 |
| | 1,838,470 | - | - | 1,838,470 |
| Deposits and placements with banks and other financial institutions | | | | |
| AAA | 597,714 | - | - | 597,714 |
| AA and below | 32 | - | - | 32 |
| | 597,746 | - | - | 597,746 |
| Financial assets and investments portfolios | | | | |
| AAA | 1,304,864 | - | - | 1,304,864 |
| AA and below | 361,252 | - | - | 361,252 |
| Unrated* | 11,387,855 | 204,958 | - | 11,592,813 |
| | 13,053,971 | 204,958 | - | 13,258,929 |
| Other financial assets | | | | |
| Unrated | 30,531 | - | - | 30,531 |
| | 30,531 | - | - | 30,531 |

* Unrated debt investments for the Group include government guaranteed securities of RM11,301,782,000 (2022: RM10,814,467,000)

46. Financial risk management (cont'd.)**46.1 Credit risk (cont'd.)****(ii) Credit quality (cont'd.)****(b) Other financial assets (cont'd.)**

The credit quality of the Group and the Company's other financial assets are summarised as follows: (cont'd.)

| | Company | | | |
|--|---------------------------|---------------------------|---------------------------|-------------------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | Total RM'000 |
| 2022 | | | | |
| Cash and short-term funds | | | | |
| AA and below | 46,504 | - | - | 46,504 |
| | 46,504 | - | - | 46,504 |
| Deposits and placements with banks and other financial institutions | | | | |
| AA and below | 100,033 | - | - | 100,033 |
| | 100,033 | - | - | 100,033 |
| Other financial assets | | | | |
| Unrated | 1,410 | - | - | 1,410 |
| | 1,410 | - | - | 1,410 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial risk management (cont'd.)

46.1 Credit risk (cont'd.)

(iii) Concentration of credit risk

| Group 2023 | Cash and short-term funds and deposits placements with financial institutions* | Financial invest- ments at FVTPL RM'000 | Financial invest- ments at FVOCI RM'000 | Financial invest- ments amortised cost RM'000 | Derivative financial assets RM'000 | Loans, financing and advances RM'000 | Other financial assets RM'000 | Non- current assets held for sale RM'000 | On balance sheet total RM'000 | Financial guar- antees RM'000 | Committ- ment and conti- gencies [^] RM'000 |
|---|---|---|---|--|---|--|--|---|---|--|--|
| Government and central banks | 3,944,134 | 10,368 | 8,326,802 | 1,262,183 | - | - | - | - | 13,543,487 | - | - |
| Household sectors | - | - | - | - | - | 28,762,122 | - | - | 28,762,122 | - | 1,066,929 |
| Agriculture | - | - | 20,091 | - | - | 198,552 | - | - | 218,643 | 110 | 107,175 |
| Mining and quarrying | - | - | 115,389 | 96,519 | - | 47,397 | - | - | 259,305 | - | 13,718 |
| Manufacturing | - | - | 139,336 | 40,767 | 223 | 1,536,133 | - | - | 1,716,459 | 24,693 | 707,714 |
| Electricity, gas and water | - | - | 550,694 | 146,524 | - | 176,292 | - | - | 873,510 | 57,500 | 6,020 |
| Construction | - | - | 596,969 | 198,104 | - | 2,978,320 | - | - | 3,773,393 | 40,445 | 800,226 |
| Wholesale & retail trade and restaurants & hotels | - | - | - | - | 1,347 | 1,491,132 | - | - | 1,492,479 | 14,253 | 622,615 |
| Transport, storage and communication | - | - | 100,581 | 34,717 | - | 384,932 | - | - | 520,230 | 56,339 | 72,386 |
| Finance, insurance, real estate and business services | 1,803,177 | 272,686 | 1,903,823 | 2,036,434 | 38,510 | 2,921,832 | - | - | 8,976,462 | 10,420 | 837,355 |
| Education, health and others | - | - | 346,579 | 20,425 | - | 183,673 | - | - | 550,677 | 2,625 | 55,114 |
| Others | - | - | 537,370 | 772,797 | - | 1,811,142 | 222,657 | - | 3,343,966 | - | 1,000 |
| | 5,747,311 | 283,054 | 12,637,634 | 4,608,470 | 40,080 | 40,491,527 | 222,657 | - | 64,030,733 | 206,385 | 4,290,252 |

* Cash and short-term funds and deposit placements with banks and other financial institutions exclude cash in hand.

[^] Commitments and contingencies exclude foreign exchange related contracts.

46. Financial risk management (cont'd.)

46.1 Credit risk (cont'd.)

(iii) Concentration of credit risk (cont'd.)

| Group 2022 | Cash and short-term funds and deposits and placements with financial institutions* RM'000 | Financial invest- ments at amortised cost RM'000 | | | | Loans, financing and advances RM'000 | Other financial assets RM'000 | Non- current assets held for sale RM'000 | On sheet total RM'000 | Financial guar- antees RM'000 | Commit- ment and conti- ngencies [^] RM'000 |
|--|--|--|---|---|---|--|--|---|--------------------------------|--|--|
| | | Financial invest- ments at FVTPL RM'000 | Financial invest- ments at FVOCI RM'000 | Financial invest- ments at cost RM'000 | Derivative financial assets RM'000 | | | | | | |
| Government and central banks | 1,827,118 | - | 8,479,579 | 378,305 | - | - | - | 10,685,002 | - | - | |
| Household sectors | - | - | - | - | - | 27,009,740 | - | 27,010,304 | - | 808,262 | |
| Agriculture | - | - | - | - | - | 47,434 | - | 47,434 | - | 27,376 | |
| Mining and quarrying | - | - | 81,438 | 45,429 | - | 63,988 | - | 190,855 | - | 13,156 | |
| Manufacturing | - | - | - | - | - | 1,000,671 | - | 1,000,671 | 36,690 | 204,639 | |
| Electricity, gas and water | - | - | 495,472 | 85,285 | - | 901,411 | - | 1,482,168 | - | - | |
| Construction | - | - | 594,358 | 151,320 | - | 2,894,335 | 18,740 | 3,658,753 | 47,737 | 1,235,923 | |
| Wholesale & retail trade and restaurants & hotels | - | - | - | - | - | 1,023,173 | - | 1,023,173 | 11,612 | 310,871 | |
| Transport, storage and communication | - | - | 59,623 | 24,487 | - | 336,457 | - | 420,567 | 25,250 | 46,974 | |
| Finance, insurance and business services | 597,746 | 240,357 | 1,279,216 | 940,966 | - | 3,342,263 | - | 6,400,548 | 8,854 | 379,871 | |
| Education, health and others | - | - | 403,094 | - | - | 185,863 | - | 588,957 | - | 10 | |
| Others | - | - | - | - | 15,017 | 128,323 | 11,791 | 155,131 | - | - | |
| | 2,424,864 | 240,357 | 11,392,780 | 1,625,792 | 15,017 | 36,933,658 | 30,531 | 52,663,563 | 130,143 | 3,027,082 | |

* Cash and short-term funds and deposit placements with banks and other financial institutions exclude cash in hand.

[^] Commitments and contingencies exclude foreign exchange related contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial risk management (cont'd.)

46.1 Credit risk (cont'd.)

(iii) Concentration of credit risk (cont'd.)

| Company 2023 | 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 | Commit- ment and con- tingencies^ RM'000 |
|---|--|--|--|---|--|
| Construction | - | 207,585 | - | 207,585 | - |
| Finance, insurance and business services | 70,887 | - | - | 70,887 | - |
| Education, health and others | - | 64,640 | - | 64,640 | - |
| Others | - | - | 1,266 | 1,266 | - |
| | 70,887 | 272,225 | 1,266 | 344,378 | - |

* Cash and short-term funds and deposit placements with banks and other financial institutions exclude cash in hand.

^ Commitments and contingencies exclude foreign exchange related contracts.

46. Financial risk management (cont'd.)**46.1 Credit risk (cont'd.)**

(iii) Concentration of credit risk (cont'd.)

| Company 2022 | 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 | Commit- ment and con- tingencies^ RM'000 |
|---|--|--|--|---|--|
| Household sectors | - | 29,835 | - | 29,835 | 9,747 |
| Manufacturing | - | 48,523 | - | 48,523 | - |
| Construction | - | 213,785 | - | 213,785 | - |
| Wholesale & retail trade and restaurants & hotels | - | 2,881 | - | 2,881 | 35 |
| Transport, storage and communication | - | 1,174 | - | 1,174 | - |
| Finance, insurance and business services | 146,537 | 2,812 | - | 149,349 | - |
| Education, health and others | - | 69,441 | - | 69,441 | - |
| Others | - | - | 1,410 | 1,410 | - |
| | 146,537 | 368,451 | 1,410 | 516,398 | 9,782 |

* Cash and short-term funds and deposit placements with banks and other financial institutions exclude cash in hand.

^ Commitments and contingencies exclude foreign exchange related contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial risk management (cont'd.)

46.1 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 - charge 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 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 83.64% (2022: 65.09%) and the Company is at 98.26% (2022: 64.67%). The financial effect of collateral held for the remaining financial assets are not significant.

46. Financial risk management (cont'd.)**46.1 Credit risk (cont'd.)**

(v) Key macroeconomic variables

In computing the ECL of loans, financing and advances, the Group and the Company incorporate the impact of forward-looking key MEV according to respective portfolio. The Group and the Company performed statistical analysis based on historical experience and identified the MEV impacting credit risk and ECL for each portfolio. The relationship of the MEV 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.

The MEV incorporated into the ECL calculations are supported with 3 economic scenarios i.e. baseline, best and worst case scenarios. The following table shows the MEV applied but not limited to by the Group and the Company in the ECL models.

| Macro-economic Variables ("MEVs") | Base scenario | | Best scenario | | Worst scenario | |
|-----------------------------------|----------------|-----------------------|----------------|-----------------------|----------------|-----------------------|
| | Next 12 months | Re-remaining forecast | Next 12 months | Re-remaining forecast | Next 12 months | Re-remaining forecast |
| <u>2023</u> | | | | | | |
| Private Consumption (in Billion) | 1,005.73 | 1,112.93 | 1,023.83 | 1,129.54 | 987.27 | 1,102.00 |
| Unemployment Rate (%) | 3.19 | 3.19 | 3.05 | 3.06 | 4.03 | 3.55 |
| Consumer Price Index ("CPI") | 133.72 | 140.78 | 134.35 | 142.35 | 132.04 | 138.84 |
| <u>2022</u> | | | | | | |
| Private Consumption (in Billion) | 947.89 | 1,068.21 | 964.96 | 1,084.14 | 930.48 | 1,057.75 |
| Unemployment Rate (%) | 3.23 | 3.20 | 3.09 | 3.07 | 4.06 | 3.50 |
| Consumer Price Index ("CPI") | 130.13 | 136.69 | 129.84 | 135.85 | 130.77 | 137.70 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial risk management (cont'd.)

46.2 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 profit/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 profit/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 RMD, via its presence in the ALCO, provides advisory services and input on the Group and the Company's market risk management.

In managing profit/interest rate risk, the Group and the Company intend to maximise net profit/interest income and net profit/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 profit/interest rate risk

At the reporting date, if profit/interest 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 profit/interest expenses from floating rate borrowings and fixed deposits placed by customers and profit/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 |
| 2023 | | | | |
| Impact to profit after tax | (25,585) | 98,591 | 17 | (17) |
| Impact on equity | 430,547 | (562,427) | - | - |
| 2022 | | | | |
| Impact to profit after tax | (59,866) | 59,866 | 31 | (31) |
| Impact on equity | (423,324) | 457,866 | - | - |

46. Financial risk management (cont'd.)

46.2 Market risk (cont'd.)

Profit/interest rate risk

The tables below summarise the Group and Company's exposure to profit/interest rate risk. As profit/interest rates and yield curves change over time, the Group and the Company may be exposed to loss in earnings due to the effects of profit/interest rates on the structure of the statement of financial position. Sensitivity to profit/interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the financial assets and their corresponding financial liabilities funding.

| Group 2023 | Within 1 year | | | | | Non- profit/ interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|---|----------------------------|--------------------------|---------------------------|-------------------------|---------------------------|--|---------------------------|-------------------|
| | Up to 1 month RM'000 | >1-3 months RM'000 | >3-12 months RM'000 | >1-5 years RM'000 | Over 5 years RM'000 | | | |
| Financial Assets | | | | | | | | |
| Cash and short-term funds | 5,016,539 | - | - | - | - | 590,775 | - | 5,607,314 |
| Deposits and placements with banks and other financial institutions | 32 | 91,812 | 654,552 | - | - | 3,416 | - | 749,812 |
| Financial assets at FVTPL | - | - | - | - | - | - | 283,054 | 283,054 |
| Financial investments at FVOCI | 55,046 | 301,939 | 1,029,362 | 5,976,727 | 5,158,144 | 116,416 | - | 12,637,634 |
| Financial investments at amortised cost | 7,696 | - | 699,104 | 2,547,383 | 1,331,479 | 22,808 | - | 4,608,470 |
| Derivative financial assets | 23,925 | 8,874 | 6 | - | - | - | 7,275 | 40,080 |
| Loans, financing and advances * | 19,647,244 | 1,617,956 | 2,715,346 | 1,582,375 | 13,007,523 | 1,921,083 | - | 40,491,527 |
| Other financial assets | - | - | - | - | - | 222,657 | - | 222,657 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | 822,661 | - | 822,661 |
| Non-current assets held for sale | - | - | - | - | - | 57,047 | - | 57,047 |
| Total financial assets | 24,750,482 | 2,020,581 | 5,098,370 | 10,106,485 | 19,497,146 | 3,756,863 | 290,329 | 65,520,256 |

* This is arrived after deducting impairment allowances from gross impaired loans, financing and advances.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial risk management (cont'd.)

46.2 Market risk (cont'd.)

Profit/interest rate risk (cont'd.)

| Group 2023 | Within 1 year | | | | | Over 5 years RM'000 | Non- profit/ interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|---|----------------------------|--------------------------|---------------------------|-------------------------|-----------------------|---------------------------|--|---------------------------|-----------------|
| | 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 | | | | |
| Financial Liabilities | | | | | | | | | |
| Deposits from customers | 13,783,690 | 7,585,958 | 11,917,279 | 2,666,380 | 8,690 | 2,838,070 | - | 38,800,067 | |
| Deposits and placements of banks and other financial institutions | 4,780,699 | 2,524,017 | 493,665 | 802,711 | - | 222,474 | - | 8,823,566 | |
| Islamic repurchase agreement | - | 1,410,830 | 594,369 | - | - | - | - | 2,005,199 | |
| Derivative financial liabilities | 4,328 | 830 | - | - | - | - | - | 5,158 | |
| Other financial liabilities | - | - | - | - | - | 675,301 | - | 675,301 | |
| Lease liabilities | 1,996 | 3,904 | 8,823 | 15,241 | - | - | - | 29,964 | |
| Recourse obligation on financing sold | 5,179 | 61,721 | 1,872,376 | 2,079,255 | - | 13,201 | - | 4,031,732 | |
| Sukuk | - | - | 223,659 | 571,156 | 1,392,887 | 9,730 | - | 2,197,432 | |
| Borrowings and government grant | - | - | - | - | 186,283 | 17,559 | - | 203,842 | |
| Total financial liabilities | 18,575,892 | 11,587,260 | 15,110,171 | 6,134,743 | 1,587,860 | 3,776,335 | - | 56,772,261 | |
| Total profit/interest sensitivity gap | 6,174,590 | (9,566,679) | (10,011,801) | 3,971,742 | 17,909,286 | (19,472) | 290,329 | 8,747,995 | |

46. Financial risk management (cont'd.)

46.2 Market risk (cont'd.)

Profit/interest rate risk (cont'd.)

The tables below summarise the Group and Company's exposure to profit/interest rate risk. As profit/interest rates and yield curves change over time, the Group and the Company may be exposed to loss in earnings due to the effects of profit/interest rates on the structure of the statement of financial position. Sensitivity to profit/interest rate arises from mismatches in the repricing dates, cash flows and other characteristics of the financial assets and their corresponding financial liabilities funding.

| Group 2022 | Within 1 year | | | | | Non- profit/ interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|---|----------------------------|--------------------------|---------------------------|-------------------------|---------------------------|--|---------------------------|-------------------|
| | Up to 1 month RM'000 | >1-3 months RM'000 | >3-12 months RM'000 | >1-5 years RM'000 | Over 5 years RM'000 | | | |
| Financial Assets | | | | | | | | |
| Cash and short-term funds | 1,838,470 | - | - | - | - | 367,480 | - | 2,205,950 |
| Deposits and placements with banks and other financial institutions | 32 | - | 597,714 | - | - | - | - | 597,746 |
| Financial assets at FVTPL | - | - | - | - | - | - | 240,357 | 240,357 |
| Financial investments at FVOCI | - | 90,095 | 652,070 | 4,347,246 | 6,182,245 | 121,124 | - | 11,392,780 |
| Financial investments at amortised cost | - | - | 3,000 | 683,002 | 924,090 | 15,700 | - | 1,625,792 |
| Derivative financial assets | 7,970 | 6,917 | 130 | - | - | - | - | 15,017 |
| Loans, financing and advances * | 16,444,383 | 36,940 | 3,362,331 | 1,337,280 | 14,139,658 | 1,613,066 | - | 36,933,658 |
| Other financial assets | - | - | - | - | - | 30,531 | - | 30,531 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | - | - | 610,000 | - | 610,000 |
| Non-current assets held for sale | - | - | - | - | - | 564 | - | 564 |
| Total financial assets | 18,290,855 | 133,952 | 4,615,245 | 6,367,528 | 21,245,993 | 2,758,465 | 240,357 | 53,652,395 |

* This is arrived after deducting impairment allowances from gross impaired loans, financing and advances.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial risk management (cont'd.)

46.2 Market risk (cont'd.)

Profit/interest rate risk (cont'd.)

| Group 2022 | Within 1 year | | | | | Over 5 years RM'000 | Non- profit/ interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|---|----------------------------|--------------------------|---------------------------|-------------------------|-----------------------|---------------------------|--|---------------------------|-----------------|
| | 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 | | | | |
| Financial Liabilities | | | | | | | | | |
| Deposits from customers | 10,017,292 | 7,169,044 | 8,812,105 | 2,690,304 | 10,070 | 258,320 | - | 28,957,135 | |
| Deposits and placements of banks and other financial institutions | 3,743,120 | 1,901,516 | 779,994 | 1,064,278 | - | 22,428 | - | 7,511,336 | |
| Investment accounts of customers | 849,359 | 936,100 | 280,461 | - | - | 14,847 | - | 2,080,767 | |
| Derivative financial liabilities | 15,118 | 8,352 | - | - | - | - | - | 23,470 | |
| Other financial liabilities | - | - | - | - | - | 518,125 | - | 518,125 | |
| Lease liabilities | 1,902 | 3,708 | 14,791 | 6,933 | - | - | - | 27,334 | |
| Recourse obligation on financing sold | 5,434 | 55,852 | 191,280 | 4,088,219 | - | 14,623 | - | 4,355,408 | |
| Sukuk | - | - | 233,514 | 720,404 | 1,465,679 | 11,120 | - | 2,430,717 | |
| Total financial liabilities | 14,632,225 | 10,074,572 | 10,312,145 | 8,570,138 | 1,475,749 | 839,463 | - | 45,904,292 | |
| Total profit/interest sensitivity gap | 3,658,630 | (9,940,620) | (5,696,900) | (2,202,610) | 19,770,244 | 1,919,002 | 240,357 | 7,748,103 | |

46. Financial risk management (cont'd.)

46.2 Market risk (cont'd.)

Interest rate risk (cont'd.)

| Company 2023 | ← Within 1 year → | | | | Non- interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|---|----------------------------|--------------------------|---------------------------|-------------------------|---|---------------------------|-----------------|
| | Up to 1 month RM'000 | >1-3 months RM'000 | >3-12 months RM'000 | >1-5 years RM'000 | | | |
| Financial Assets | | | | | | | |
| Cash and short-term funds | 5,809 | - | - | - | 3,833 | - | 9,642 |
| Deposits and placements with banks and other financial institutions | - | 15,000 | - | 50,000 | 78 | - | 65,078 |
| Loans, financing and advances * | - | - | - | - | 272,225 | - | 272,225 |
| Other financial assets | - | - | - | - | 1,266 | - | 1,266 |
| Total financial assets | 5,809 | 15,000 | - | 50,000 | 277,402 | - | 348,211 |
| Financial Liabilities | | | | | | | |
| Other financial liabilities | - | - | - | - | 5,951 | - | 5,951 |
| Total financial liabilities | - | - | - | - | 5,951 | - | 5,951 |
| Total interest sensitivity gap | 5,809 | 15,000 | - | 50,000 | 271,451 | - | 342,260 |

* This is arrived after deducting impairment allowances from gross impaired loans, financing and advances.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial risk management (cont'd.)

46.2 Market risk (cont'd.)

Interest rate risk (cont'd.)

| Company 2022 | Within 1 year | | | | Over 5 years RM'000 | Non- interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|---|----------------------------|--------------------------|---------------------------|-------------------------|---------------------------|---|---------------------------|-----------------|
| | Up to 1 month RM'000 | >1-3 months RM'000 | >3-12 months RM'000 | >1-5 years RM'000 | | | | |
| Financial Assets | | | | | | | | |
| Cash and short-term funds | 46,504 | - | - | - | - | 13,132 | - | 59,636 |
| Deposits and placements with banks and other financial institutions | - | - | - | 100,033 | - | - | - | 100,033 |
| Loans, financing and advances * | 484 | - | 180 | 46,806 | 39,257 | 281,724 | - | 368,451 |
| Other financial assets | - | - | - | - | - | 1,410 | - | 1,410 |
| Total financial assets | 46,988 | - | 180 | 146,839 | 39,257 | 296,266 | - | 529,530 |
| Financial Liabilities | | | | | | | | |
| Other financial liabilities | - | - | - | - | - | 50,624 | - | 50,624 |
| Total financial liabilities | - | - | - | - | - | 50,624 | - | 50,624 |
| Total interest sensitivity gap | 46,988 | - | 180 | 146,839 | 39,257 | 245,642 | - | 478,906 |

* This is arrived after deducting impairment allowances from gross impaired loans, financing and advances.

46. Financial risk management (cont'd.)**46.2 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 | |
|------|----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| + 1% | (12,948) | (4,588) |
| - 1% | 12,948 | 4,588 |

| Group 2023 | MYR RM'000 | USD RM'000 | GBP RM'000 | Others RM'000 | Total RM'000 |
|---|---------------|---------------|---------------|------------------|-----------------|
| Assets | | | | | |
| Cash and short-term funds | 5,204,616 | 346,800 | 5,077 | 50,821 | 5,607,314 |
| Deposits and placements with banks and other financial institutions | 657,272 | 92,540 | - | - | 749,812 |
| Financial assets at FVTPL | 283,054 | - | - | - | 283,054 |
| Financial investments at FVOCI | 12,637,634 | - | - | - | 12,637,634 |
| Financial assets at amortised cost | 4,608,470 | - | - | - | 4,608,470 |
| Derivative financial assets | 40,080 | - | - | - | 40,080 |
| Loans, financing and advances | 38,557,717 | 1,372,577 | 561,233 | - | 40,491,527 |
| Other financial assets | 222,657 | - | - | - | 222,657 |
| Statutory deposits with Bank Negara Malaysia | 822,661 | - | - | - | 822,661 |
| Total assets | 63,034,161 | 1,811,917 | 566,310 | 50,821 | 65,463,209 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial risk management (cont'd.)

46.2 Market risk (cont'd.)

Foreign Exchange Risk (cont'd.)

Sensitivity Analysis (cont'd.)

| Group 2023 | MYR RM'000 | USD RM'000 | GBP RM'000 | Others RM'000 | Total RM'000 |
|---|-------------------|------------------|-----------------|------------------|-------------------|
| Liabilities | | | | | |
| Deposits from customers | 38,698,489 | 91,875 | 199 | 9,504 | 38,800,067 |
| Deposits and placements of banks and other financial institutions | 8,794,117 | 16,199 | - | 13,250 | 8,823,566 |
| Islamic repurchase agreement | 1,410,924 | - | 594,275 | - | 2,005,199 |
| Derivative financial liabilities | 5,158 | - | - | - | 5,158 |
| Other financial liabilities | 675,301 | - | - | - | 675,301 |
| Lease liabilities | 29,964 | - | - | - | 29,964 |
| Recourse obligation on financing sold | 4,031,732 | - | - | - | 4,031,732 |
| Sukuk | 2,197,432 | - | - | - | 2,197,432 |
| Borrowings and government grant | 203,842 | - | - | - | 203,842 |
| Total liabilities | 56,046,959 | 108,074 | 594,474 | 22,754 | 56,772,261 |
| Net on-balance sheet financial position | 6,987,202 | 1,703,843 | (28,164) | 28,067 | 8,690,948 |

| Group 2022 | MYR RM'000 | USD RM'000 | Others RM'000 | Total RM'000 |
|--|-------------------|------------------|------------------|-------------------|
| Assets | | | | |
| Cash and short-term funds | 2,047,613 | 113,005 | 45,332 | 2,205,950 |
| Deposits and placements with banks and other financial institutions | 597,746 | - | - | 597,746 |
| Investments with fund manager | 240,357 | - | - | 240,357 |
| Financial investments at FVOCI | 11,392,780 | - | - | 11,392,780 |
| Financial assets at amortised cost | 1,625,792 | - | - | 1,625,792 |
| Derivative financial assets | 15,017 | - | - | 15,017 |
| Loans, financing and advances | 35,999,961 | 933,697 | - | 36,933,658 |
| Other financial assets | 30,531 | - | - | 30,531 |
| Statutory deposits with Bank Negara Malaysia | 610,000 | - | - | 610,000 |
| Non-current assets held for sale | 564 | - | - | 564 |
| Total assets | 52,560,361 | 1,046,702 | 45,332 | 53,652,395 |

46. Financial risk management (cont'd.)**46.2 Market risk (cont'd.)****Foreign Exchange Risk (cont'd.)****Sensitivity Analysis (cont'd.)**

| Group 2022 | MYR RM'000 | USD RM'000 | Others RM'000 | Total RM'000 |
|--|-------------------|----------------|------------------|-------------------|
| Liabilities | | | | |
| Deposits from customers | 28,468,813 | 468,761 | 19,561 | 28,957,135 |
| Deposits and placements of banks and other financial institutions | 7,511,336 | - | - | 7,511,336 |
| Investment accounts of customers | 2,080,767 | - | - | 2,080,767 |
| Derivative financial liabilities | 23,470 | - | - | 23,470 |
| Other financial liabilities | 518,125 | - | - | 518,125 |
| Lease liabilities | 27,334 | - | - | 27,334 |
| Recourse obligation on financing sold | 4,355,408 | - | - | 4,355,408 |
| Sukuk | 2,430,717 | - | - | 2,430,717 |
| Total liabilities | 45,415,970 | 468,761 | 19,561 | 45,904,292 |
| Net on-balance sheet financial position | 7,144,391 | 577,941 | 25,771 | 7,748,103 |

46.3 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial Risk Management (cont'd.)

46.3 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 | On demand or within one year | One to five years | Over five years | No specific maturity | Total |
|---|------------------------------------|----------------------|--------------------|----------------------------|-------------------|
| 2023 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial Assets | | | | | |
| Cash and short-term funds | 5,017,565 | - | - | 589,749 | 5,607,314 |
| Deposits and placements with banks and other financial institutions | 749,812 | - | - | - | 749,812 |
| Financial assets at FVTPL | - | 283,054 | - | - | 283,054 |
| Financial investments at FVOCI | 1,502,763 | 5,976,727 | 5,158,144 | - | 12,637,634 |
| Financial investments at amortised cost | 729,608 | 2,547,383 | 1,331,479 | - | 4,608,470 |
| Derivative financial assets | 32,805 | 7,275 | - | - | 40,080 |
| Loans, financing and advances* | 25,901,629 | 1,582,375 | 13,007,523 | - | 40,491,527 |
| Other financial assets | 222,657 | - | - | - | 222,657 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | 822,661 | 822,661 |
| Non-current assets held for sale | 57,047 | - | - | - | 57,047 |
| Total financial assets | 34,213,886 | 10,396,814 | 19,497,146 | 1,412,410 | 65,520,256 |

* This is arrived after deducting impairment allowances from gross impaired loans, financing and advances.

46. Financial Risk Management (cont'd.)**46.3 Liquidity risk (cont'd.)****(a) Maturity analysis (cont'd.)**

| Group | On demand or within one year | One to five years | Over five years | No specific maturity | Total |
|---|------------------------------------|----------------------|--------------------|----------------------------|-------------|
| 2023 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial liabilities | | | | | |
| Deposits from customers | 36,124,997 | 2,666,380 | 8,690 | - | 38,800,067 |
| Deposits and placements of banks and other financial institutions | 8,020,855 | 802,711 | - | - | 8,823,566 |
| Islamic repurchase agreement | 2,005,199 | - | - | - | 2,005,199 |
| Derivative financial liabilities | 5,158 | - | - | - | 5,158 |
| Other financial liabilities | 675,301 | - | - | - | 675,301 |
| Lease liabilities | 14,723 | 15,241 | - | - | 29,964 |
| Recourse obligation on financing sold | 1,952,477 | 2,079,255 | - | - | 4,031,732 |
| Sukuk | 233,389 | 571,156 | 1,392,887 | - | 2,197,432 |
| Borrowings and government grant | 17,559 | - | 186,283 | - | 203,842 |
| Total financial liabilities | 49,049,658 | 6,134,743 | 1,587,860 | - | 56,772,261 |
| Net liquidity gap on Statement of Financial Position | (14,835,772) | 4,262,071 | 17,909,286 | 1,412,410 | 8,747,995 |
| Commitments and contingencies [@] | (1,968,753) | (2,162,816) | (365,068) | - | (4,496,637) |
| Net liquidity gap | (16,804,525) | 2,099,255 | 17,544,218 | 1,412,410 | 4,251,358 |

[@] Commitments and contingencies exclude foreign exchange related contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial Risk Management (cont'd.)

46.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

| Group | On demand or within one year | One to five years | Over five years | No specific maturity | Total |
|---|------------------------------------|----------------------|--------------------|----------------------------|-------------------|
| 2022 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial Assets | | | | | |
| Cash and short-term funds | 1,838,470 | - | - | 367,480 | 2,205,950 |
| Deposits and placements with banks and other financial institutions | 597,746 | - | - | - | 597,746 |
| Financial assets at FVTPL | - | 240,357 | - | - | 240,357 |
| Financial investments at FVOCI | 863,289 | 4,347,246 | 6,182,245 | - | 11,392,780 |
| Financial investments at amortised cost | 18,700 | 683,002 | 924,090 | - | 1,625,792 |
| Derivative financial assets | 15,017 | - | - | - | 15,017 |
| Loans, financing and advances* | 21,456,720 | 1,337,280 | 14,139,658 | - | 36,933,658 |
| Other financial assets | 30,531 | - | - | - | 30,531 |
| Statutory deposits with Bank Negara Malaysia | - | - | - | 610,000 | 610,000 |
| Non-current assets held for sale | - | - | - | 564 | 564 |
| Total financial assets | 24,820,473 | 6,607,885 | 21,245,993 | 978,044 | 53,652,395 |

* This is arrived after deducting impairment allowances from gross impaired loans, financing and advances.

46. Financial Risk Management (cont'd.)**46.3 Liquidity risk (cont'd.)****(a) Maturity analysis (cont'd.)**

| Group | On demand or within one year | One to five years | Over five years | No specific maturity | Total |
|---|------------------------------------|----------------------|--------------------|----------------------------|-------------|
| 2022 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial liabilities | | | | | |
| Deposits from customers | 26,256,761 | 2,690,304 | 10,070 | - | 28,957,135 |
| Deposits and placements of banks and other financial institutions | 6,447,058 | 1,064,278 | - | - | 7,511,336 |
| Investment accounts of customers | 2,080,767 | - | - | - | 2,080,767 |
| Derivative financial liabilities | 23,470 | - | - | - | 23,470 |
| Other financial liabilities | 518,125 | - | - | - | 518,125 |
| Lease liabilities | 20,401 | 6,933 | - | - | 27,334 |
| Recourse obligation on financing sold | 267,189 | 4,088,219 | - | - | 4,355,408 |
| Sukuk | 244,634 | 720,404 | 1,465,679 | - | 2,430,717 |
| Total financial liabilities | 35,858,405 | 8,570,138 | 1,475,749 | - | 45,904,292 |
| Net liquidity gap on Statement of Financial Position | (11,037,932) | (1,962,253) | 19,770,244 | 978,044 | 7,748,103 |
| Commitments and contingencies [@] | (894,762) | (1,911,502) | (350,961) | - | (3,157,225) |
| Net liquidity gap | (11,932,694) | (3,873,755) | 19,419,283 | 978,044 | 4,590,878 |

[@] Commitments and contingencies exclude foreign exchange related contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial Risk Management (cont'd.)

46.3 Liquidity risk (cont'd.)

(a) Maturity analysis (cont'd.)

| Company | On demand or within one year | One to five years | Over five years | No specific maturity | Total |
|---|------------------------------------|----------------------|--------------------|----------------------------|----------------|
| 2023 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets | | | | | |
| Cash and short-term funds | 5,809 | - | - | 3,833 | 9,642 |
| Deposits and placements with banks and other financial institutions | 15,015 | 50,063 | - | - | 65,078 |
| Loans, financing and advances* | - | - | - | 272,225 | 272,225 |
| Other financial assets | 1,266 | - | - | - | 1,266 |
| Total financial assets | 22,090 | 50,063 | - | 276,058 | 348,211 |
| Financial liabilities | | | | | |
| Other financial liabilities | 5,951 | - | - | - | 5,951 |
| Total financial liabilities | 5,951 | - | - | - | 5,951 |
| Net liquidity gap on Statement of Financial Position | 16,139 | 50,063 | - | 276,058 | 342,260 |
| Commitments and contingencies [@] | - | - | - | - | - |
| Net liquidity gap | 16,139 | 50,063 | - | 276,058 | 342,260 |

* This is arrived after deducting impairment allowances from gross impaired loans, financing and advances.

@ Commitments and contingencies exclude foreign exchange related contracts.

46. Financial Risk Management (cont'd.)**46.3 Liquidity risk (cont'd.)****(a) Maturity analysis (cont'd.)**

| Company | On demand or within one year | One to five years | Over five years | No specific maturity | Total |
|---|------------------------------------|----------------------|--------------------|----------------------------|---------|
| 2022 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial assets | | | | | |
| Cash and short-term funds | 46,504 | - | - | 13,132 | 59,636 |
| Deposits and placements with banks and other financial institutions | - | 100,033 | - | - | 100,033 |
| Loans, financing and advances* | 282,388 | 46,806 | 39,257 | - | 368,451 |
| Other financial assets | 1,410 | - | - | - | 1,410 |
| Total financial assets | 330,302 | 146,839 | 39,257 | 13,132 | 529,530 |
| Financial liabilities | | | | | |
| Other financial liabilities | 50,624 | - | - | - | 50,624 |
| Total financial liabilities | 50,624 | - | - | - | 50,624 |
| Net liquidity gap on Statement of Financial Position | 279,678 | 146,839 | 39,257 | 13,132 | 478,906 |
| Commitments and contingencies [@] | - | (9,782) | - | - | (9,782) |
| Net liquidity gap | 279,678 | 137,057 | 39,257 | 13,132 | 469,124 |

* This is arrived after deducting impairment allowances from gross impaired loans, financing and advances.

@ Commitments and contingencies exclude foreign exchange related contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial Risk Management (cont'd.)

46.3 Liquidity risk (cont'd.)

The tables below show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturities. The balances in the tables below will not agree to the balances reported in the statements of financial position as the tables incorporate all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

(b) Contractual maturity of financial liabilities on an undiscounted basis

| Group 2023 | 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 |
|---|--|--------------------------------|------------------------------|--------------------------------------|-----------------|
| Financial liabilities | | | | | |
| Deposits from customers | 36,710,678 | 3,241,168 | 12,258 | - | 39,964,104 |
| Deposits and placements of banks and other financial institutions | 8,085,754 | 871,457 | - | - | 8,957,211 |
| Islamic repurchase agreement | 2,028,806 | - | - | - | 2,028,806 |
| Derivative financial liabilities: | | | | | |
| Gross settled derivatives | | | | | |
| - Inflow | (784,790) | - | - | - | (784,790) |
| - Outflow | 789,630 | - | - | - | 789,630 |
| Other financial liabilities | 675,301 | - | - | - | 675,301 |
| Lease liabilities | 15,247 | 16,043 | - | - | 31,290 |
| Recourse obligation on financing sold | 2,067,722 | 2,127,359 | - | - | 4,195,081 |
| Sukuk | 332,607 | 916,832 | 1,537,426 | - | 2,786,865 |
| Borrowings and government grant | 28,984 | 56,922 | 116,353 | - | 202,259 |
| | 49,949,939 | 7,229,781 | 1,666,037 | - | 58,845,757 |
| Commitments and contingencies[@] | | | | | |
| Direct credit substitutes | 79,955 | 634 | - | - | 80,589 |
| Trade-related contingencies | 42,445 | 22,704 | 3,990 | - | 69,139 |
| Short term self-liquidating trade-related contingencies | 56,657 | - | - | - | 56,657 |
| Irrevocable commitments | 1,789,696 | 1,839,478 | 361,078 | - | 3,990,252 |
| Interest/Profit rate related contracts | - | 300,000 | - | - | 300,000 |
| | 1,968,753 | 2,162,816 | 365,068 | - | 4,496,637 |

[@] Commitments and contingencies exclude foreign exchange related contracts.

46. Financial Risk Management (cont'd.)**46.3 Liquidity risk (cont'd.)****(b) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)**

| Group | On demand or within one year | One to five years | Over five years | No specific maturity | Total |
|---|------------------------------------|----------------------|--------------------|----------------------------|------------|
| 2022 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial liabilities | | | | | |
| Deposits from customers | 26,771,412 | 3,138,919 | 14,597 | - | 29,924,928 |
| Deposits and placements of banks and other financial institutions | 6,499,547 | 1,129,162 | - | - | 7,628,709 |
| Investment accounts of customers | 2,080,601 | - | - | - | 2,080,601 |
| Derivative financial liabilities | 23,470 | - | - | - | 23,470 |
| Other financial liabilities | 518,125 | - | - | - | 518,125 |
| Lease liabilities | 20,828 | 7,149 | - | - | 27,977 |
| Recourse obligation on financing sold | 394,089 | 4,267,030 | - | - | 4,661,119 |
| Sukuk | 356,028 | 1,108,459 | 1,688,441 | - | 3,152,928 |
| | 36,664,100 | 9,650,719 | 1,703,038 | - | 48,017,857 |
| Commitments and contingencies[@] | | | | | |
| Direct credit substitutes | 17,965 | 1,394 | - | - | 19,359 |
| Trade-related contingencies | 54,127 | 24,224 | 3,364 | - | 81,715 |
| Short term self-liquidating trade-related contingencies | 29,069 | - | - | - | 29,069 |
| Irrevocable commitments | 793,601 | 1,885,884 | 347,597 | - | 3,027,082 |
| | 894,762 | 1,911,502 | 350,961 | - | 3,157,225 |

[@] Commitments and contingencies exclude foreign exchange related contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

46. Financial Risk Management (cont'd.)

46.3 Liquidity risk (cont'd.)

(b) Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

| Company | On demand or within one year | One to five years | Over five years | No specific maturity | Total |
|--|------------------------------------|----------------------|--------------------|----------------------------|---------------|
| 2023 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial liabilities | | | | | |
| Other financial liabilities | 5,951 | - | - | - | 5,951 |
| | 5,951 | - | - | - | 5,951 |
| Commitments and contingencies[@] | | | | | |
| Irrevocable commitments | - | - | - | - | - |
| | - | - | - | - | - |
| 2022 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Financial liabilities | | | | | |
| Other financial liabilities | 50,624 | - | - | - | 50,624 |
| | 50,624 | - | - | - | 50,624 |
| Commitments and contingencies[@] | | | | | |
| Irrevocable commitments | - | 9,782 | - | - | 9,782 |
| | - | 9,782 | - | - | 9,782 |

[@] Commitments and contingencies exclude foreign exchange related contracts.

46. Financial Risk Management (cont'd.)

46.4 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 recognises and emphasises the importance of operational risk management and manages this risk through a control-based environment where processes are documented, authorisation is independent, transactions are reconciled and monitored and business activities are carried out within the established guidelines, procedures and limits. The Group's governance approach in managing operational risk is premised on the Three Lines of Defense Approach as discussed under Note 46(c).

47. 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 2023.

The Group monitors 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's capital adequacy ratios have been disclosed in Note 40.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

48. Fair values

The carrying amount of cash and short-term funds, deposits and placements with financial institutions, financial assets at FVTPL, non-current assets held for sale, other receivables (excluding prepayments and deposits) 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 2023 | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value RM'000 | Carrying amount RM'000 |
|---|--|-------------------|-------------------|-----------------|--|-------------------|-------------------|-----------------|-------------------------------|------------------------------|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | | |
| Financial Assets | | | | | | | | | | |
| Financial assets at FVTPL | - | 283,054 | - | 283,054 | - | - | - | - | 283,054 | 283,054 |
| Financial investments at FVOCI | - | 12,637,227 | 1,407 | 12,637,634 | - | - | - | - | 12,637,634 | 12,637,634 |
| Financial investments at amortised cost | - | - | - | - | - | 4,650,051 | - | 4,650,051 | 4,650,051 | 4,608,470 |
| Derivative financial assets | - | 40,080 | - | 40,080 | - | - | - | - | 40,080 | 40,080 |
| Loans, financing and advances | - | - | - | - | - | - | 38,648,120 | 38,648,120 | 38,648,120 | 40,491,527 |
| | - | 12,959,361 | 1,407 | 12,960,768 | - | 4,650,051 | 38,648,120 | 43,298,171 | 56,258,939 | 58,060,765 |
| Financial liabilities | | | | | | | | | | |
| Deposits from customers | - | - | - | - | - | 38,955,769 | - | 38,955,769 | 38,955,769 | 38,800,067 |
| Deposits and placements of banks and other financial institutions | - | - | - | - | - | 8,850,150 | - | 8,850,150 | 8,850,150 | 8,823,566 |
| Islamic repurchase agreement | - | - | - | - | - | - | 2,004,961 | 2,004,961 | 2,004,961 | 2,005,199 |
| Derivative financial liabilities | - | 5,158 | - | 5,158 | - | - | - | - | 5,158 | 5,158 |
| Recourse obligation on financing sold | - | - | - | - | - | - | 4,046,713 | 4,046,713 | 4,046,713 | 4,031,732 |
| Sukuk | - | - | - | - | - | 2,236,714 | - | 2,236,714 | 2,236,714 | 2,197,432 |
| Borrowings and government grant | - | - | - | - | - | 138,926 | - | 138,926 | 138,926 | 203,842 |
| | - | 5,158 | - | 5,158 | - | 50,181,559 | 6,051,674 | 56,233,233 | 56,238,391 | 56,066,996 |
| Company | | | | | | | | | | |
| Financial assets | | | | | | | | | | |
| Loans, financing and advances | - | - | - | - | - | - | 272,225 | 272,225 | 272,225 | 272,225 |
| | - | - | - | - | - | - | 272,225 | 272,225 | 272,225 | 272,225 |

48. Fair Values (cont'd.)

The tables below analyse other financial instruments at fair value (cont'd.).

| Group 2022 | Fair value of financial instruments carried at fair value | | | | Fair value of financial instruments not carried at fair value | | | | Total fair value RM'000 | Carrying amount RM'000 |
|---|--|-------------------|-------------------|-----------------|--|-------------------|-------------------|-----------------|-------------------------------|------------------------------|
| | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | | |
| Financial Assets | | | | | | | | | | |
| Investments with fund manager | - | 240,357 | - | 240,357 | - | - | - | - | 240,357 | 240,357 |
| Financial investments at FVOCI | - | 11,392,780 | - | 11,392,780 | - | - | - | - | 11,392,780 | 11,392,780 |
| Financial investments at amortised cost | - | - | - | - | - | 1,639,006 | - | 1,639,006 | 1,639,006 | 1,625,792 |
| Derivative financial assets | - | 15,017 | - | 15,017 | - | - | - | - | 15,017 | 15,017 |
| Loans, financing and advances | - | - | - | - | - | - | 37,123,286 | 37,123,286 | 37,123,286 | 36,933,658 |
| | - | 11,648,154 | - | 11,648,154 | - | 1,639,006 | 37,123,286 | 38,762,292 | 50,410,446 | 50,207,604 |
| Financial liabilities | | | | | | | | | | |
| Deposits from customers | - | - | - | - | - | 29,076,274 | - | 29,076,274 | 29,076,274 | 28,957,135 |
| Deposits and placements of banks and other financial institutions | - | - | - | - | - | 7,525,299 | - | 7,525,299 | 7,525,299 | 7,511,336 |
| Investment accounts of customers | - | - | - | - | - | 2,080,767 | - | 2,080,767 | 2,080,767 | 2,080,767 |
| Derivative financial liabilities | - | 23,470 | - | 23,470 | - | - | - | - | 23,470 | 23,470 |
| Recourse obligation on financing sold | - | - | - | - | - | 2,461,927 | - | 2,461,927 | 2,461,927 | 4,355,408 |
| Sukuk | - | - | - | - | - | - | - | - | 2,461,927 | 2,430,717 |
| | - | 23,470 | - | 23,470 | - | 41,144,267 | 4,291,570 | 45,435,837 | 45,459,307 | 45,358,833 |
| Company Financial assets | | | | | | | | | | |
| Loans, financing and advances | - | - | - | - | - | - | 368,429 | 368,429 | 368,429 | 368,451 |
| | - | - | - | - | - | - | 368,429 | 368,429 | 368,429 | 368,451 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

48. 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 assets at FVTPL

The fair value is based on the net asset value of the investments placed with fund manager.

(ii) 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 establishes 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 customers 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.

(vii) Islamic repurchase agreement

The estimated fair values of repurchase agreements with maturities of less than six months approximate the carrying values. For Islamic repurchase agreements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

(viii) Borrowings

The fair values of borrowing are derived using discounted cash flow method.

49. Operating segments

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 five 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 ("MANCO") as its chief operating decision maker. During the year, the allocation of fund based expenses has been refined to reflect the accurate allocation of funding costs across segments. As a result, the comparatives' net fund based income, segment assets, unallocated assets and segment liabilities have been restated in order to conform with current year presentation.

- | | |
|------------------------|--|
| (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) Investment | Refers to the operations of investment banking, asset management and all other related financial services of MIDF Group. |
| (iv) Others | Includes rental, property development, intercompany financing and operations at subsidiaries. |

The Group operates predominantly in Malaysia and hence information by geographical location is not presented.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

49. Operating segments (cont'd.)

(a) Business segments

| Revenue and expenses External: | Consumer Banking | | Corporate Banking | | Global Markets | | Investment | | Others | | Inter-segment elimination | | Total | |
|--|------------------|-----------|-------------------|-----------|----------------|-----------|------------|--------|----------|----------|---------------------------|-----------|-----------|-----------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Fund based income | 1,543,814 | 1,709,646 | 677,745 | 489,951 | 495,846 | 466,653 | 78,028 | - | 18,699 | 16,508 | - | - | 2,814,132 | 2,682,758 |
| Non-fund based income | 23,848 | 13,127 | 10,652 | 30,114 | (49,061) | (26,958) | 21,746 | - | 440,828 | 158,292 | (440,865) | (162,839) | 7,148 | 11,736 |
| Inter-segment | | | | | | | | | | | | | | |
| Fund based income | - | 121,350 | - | - | 4,264 | 13,346 | - | - | - | - | (4,264) | (134,696) | - | - |
| Total revenue | 1,567,662 | 1,844,123 | 688,397 | 520,065 | 451,049 | 453,041 | 99,774 | - | 459,527 | 174,800 | (445,129) | (297,535) | 2,821,280 | 2,694,494 |
| Net fund based income | 974,821 | 1,054,898 | 473,014 | 262,238 | (495,878) | 141,443 | 27,032 | - | 41,636 | (29,020) | (22,553) | 37,445 | 998,072 | 1,467,004 |
| Non-fund based income | 27,072 | 14,557 | 41,342 | 52,000 | (70,335) | (26,749) | 20,986 | - | 481,695 | 209,791 | (107,329) | (196,339) | 393,431 | 53,260 |
| Net income | 1,001,893 | 1,069,455 | 514,356 | 314,238 | (566,213) | 114,694 | 48,018 | - | 523,331 | 180,771 | (129,882) | (158,894) | 1,391,503 | 1,520,264 |
| Net allowance for impairment | (69,648) | 26,766 | (20,730) | (151,922) | 329 | 108 | (1,431) | - | (28,605) | 21,179 | - | (14,627) | (120,085) | (118,496) |
| Loss on modification of cash flows | - | (59,973) | - | - | - | - | - | - | - | - | - | - | - | (59,973) |
| Profit before overheads, zakat and tax | 932,245 | 1,036,248 | 493,626 | 162,316 | (565,884) | 114,802 | 46,587 | - | 494,726 | 201,950 | (129,882) | (173,521) | 1,271,418 | 1,341,795 |
| Operating expenses | (375,238) | (363,228) | (160,267) | (163,310) | (132,836) | (115,060) | (42,986) | - | (368) | (21,861) | - | 13,000 | (711,695) | (650,459) |
| Overheads of which: | | | | | | | | | | | | | | |
| - Depreciation of property and equipment | (24,753) | (21,411) | (8,697) | (13,659) | (5,965) | (4,409) | - | - | (316) | (3,677) | - | - | (39,731) | (43,156) |
| - Depreciation of right-of-use asset | (16,275) | (11,067) | (5,718) | (7,060) | (3,922) | (2,279) | - | - | (209) | (1,902) | - | - | (26,124) | (22,308) |
| - Amortisation of intangible assets | (25,961) | (20,575) | (9,121) | (13,126) | (6,256) | (4,237) | - | - | (331) | (3,534) | - | - | (41,669) | (41,472) |
| Profit before tax and zakat | 557,007 | 673,020 | 333,359 | (994) | (698,720) | (258) | 3,601 | - | 494,358 | 180,089 | (129,882) | (160,521) | 559,723 | 691,336 |
| Taxation | - | - | - | - | - | - | - | - | - | - | - | - | (59,522) | (227,971) |
| Zakat | - | - | - | - | - | - | - | - | - | - | - | - | (8,392) | (3,177) |
| Net profit for the year | - | - | - | - | - | - | - | - | - | - | - | - | 491,809 | 460,188 |

49. Operating segments (cont'd.)

(a) Business segments (cont'd.)

| | Consumer Banking | | Corporate Banking | | Global Markets | | Investment | | Others | | Inter-segment elimination | | Total | |
|----------------------------------|------------------|------------|-------------------|------------|----------------|------------|------------|--------|---------|---------|---------------------------|--------|------------|------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Assets | | | | | | | | | | | | | | |
| Segment assets | 28,817,761 | 27,094,578 | 10,456,346 | 10,372,080 | 17,562,485 | 14,879,835 | 6,900,420 | - | 680,879 | 664,807 | - | - | 64,417,891 | 53,011,300 |
| Tax recoverable | | | | | | | | | | | | | 259,283 | 394,716 |
| Deferred tax assets | | | | | | | | | | | | | 95,220 | 107,237 |
| Unallocated assets | | | | | | | | | | | | | 1,890,882 | 1,435,052 |
| Total assets | | | | | | | | | | | | | 66,663,286 | 54,948,305 |
| Liabilities | | | | | | | | | | | | | | |
| Segment liabilities | 25,175,669 | 23,556,098 | 9,750,482 | 9,274,862 | 15,033,724 | 12,263,993 | 6,048,058 | - | 59,063 | 263,880 | - | - | 56,066,986 | 45,358,833 |
| Provision for taxation and zakat | | | | | | | | | | | | | 35,945 | 69,903 |
| Deferred tax liabilities | | | | | | | | | | | | | 11,571 | 13,603 |
| Unallocated liabilities | | | | | | | | | | | | | 710,508 | 546,773 |
| Total liabilities | | | | | | | | | | | | | 56,825,020 | 45,989,112 |
| Other Information | | | | | | | | | | | | | | |
| Capital expenditure | - | - | - | - | - | - | - | - | 83,065 | 52,783 | - | - | 83,065 | 52,783 |
| (b) Geographical Segments | | | | | | | | | | | | | | |

The Group's activities are in Malaysia, therefore segmental reporting is not analysed by geographical locations.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

50. The Operations of Islamic Banking

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

| | | Islamic Banking | |
|--|-------------|------------------------|-------------------|
| | | 2023 | 2022 |
| | Note | RM'000 | RM'000 |
| Assets | | | |
| Cash and short-term funds | (a) | 5,148,136 | 2,192,818 |
| Deposits and placements with banks and other financial institutions | (a) | 749,812 | 597,746 |
| Financial assets at fair value through profit or loss | (b) | 250,725 | 240,357 |
| Financial investments at fair value through other comprehensive income | (c) | 12,460,030 | 11,392,780 |
| Financial investments at amortised cost | (d) | 4,412,893 | 1,625,792 |
| Derivative financial assets | | 32,805 | 15,017 |
| Financing and advances | (e) | 39,145,649 | 36,565,207 |
| Other receivables | (f) | 735,986 | 514,926 |
| Tax recoverable | | 90,297 | 209 |
| Deferred tax assets | | 88,470 | 107,238 |
| Statutory deposits with Bank Negara Malaysia | | 720,000 | 610,000 |
| Property and equipment | | 96,635 | 87,491 |
| Right-of-use assets | | 63,711 | 28,778 |
| Investment properties | | 820 | 820 |
| Intangible assets | | 88,167 | 96,157 |
| Non-current asset held for sale | | - | 564 |
| Total assets | | 64,084,136 | 54,075,900 |
| Liabilities and shareholders' equity | | | |
| Deposits from customers | (g) | 37,535,320 | 29,112,699 |
| Deposits and placements of banks and other financial institutions | (h) | 8,349,096 | 7,511,336 |
| Investment accounts of customers | (i) | - | 2,080,767 |
| Islamic repurchase agreement | | 2,005,199 | - |
| Derivative financial liabilities | | 5,158 | 23,470 |
| Other payables | (j) | 823,299 | 508,679 |
| Lease liabilities | | 64,560 | 29,370 |
| Recourse obligation on financing sold | | 4,031,732 | 4,355,408 |
| Provision for taxation and zakat | | 35,935 | 106,902 |
| Sukuk | | 2,197,432 | 2,430,717 |
| Borrowings and government grant | | 94,573 | - |
| Total liabilities | | 55,142,304 | 46,159,348 |
| Ordinary share capital | | 7,129,572 | 6,427,972 |
| Regulatory reserve | | 90,557 | - |
| Fair value reserves | | (128,207) | (341,367) |
| Retained earnings | | 1,849,910 | 1,829,947 |
| Total equity | | 8,941,832 | 7,916,552 |
| Total liabilities and shareholders' equity | | 64,084,136 | 54,075,900 |

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

50. The Operations of Islamic Banking (cont'd.)**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023**

| | Islamic Banking | |
|---|------------------------|------------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Income derived from investment of depositors' funds | 2,325,463 | 2,097,597 |
| Income derived from investment of shareholders' funds | 444,014 | 515,906 |
| Income derived from investment of investment accounts' funds | 47,999 | 113,587 |
| Expected credit losses on financing and advances and other impairment | (84,347) | (205,842) |
| Net loss on modification of cash flows | - | (59,973) |
| Total distributable income | 2,733,129 | 2,461,275 |
| Income attributable to depositors and others | (1,804,236) | (1,229,244) |
| Total net income | 928,893 | 1,232,031 |
| Personnel expenses | (376,815) | (308,642) |
| Other overhead expenses | (290,240) | (280,085) |
| Profit before taxation and zakat | 261,838 | 643,304 |
| Taxation | (25,418) | (166,078) |
| Zakat | (8,392) | (3,177) |
| Profit for the year | 228,028 | 474,049 |
| Other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods: | | |
| - Net profit/(loss) from change in fair values | 247,114 | (224,323) |
| - Realised loss transferred to statements of income on disposal | 50,184 | (13,066) |
| - Transfer from deferred tax | (71,528) | 56,972 |
| Net other comprehensive income/(expense) to be reclassified to profit or loss in subsequent periods: | 225,770 | (180,417) |
| Total comprehensive income/(expense) for the financial year | 453,798 | 293,632 |

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

50. The Operations of Islamic Banking (cont'd.)

(a) Cash and short-term funds and deposits and placements with banks and other financial institutions

| | Islamic Banking | |
|---|-----------------|-----------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| (i) Cash and balances with banks and other financial institutions | 560,142 | 354,349 |
| Money at call and deposit placements maturing within 1 month | 4,587,994 | 1,838,469 |
| | 5,148,136 | 2,192,818 |
| (ii) Deposits and placements with banks and other financial institutions with original maturity of more than 1 month | 749,812 | 597,746 |
| | 5,897,948 | 2,790,564 |

(b) Financial assets at FVTPL

| | Islamic Banking | |
|--|-----------------|---------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Money Market Instruments | | |
| <u>In Malaysia</u> | | |
| Private mandate investments | 240,357 | 240,357 |
| Malaysian Government Investment Issues | 10,368 | - |
| | 250,725 | 240,357 |

(c) Financial investments at FVOCI

| | Islamic Banking | |
|--|-----------------|------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Money Market Instruments | | |
| Malaysian Government Investment Issues | 8,225,267 | 8,479,600 |
| | 8,225,267 | 8,479,600 |
| Debt securities | | |
| <u>In Malaysia</u> | | |
| Private and Islamic debt securities | 2,597,651 | 1,021,894 |
| Government Guaranteed debt securities | 1,637,112 | 1,891,286 |
| | 12,460,030 | 11,392,780 |

50. The Operations of Islamic Banking (cont'd.)**(c) Financial investments at FVOCI (cont'd.)**

Movement of allowance for credit losses recognised in FVOCI reserve:

| | Islamic Banking | | | Total RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| At 1 January 2023 | 10 | - | - | 10 |
| Acquisition of MIDF | 328 | - | 8,112 | 8,440 |
| Total charged to profit or loss: | 174 | - | - | 174 |
| New financial investments purchased during the year | 176 | - | - | 176 |
| Matured financial investments during the year | (14) | - | - | (14) |
| Change in credit risk | 12 | - | - | 12 |
| At 31 December 2023 | 512 | - | 8,112 | 8,624 |

| | Islamic Banking | | | Total RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| At 1 January 2022 | 14 | - | - | 14 |
| Total reversal to profit or loss: | (4) | - | - | (4) |
| Matured financial investments during the year | (4) | - | - | (4) |
| At 31 December 2022 | 10 | - | - | 10 |

(d) Financial investments at amortised cost

| | Islamic Banking | |
|--|-----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| At amortised cost | | |
| Money Market Instruments | | |
| Malaysian Government Investment Issues | 1,241,716 | 378,302 |
| | 1,241,716 | 378,302 |
| In Malaysia | | |
| Private and Islamic debt securities | 3,097,186 | 1,183,318 |
| Government Guaranteed corporate sukuk | 75,684 | 65,279 |
| | 4,414,586 | 1,626,899 |
| Less: ECL | | |
| - Stage 1 | (1,546) | (868) |
| - Stage 2 | (147) | (239) |
| | 4,412,893 | 1,625,792 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

50. The Operations of Islamic Banking (cont'd.)

(d) Financial investments at amortised cost (cont'd.)

ECL movement for financial investments at amortised cost:

| | Islamic Banking | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| At 1 January 2023 | 868 | 239 | - | 1,107 |
| Acquisition of MIDF | 871 | - | - | 871 |
| Total reversal to profit or loss: | (193) | (92) | - | (285) |
| Changes in credit risk | (248) | (92) | - | (340) |
| Matured financial investments during the year | (31) | - | - | (31) |
| New financial investments purchased during the year | 86 | - | - | 86 |
| At 31 December 2023 | 1,546 | 147 | - | 1,693 |

| | Islamic Banking | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| At 1 January 2022 | 841 | 371 | - | 1,212 |
| Total charged/(reversal) to profit or loss: | 27 | (132) | - | (105) |
| Changes in credit risk | (1) | (132) | - | (133) |
| Matured financial investments during the year | (2) | - | - | (2) |
| New financial investments purchased during the year | 30 | - | - | 30 |
| At 31 December 2022 | 868 | 239 | - | 1,107 |

50. The Operations of Islamic Banking (cont'd.)**(e) Financing and advances****(i) By type and Shariah contract**

| | Islamic Banking | | | Lease-based | Total financing and advances RM'000 |
|---------------------------------------|--------------------|---|----------------------------------|---|---|
| | Tawarruq RM'000 | Sale-based contract Bai' Bithaman Ajil RM'000 | Commodity Murabahah RM'000 | contract Al-ljarah Thumma Al-Bai RM'000 | |
| 2023 | | | | | |
| At amortised cost | | | | | |
| Term financing | 33,094,530 | 2,375,371 | 711,186 | 1,213,851 | 37,394,938 |
| - Personal financing | 19,467,390 | 92 | - | - | 19,467,482 |
| - Property financing | 7,396,217 | 2,240,420 | - | - | 9,636,637 |
| - Islamic industrial hire purchase | - | - | - | 763,196 | 763,196 |
| - Bridging financing | 472,581 | - | - | - | 472,581 |
| - Auto financing | - | - | - | 22,667 | 22,667 |
| - Syndicated term financing | 1,515,761 | - | 711,186 | - | 2,226,947 |
| - Other term financing | 4,242,581 | 134,859 | - | 427,988 | 4,805,428 |
| Revolving credit | 113,356 | - | - | - | 113,356 |
| Trade finance | 2,637,621 | - | - | - | 2,637,621 |
| Cashline | 193,585 | - | - | - | 193,585 |
| Staff financing | 26,481 | - | 30 | 1,760 | 28,271 |
| Gross financing and advances | 36,065,573 | 2,375,371 | 711,216 | 1,215,611 | 40,367,771 |
| Less: ECL | | | | | |
| - Stage 1 | | | | | (344,295) |
| - Stage 2 | | | | | (80,058) |
| - Stage 3 | | | | | (797,769) |
| Net financing and advances | | | | | 39,145,649 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

50. The Operations of Islamic Banking (cont'd.)

(e) Financing and advances (cont'd.)

(i) By type and Shariah contract

| | Islamic Banking | | | Total financing and advances RM'000 |
|------------------------------------|---------------------|------------------------------------|---|---|
| | Sale-based contract | | Lease-based contract | |
| | Tawarruq RM'000 | Bai' Bithaman Ajil RM'000 | Al-Ijarah Thumma Al-Bai RM'000 | |
| | | | | |
| 2022 | | | | |
| At amortised cost | | | | |
| Term financing | 31,126,428 | 1,851,629 | 1,329,322 | 34,307,379 |
| - Personal financing | 19,154,137 | 102 | - | 19,154,239 |
| - Property financing | 6,628,198 | 1,765,272 | - | 8,393,470 |
| - Islamic industrial hire purchase | - | - | 718,549 | 718,549 |
| - Bridging financing | 450,897 | - | - | 450,897 |
| - Auto financing | - | - | 45,128 | 45,128 |
| - Other term financing | 3,625,166 | 86,255 | 565,645 | 4,277,066 |
| - Syndicated term financing | 1,268,030 | - | - | 1,268,030 |
| Revolving credit | 1,614,785 | - | - | 1,614,785 |
| Trade finance | 1,827,761 | - | - | 1,827,761 |
| Cashline | 141,846 | - | - | 141,846 |
| Staff financing | 36,868 | 9 | 1,977 | 38,854 |
| Gross financing and advances | 34,747,688 | 1,851,638 | 1,331,299 | 37,930,625 |
| Less: ECL | | | | |
| - Stage 1 | | | (292,757) | |
| - Stage 2 | | | | (334,400) |
| - Stage 3 | | | | (738,261) |
| Net financing and advances | | | | 36,565,207 |

(ii) By residual contractual maturity

| | Islamic Banking | |
|---------------------------|-----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Maturing within one year | 4,508,722 | 4,310,073 |
| One year to three years | 1,973,807 | 1,721,488 |
| Three years to five years | 2,589,579 | 2,144,712 |
| Over five years | 31,295,663 | 29,754,352 |
| | 40,367,771 | 37,930,625 |

50. The Operations of Islamic Banking (cont'd.)**(e) Financing and advances (cont'd.)****(iii) By type of customers**

| | Islamic Banking | |
|-----------------------------------|------------------------|---------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Individuals: | | |
| - Malaysian nationals | 29,098,648 | 27,559,728 |
| Foreign nationals | 774,843 | 127,679 |
| Domestic business enterprises: | | |
| - Small medium enterprises | 3,848,169 | 2,658,304 |
| - Non-bank financial institutions | 756,747 | 1,422,819 |
| - Others | 5,889,364 | 6,162,095 |
| | 40,367,771 | 37,930,625 |

(iv) By sector

| | Islamic Banking | |
|---|------------------------|---------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Household sectors | 29,101,187 | 27,560,564 |
| Construction | 3,332,122 | 3,194,534 |
| Finance, insurance, real estate and business services | 2,794,199 | 3,394,664 |
| Wholesale & retail trade and restaurants & hotels | 1,570,564 | 1,084,469 |
| Manufacturing | 1,654,025 | 1,088,782 |
| Education, health and others | 895,315 | 245,260 |
| Transport, storage and communications | 504,055 | 338,405 |
| Mining and quarrying | 97,801 | 65,077 |
| Electricity, gas and water | 215,901 | 911,234 |
| Agriculture | 202,602 | 47,636 |
| | 40,367,771 | 37,930,625 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

50. The Operations of Islamic Banking (cont'd.)

(e) Financing and advances (cont'd.)

(v) By profit rate sensitivity

| | Islamic Banking | |
|---|-----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Fixed rate: | | |
| Personal financing | 13,109,215 | 14,704,765 |
| Bridging, structured and term financing | 847,520 | 771,882 |
| Property financing | 349,683 | 378,941 |
| Auto financing | 24,427 | 47,105 |
| Variable rate: | | |
| Personal financing | 6,358,297 | 4,457,223 |
| Bridging, structured and term financing | 10,361,259 | 9,527,053 |
| Property financing | 9,317,370 | 8,043,656 |
| | 40,367,771 | 37,930,625 |

(vii) Movement of gross financing and advances

| 2023 | Islamic Banking | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 33,370,254 | 2,490,767 | 2,069,604 | 37,930,625 |
| Acquisition of MIDF | 609,081 | 74,710 | 144,940 | 828,731 |
| Transfer to Stage 1 | 1,108,615 | (1,031,835) | (76,780) | - |
| Transfer to Stage 2 | (541,739) | 621,480 | (79,241) | 500 |
| Transfer to Stage 3 | (168,120) | (382,004) | 550,124 | - |
| New financing/disbursement during the year | 10,183,016 | 535,541 | 324,027 | 11,042,584 |
| Repayment during the year | (8,418,841) | (517,377) | (331,701) | (9,267,919) |
| Other movements | 95,343 | (45,828) | 153,814 | 203,329 |
| Derecognition of credit impaired financial asset | - | - | (44,200) | (44,200) |
| Refinancing from MBSB | 42 | - | 251 | 293 |
| Reclassification from non-current assets held for sale | - | - | 1,403 | 1,403 |
| Write-offs | (790) | (903) | (325,882) | (327,575) |
| As at 31 December | 36,236,861 | 1,744,551 | 2,386,359 | 40,367,771 |

50. The Operations of Islamic Banking (cont'd.)**(e) Financing and advance (cont'd.)****(vii) Movement of gross financing and advances (cont'd.)**

| 2022 | Islamic Banking | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 29,129,287 | 5,222,077 | 963,529 | 35,314,893 |
| Transfer to Stage 1 | 2,174,885 | (2,156,785) | (18,100) | - |
| Transfer to Stage 2 | (860,946) | 896,437 | (35,491) | - |
| Transfer to Stage 3 | (216,567) | (854,022) | 1,070,589 | - |
| New financing/disbursement during the year | 8,024,790 | 498,002 | 112,761 | 8,635,553 |
| Repayment during the year | (4,887,952) | (1,047,942) | (124,602) | (6,060,496) |
| Other movements | 65,999 | (108,349) | 180,195 | 137,845 |
| Loss on modification of cash flows | (57,135) | (2,839) | - | (59,974) |
| Refinancing from MBSB | 376 | 47,810 | 130,239 | 178,425 |
| Reclassification from non-current asset held for sale | - | - | 12,214 | 12,214 |
| Write-offs | (2,483) | (3,622) | (221,730) | (227,835) |
| As at 31 December | 33,370,254 | 2,490,767 | 2,069,604 | 37,930,625 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

50. The Operations of Islamic Banking (cont'd.)

(e) Financing and advance (cont'd.)

(viii) Movement of ECL for financing and advances

| 2023 | Islamic Banking | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 292,757 | 334,400 | 738,261 | 1,365,418 |
| Acquisition of MIDF | 4,137 | 2,284 | 81,424 | 87,845 |
| Total charged/(reversal) to profit or loss | 47,401 | (256,626) | 300,990 | 91,765 |
| Changes in the ECL due to transfer within stages: | | | | |
| - Transfer to Stage 1 | 145,681 | (91,775) | (53,906) | - |
| - Transfer to Stage 2 | (4,752) | 34,332 | (29,580) | - |
| - Transfer to Stage 3 | (2,418) | (80,799) | 82,377 | (840) |
| New financing/disbursement during the year | 107,226 | 10,519 | 10,463 | 128,208 |
| Repayment during the year | (206,340) | (102,467) | (48,373) | (357,180) |
| Changes in credit risk parameters # | 17,757 | (26,311) | 359,086 | 350,532 |
| Changes to model assumptions and methodologies ^ | (9,754) | (125) | 25 | (9,854) |
| Derecognition of credit impaired financial asset | - | - | (19,245) | (19,245) |
| Refinancing from MBSB | 1 | - | 143 | 144 |
| Reclassification from non-current assets held for sale | - | - | 1,417 | 1,417 |
| Write-offs | - | - | (324,093) | (324,093) |
| Others | - | - | (230) | (230) |
| As at 31 December | 344,295 | 80,058 | 797,769 | 1,222,122 |

The changes in credit risk parameters include impact of forward-looking on key MEV and changes to loss rate for the ECL model.

^ The changes to model assumptions and methodologies were in relation to incorporation of MEV factors with more intuitive trends, revision to PD and LGD modelling and revisions to management overlay assumptions.

50. The Operations of Islamic Banking (cont'd.)**(e) Financing and advance (cont'd.)****(viii) Movement of ECL for financing and advances (cont'd.)**

| 2022 | Islamic Banking | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 345,477 | 588,894 | 354,509 | 1,288,880 |
| Total (reversal)/charged to profit or loss | (52,720) | (254,494) | 583,212 | 275,998 |
| Changes in the ECL due to transfer within stages: | | | | |
| - Transfer to Stage 1 | 230,355 | (219,725) | (10,630) | - |
| - Transfer to Stage 2 | (13,720) | 36,753 | (23,033) | - |
| - Transfer to Stage 3 | (2,670) | (125,340) | 128,010 | - |
| New financing/disbursement during the year | 85,737 | 27,214 | 14,897 | 127,848 |
| Repayment during the year | (242,109) | (43,736) | (26,619) | (312,464) |
| Changes in credit risk parameters # | (8,904) | 65,502 | 458,454 | 515,052 |
| Changes to model assumptions and methodologies ^ | (101,424) | (1,882) | (47,147) | (150,453) |
| Refinancing from MBSB | 15 | 6,720 | 89,280 | 96,015 |
| Reclassification from non-current assets held for sale | - | - | 10,656 | 10,656 |
| Write-offs | - | - | (210,116) | (210,116) |
| As at 31 December | 292,757 | 334,400 | 738,261 | 1,365,418 |

The changes in credit risk parameters include impact of forward-looking on key MEV and changes to loss rate for the ECL model.

^ The changes to model assumptions and methodologies were in relation to incorporation of MEV factors with more intuitive trends, revision to PD and LGD modelling and revisions to management overlay assumptions.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

50. The Operations of Islamic Banking (cont'd.)

(e) Financing and advance (cont'd.)

(ix) Movement of impaired financing and advances

| | Islamic Banking | |
|--|-----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Balance as at 1 January | 2,069,604 | 963,529 |
| Acquisition of MIDF | 144,940 | - |
| Classified as impaired during the year | 874,151 | 1,183,350 |
| Reclassified as non-impaired | (156,021) | (53,591) |
| Amount recovered | (331,701) | (124,602) |
| Other movements | 153,814 | 180,195 |
| Derecognition of credit impaired financial asset | (44,200) | - |
| Refinancing from MBSB | 251 | 130,239 |
| Reclassification from non-current assets held for sale | 1,403 | 12,214 |
| Amount written off | (325,882) | (221,730) |
| Balance as at 31 December | 2,386,359 | 2,069,604 |
| Less: ECL stage 3 | (797,769) | (738,261) |
| | 1,588,590 | 1,331,343 |
| Net impaired as a percentage of net financing and advances | 4.06% | 3.64% |
| Gross impaired as a percentage of gross financing and advances | 5.91% | 5.46% |

50. The Operations of Islamic Banking (cont'd.)**(f) Other receivables**

| | Islamic Banking | |
|--|------------------------|---------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Financing to related companies | 403,211 | 494,820 |
| Amount due from holding company | - | 40,527 |
| Amount due from related companies | - | 335 |
| Prepayments and deposits | 28,804 | 15,846 |
| Fee receivables | 52,370 | - |
| Foreclosed properties | 36,271 | - |
| Deferred expenses | 60,849 | 41,706 |
| Sundry receivables | 144,277 | 20,958 |
| Amount due from brokers and clients | 10,911 | - |
| Amount due from MIDF | 12,412 | - |
| Amount due from borrowing and government grant | 12,003 | - |
| | <hr/> | <hr/> |
| | 761,108 | 614,192 |
| Less: | | |
| ECL at stage 1 | (5,191) | (4,414) |
| ECL at stage 3 | (19,931) | (94,852) |
| | <hr/> | <hr/> |
| | 735,986 | 514,926 |
| | <hr/> | <hr/> |

(g) Deposits from customers**(i) By type of deposit:**

| | Islamic Banking | |
|-----------------------------------|------------------------|---------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Commodity Murabahah Term Deposits | 34,760,348 | 26,895,884 |
| Demand deposits | 2,022,020 | 1,482,264 |
| Savings deposits | 752,952 | 734,551 |
| | <hr/> | <hr/> |
| | 37,535,320 | 29,112,699 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

50. The Operations of Islamic Banking (cont'd.)

(g) Deposits from customers

(ii) Maturity structure of term deposits are as follows:

| | Islamic Banking | |
|-----------------------------------|-----------------|------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Due within six months | 25,839,368 | 19,673,851 |
| More than six months to one year | 6,195,849 | 4,421,626 |
| More than one year to three years | 532,360 | 1,366,471 |
| More than three years | 2,192,771 | 1,433,936 |
| | <hr/> | <hr/> |
| | 34,760,348 | 26,895,884 |

(iii) By type of customers:

| | Islamic Banking | |
|---------------------------------|-----------------|------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Government and statutory bodies | 18,881,570 | 15,232,596 |
| Business enterprises | 13,349,550 | 9,065,228 |
| Individuals | 5,304,200 | 4,814,875 |
| | <hr/> | <hr/> |
| | 37,535,320 | 29,112,699 |

(h) Deposits and placements of banks and other financial institutions

(i) By type of deposit:

| | Islamic Banking | |
|--------------------------------|-----------------|-----------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Non-Mudharabah Funds: | | |
| Other financial institutions: | | |
| - Licensed investment banks | 29,271 | 779 |
| - Licensed commercial banks | 921 | - |
| - Licensed islamic banks | 1,201,820 | 1,121,734 |
| - Other financial institutions | 7,117,084 | 6,388,823 |
| | <hr/> | <hr/> |
| | 8,349,096 | 7,511,336 |

50. The Operations of Islamic Banking (cont'd.)**(i) Investment accounts of customers**

| | Islamic Banking | |
|---|------------------------|---------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Wakalah unrestricted investment account | - | 2,080,767 |

The investment account placements were used to fund personal financing.

(i) By type of customers

| | Islamic Banking | |
|---------------------------------|------------------------|---------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Government and statutory bodies | - | 1,626,676 |
| Other financial institutions | - | 454,091 |
| | - | 2,080,767 |

(ii) Movement of investment accounts of customers:

| | Islamic Banking | |
|--|------------------------|---------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| At beginning of the financial year | 2,080,767 | 2,094,914 |
| New placements during the financial year | 2,526,300 | 5,795,123 |
| Redemption during the financial year | (4,592,220) | (5,809,189) |
| Finance expense | 31,473 | 52,685 |
| Profit distributed | (46,320) | (52,766) |
| At end of financial year | - | 2,080,767 |

(iii) By maturity

| | Islamic Banking | |
|----------------------------------|------------------------|---------------|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Due within six months | - | 1,926,610 |
| More than six months to one year | - | 154,157 |
| | - | 2,080,767 |

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

50. The Operations of Islamic Banking (cont'd.)

(j) Other payables

| | Islamic Banking | |
|---------------------------------------|-----------------|----------------|
| | 2023 RM'000 | 2022 RM'000 |
| Amount due to related entities | 234,709 | - |
| Amount due to brokers and clients | 10,854 | - |
| Amount due to GSF | 71,132 | - |
| Sundry creditors | 271,783 | 222,233 |
| Al-Mudharabah security funds | 117,885 | 132,944 |
| ECL for commitments and contingencies | (i) 35,213 | 52,351 |
| Deferred income | 5,243 | 1,314 |
| Other provisions and accruals | 76,480 | 99,837 |
| | 823,299 | 508,679 |

(i) ECL for commitments and contingencies

Movement of ECL for commitments and contingencies are as follows:

| 2023 | Islamic Banking | | | Total RM'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 15,146 | 32,369 | 4,836 | 52,351 |
| Acquisition of MIDF | 1,211 | - | - | 1,211 |
| Total charged/(reversal) to profit or loss | 11,826 | (27,192) | (2,971) | (18,337) |
| Changes in ECL due to transfer within stages: | | | | |
| - Transfer to Stage 1 | 1,945 | (1,933) | (12) | - |
| - Transfer to Stage 2 | (895) | 919 | (24) | - |
| - Transfer to Stage 3 | (8) | (314) | 322 | - |
| New financing/disbursement during the year | 12,224 | 255 | 68 | 12,547 |
| Derecognised/converted to financing during the year (other than write-offs) | (3,696) | (8,937) | (3,963) | (16,596) |
| Changes in credit risk parameters # | 2,256 | (17,182) | 638 | (14,288) |
| Write-offs | - | - | (12) | (12) |
| As at 31 December | 28,183 | 5,177 | 1,853 | 35,213 |

The changes in credit risk parameters includes the impact of forward-looking key MEV and changes to loss rate for the ECL model.

50. The Operations of Islamic Banking (cont'd.)**(j) Other payables (cont'd.)****(i) ECL for commitments and contingencies (cont'd.)**

| 2022 | Islamic Banking | | | Total RM'000 |
|--|-------------------|-------------------|-------------------|-----------------|
| | Stage 1 RM'000 | Stage 2 RM'000 | Stage 3 RM'000 | |
| As at 1 January | 16,943 | 35,869 | 1,372 | 54,184 |
| Total (reversal)/charged to profit or loss | (1,797) | (3,500) | 3,792 | (1,505) |
| Changes in ECL due to transfer within stages: | | | | |
| - Transfer to Stage 1 | 24,738 | (24,737) | (1) | - |
| - Transfer to Stage 2 | (298) | 371 | (73) | - |
| - Transfer to Stage 3 | (22) | (841) | 863 | - |
| New financing/disbursement during the year | 12,333 | 1,395 | 95 | 13,823 |
| Repayment/drawdown to financing during the year | (6,672) | (8,093) | (540) | (15,305) |
| Changes in credit risk parameters # | (24,253) | 2,569 | 4,163 | (17,521) |
| Changes to model assumptions and methodologies ^ | (7,623) | 25,836 | (715) | 17,498 |
| Write-offs | - | - | (328) | (328) |
| As at 31 December | 15,146 | 32,369 | 4,836 | 52,351 |

The changes in credit risk parameters includes the impact of forward-looking key MEV and changes to loss rate for the ECL model.

^ The changes to model assumptions and methodologies were in relation to incorporation of MEV factors with more intuitive trends, revision to PD and LGD modelling and management overlays.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

51. Significant events during the financial year

(a) Acquisition of Malaysian Industrial Development Finance Berhad ("MIDF")

On 6 April 2022, BNM had vide its letter stated that it has no objection for MBSB to enter into discussions with Permodalan Nasional Berhad ("PNB") to explore the possibility of undertaking an acquisition of the 100% shareholding in MIDF which is held by PNB ("Proposed Transaction"). BNM's approval was valid for a period of 6 months from the date of its letter.

Subsequently, MBSB and PNB ("the Parties") entered into an exclusivity agreement ("Exclusivity Agreement") granting the Parties exclusive right to enter into negotiations with each other to finalise the structure, pricing, and terms and conditions of the Proposed Transaction for a period commencing on the date of Exclusivity Agreement until 5.00 pm of the last day of the 6th month from the date of the letter of approval from BNM to commence negotiations i.e. 5 October 2022 or such other further period as may be agreed in writing by the Parties and approved by BNM ("Exclusivity Period"). On 29 September 2022, BNM had vide its letter granted MBSB an extension of time to 5 January 2023 to conclude the negotiations for the Proposed Transaction and the Parties had agreed in writing to extend the Exclusivity Period to the extended date.

Under the terms of the Exclusivity Agreement, the Parties have agreed not to take any action to solicit, negotiate, or otherwise facilitate any offer or inquiry from any other party (other than the Parties themselves) relating to any transaction or proposed transaction involving the share capital, assets, businesses or undertakings of MBSB and MIDF (including their subsidiaries) during the Exclusivity Period.

On 21 October 2022, the Company had submitted an application to BNM, to seek the approvals of BNM and/or the Ministry of Finance, Malaysia ("MOF") for the Proposed Transaction. The Company had also on even date entered into an Implementation Agreement with PNB to set up the agreement in respect of the share purchase agreement for the Proposed Transaction to be entered into by MBSB and PNB upon obtaining the approvals of BNM and the MOF.

On 14 April 2023, the Company made an announcement to Bursa notifying on the approval granted by MOF and BNM on the proposed merger with MIDF. Further on 9 June 2023, the Company announced that a conditional share purchase agreement with Permodalan Nasional Berhad ("PNB") has been entered to acquire the entire share capital of MIDF, comprising 480,355,627 ordinary shares held by PNB, for the purchase consideration of RM1,014,295,048.55 ("Final Purchase Consideration") ("SPA"). The Final Purchase Consideration shall be satisfied through the issuance and allotment of 1,050,828,629 new ordinary shares in MBSB ("MBSB Shares") ("Final Consideration Shares") at the issue price of RM0.9652 per Final Consideration Share ("Final Issue Price") to PNB.

On 12 July 2023, the Company issued a circular to the shareholders in relation to the proposed acquisition, independent advice letter and notice of extraordinary general meeting ("EGM") for the proposed acquisition. The EGM was then held on 27 July 2023 where the shareholders of the Company approved the proposed acquisition.

Pursuant to the abovesaid approval and upon completion of the issuance of shares to PNB, MIDF became a wholly owned subsidiary of the Company on 2 October 2023.

51. Significant events during the financial year (cont'd.)(a) Acquisition of Malaysian Industrial Development Finance Berhad ("MIDF") (cont'd.)

The initial provisional fair values of the assets and liabilities assumed arising from the acquisition are as follows:

| | Fair value RM'000 |
|---|------------------------------|
| Cash and short-term funds | 722,725 |
| Deposits and placements with banks and other financial institutions | 44,700 |
| Financial assets at fair value through profit or loss | 171,254 |
| Financial investments at fair value through other comprehensive income | 1,812,803 |
| Financial investments at amortised cost | 2,334,879 |
| Loans, financing and advances | 1,846,090 |
| Other receivables | 114,446 |
| Statutory deposits with Bank Negara Malaysia | 103,901 |
| Other assets | 85,608 |
| Deposits from customers | (4,395,923) |
| Deposits and placements of banks and other financial institutions | (1,305,418) |
| Borrowings and government grant | (224,260) |
| Other liabilities | (183,825) |
| <hr/> | |
| Net assets | 1,126,980 |
| Less: | |
| Non-controlling interests | (238) |
| <hr/> | |
| Net assets acquired | 1,126,742 |
| Gain on acquisition of MIDF (Note 34) | (354,383) |
| <hr/> | |
| Purchase consideration satisfied via issuance of consideration shares at market value on 2 October 2023 of RM0.735 per share | 772,359 |

The acquisition resulted in a gain due to the consideration being lower than the net assets acquired which then allowed the Group to recognise a gain on the bargain purchase in the statements of profit or loss and other comprehensive income for the financial year ended 31 December 2023.

As allowed by MFRS 3 'Business Combination', the Group will recognise any adjustments to the gain on acquisition of MIDF recognised as a result of completing the initial accounting within the measurement period, which shall not exceed twelve months from the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2023

51. Significant events during the financial year (cont'd.)

(a) Acquisition of Malaysian Industrial Development Finance Berhad ("MIDF") (cont'd.)

Additionally, the acquisition-related costs of RM6.9 million and RM1.5 million have been charged to general administrative expenses in the Group's and the Company's statements of profit or loss and other comprehensive income for the financial year ended 31 December 2023 and 31 December 2022 respectively.

The effects of the acquisitions on the Group's financial results for the current financial year are as follows:

| | Date of acquisition to 31 December 2023 RM'000 |
|----------------------------------|---|
| Revenue | 99,422 |
| Profit before taxation and zakat | 3,532 |
| Net profit | 789 |

Had the acquisition been effected on 1 January 2023, the financial results contributed to the Group for the current financial year would have been:

| | From 1 January 2023 to 31 December 2023 RM'00 |
|----------------------------------|--|
| Revenue | 421,134 |
| Profit before taxation and zakat | 12,112 |
| Net loss | 4,297 |

(b) Proposed scheme of arrangement to transfer shareholding of Emerald Unity and disposal of residual A&L to Emerald Unity

On 18 September 2023, we made an announcement to Bursa on the Company's proposal to undertake a members' scheme of arrangement pursuant to Sections 366 and 370 of the Companies Act 2016 ("Proposed Scheme").

The Proposed Scheme is to transfer the Company's entire shareholding in Emerald Unity Sdn. Bhd. ("Emerald Unity") to a corporate share trustee to hold the same for the benefit of a nominated charity to be identified. After the proposed Emerald Unity Share transfer to the Share Trustee, the Company proposes to dispose of and transfer its Residual Assets and Liabilities ("A&L") to Emerald Unity for the following consideration:

- i) For the shares of the non-financial subsidiaries, based on a nominal sum of RM2.00 or less for each of the subsidiaries; and
- ii) For all the subject loans which remain in the Company at the date of transfer (which is to be determined), at a consideration based on net book value at the end of the month prior to the transfer of the subject loans subject to a maximum of the amount owed as at a date to be determined by the Company.

The rationale of the Proposed Scheme is to enable the Company to be a pure investment holding company with no loans and no direct interest in companies which are not involved in financial services.

The Court Convene Meeting was held on 24 November 2023 where the shareholders approved the Proposed Scheme.

52. Subsequent event after the financial year end

On 31 January 2024, the Company completed the Proposed Scheme as disclosed in Note 51(b) of the financial statements.

53. Critical accounting estimates and judgements in applying accounting policies

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

(a) Allowance for ECL

The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

MFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, private consumption, unemployment rate and consumer price index. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Criteria that determine if there has been a significant increase in credit risk and so allowances for financial assets should be measured on a lifetime ECL basis and the qualitative assessment;
- Internal credit grading model, which assigns PDs to the individual grades;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL.

The sensitivity effect on the macroeconomic factors are further disclosed in Note 46.1(v) to the financial statements.

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.

(b) Impairment assessment of goodwill

Goodwill arising from consolidation represents the excess of the purchase consideration and the fair value of the net identifiable assets of MBSB Bank acquired on 7 February 2018.

Goodwill is not amortised but tested for impairment annually based on the recoverable amount of the investment with VIU calculations. VIU is calculated with cash flow projections, of which the first 3 years of cash flow projections were based on the 2024 financial budget approved by the Board and discounted using the Weighted Average Cost of Capital ("WACC") rates. Cash flows beyond the 3 years period are extrapolated using the forecast Gross Domestic Products as the terminal growth rate and discounted using WACC rates.





STAKEHOLDER **INFORMATION**

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Proxy Form

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 | Menara MBSB Bank, PJ Sentral, Lot 12, Persiaran Barat, Seksyen 52, 46200 Petaling Jaya | Leasehold | 99 | 09.02.2108 | 281,455.00 | Office Building | 3 | 220,009 | Dec-23 |
| 2 | Lot 31632 and 31633 PM No.416 and 417, Bukit Raja, Mukim of Kapar, Dtstrict of Klang, Selangor | Leasehold | 99 | 08.05.2093 | 28,651.30 | Vacant Land | Nil | 56,000 | Dec-23 |
| 3 | 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. | Leasehold | 99 | 18.12.2094 | 161,106.01 | Vacant Land | Nil | 33,763 | Jul-23 |
| | C) 62 undeveloped detached house plots of land, Part of Phase 8, A'Famosa Resort Malaysia, Jalan Kemus, Simpang Ampat, Melaka | | | | | | | | |
| 4 | No.48, Jalan Dungun, Damansara Heights, Kuala Lumpur | Freehold | Nil | Nil | 1,595.28 | Office Building | 34 | 22,526 | Dec-23 |
| 5 | Nos A157 & A159, Jalan Tun Ismail, Kuantan, Pahang | Freehold | Nil | Nil | 266 | Office Building | > 25 | 2,300 | Jan-24 |

| 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 |
|-----|--|---|--------------|-------------|------------------------|------------------|--------------------------|---------------------|----------------------|
| 6 | Unit no. 7-3A-4 & 7-12-4, Kirana Residence, No. 7, Jalan Pinang, Kuala Lumpur | Freehold | Nil | Nil | Nil | Residential Unit | 25 | 1,922 | Apr-18 |
| 7 | No. 45, Persiaran Greenhill, 30450 Ipoh, Perak Darul Redzuan | Lot 2294 N: Freehold Lot 2298 N: Leasehold | 999 | 21.09.2884 | 222.96 | Office Building | 30 | 1,917 | Jan-24 |
| 8 | 4 units shop office known as unit no. 11-1, 11-2, 11-3 and 11-16 Port Tech Tower, Klang | Leasehold | 99 | 08.05.2093 | Nil | Office unit | 10 | 1,729 | Jan-23 |
| 9 | No. 2783 Jalan Chain Ferry, TamanInderawasih,Perai, Seberang Perai Tengah, Pulau Pinang | Freehold | Nil | Nil | 451 | Office Building | 20 | 1,054 | Mar-23 |
| 10 | Four (4) completed units of office space : No.13- 3A,13-5, 13-6,13-7, 13th floor, Port Tech Tower, Jalan Tiara 3KU/01, Bandar Baru Klang, Selangor | Leasehold | 99 | 08.05.2093 | Nil | Office unit | 9 | 846 | Jan-23 |

ANALYSIS OF SHAREHOLDINGS

As at 29 March 2024

Total number of Issued Shares : 8,222,312,432 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 | 2,574 | 5.242 | 95,016 | 0.001 |
| 100 - 1,000 | 6,600 | 13.442 | 4,913,252 | 0.059 |
| 1,001 - 10,000 | 20,183 | 41.108 | 108,445,391 | 1.318 |
| 10,001 - 100,000 | 16,522 | 33.651 | 545,422,035 | 6.633 |
| 100,001 - 411,115,620 (*) | 3,215 | 6.548 | 1,788,666,219 | 21.753 |
| 411,115,621 AND ABOVE (**) | 3 | 0.006 | 5,774,770,519 | 70.232 |
| TOTAL | 49,097 | 100.00 | 8,222,312,432 | 100.00 |

Remark:

* Less than 5% of Issued Shares

** 5% and above of Issued Shares

THIRTY LARGEST SHAREHOLDERS

| No | Name | No. of Shares | % of Shares |
|----|--|---------------|-------------|
| 1 | CITIGROUP NOMINEES (TEMPATAN) SDN. BHD. EMPLOYEES PROVIDENT FUND BOARD | 3,209,630,341 | 39.035 |
| 2 | CITIGROUP NOMINEES (TEMPATAN) SDN. BHD EMPLOYEES PROVIDENT FUND BOARD (ISLAMIC) | 1,514,311,549 | 18.417 |
| 3 | PERMODALAN NASIONAL BERHAD | 1,050,828,629 | 12.780 |
| 4 | HSBC NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR HSBC PRIVATE BANK (SUISSE) SA (CLIENT ASSETS) | 131,062,931 | 1.593 |
| 5 | CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR UBS SWITZERLAND AG (CLIENTS ASSETS) | 82,774,787 | 1.006 |
| 6 | FONG SILING | 52,700,000 | 0.640 |
| 7 | CARTABAN NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR STATE STREET BANK & TRUST COMPANY (WEST CLT OD67) | 36,509,391 | 0.444 |
| 8 | HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD EMERGING MARKETS STOCK INDEX FUND | 32,367,600 | 0.393 |

| No | Name | No. of Shares | % of Shares |
|----|---|---------------|-------------|
| 9 | HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND | 31,548,684 | 0.383 |
| 10 | CARTABAN NOMINEES (ASING) SDN. BHD. SSBT FUND WTAU FOR WISDOMTREE EMERGING MARKETS SMALLCAP DIVIDEND FUND | 30,748,028 | 0.373 |
| 11 | RHB NOMINEES (TEMPATAN) SDN. BHD. PLEGGED SECURITIES ACCOUNT FOR SIAO CHOON PING | 23,412,000 | 0.284 |
| 12 | B-OK SDN. BHD. | 20,966,818 | 0.254 |
| 13 | CITIGROUP NOMINEES (ASING) SDN. BHD. EXEMPT AN FOR UBS AG SINGAPORE (FOREIGN) | 19,213,562 | 0.233 |
| 14 | HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR VANGUARD FIDUCIARY TRUST COMPANY INSTITUTIONAL TOTAL INTERNATIONAL STOCK MARKET INDEX TRUST II | 18,775,300 | 0.228 |
| 15 | HSBC NOMINEES (ASING) SDN. BHD. J.P. MORGAN SECURITIES PLC | 14,370,281 | 0.174 |
| 16 | TA NOMINEES (TEMPATAN) SDN. BHD. PLEGGED SECURITIES ACCOUNT FOR HENG TENG KUANG | 11,571,700 | 0.140 |
| 17 | CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR EMERGING MARKET CORE EQUITY PORTFOLIO DFA INVESTMENT DIMENSIONS GROUP INC | 11,165,458 | 0.135 |
| 18 | KENANGA NOMINEES (TEMPATAN) SDN. BHD. EXEMPT AN FOR PHILLIP SECURITIES PTE LTD (CLIENT ACCOUNT) | 10,477,696 | 0.127 |
| 19 | LKK REALTY SDN. BHD. | 9,087,000 | 0.110 |
| 20 | CARTABAN NOMINEES (ASING) SDN. BHD. THE BANK OF NEW YORK MELLON FOR VANGUARD FTSE ALL-WORLD EX-US SMALL-CAP INDEX FUND | 8,688,000 | 0.105 |
| 21 | CITIGROUP NOMINEES (ASING) SDN. BHD. CBNY FOR DIMENSIONAL EMERGING MARKETS VALUE FUND | 8,648,058 | 0.105 |
| 22 | HSBC NOMINEES (ASING) SDN. BHD. JPMCB NA FOR EMERGING MARKETS SMALL CAPITALIZATION EQUITY INDEX NONLENDABLE FUND | 7,986,485 | 0.097 |
| 23 | TEE KOK THYE | 7,711,123 | 0.093 |
| 24 | RAJESH SINGH BHINDER A/L PRETAM SINGH | 7,503,300 | 0.091 |
| 25 | CARTABAN NOMINEES (ASING) SDN. BHD. STATE STREET LONDON FUND OD75 FOR ISHARES PUBLIC LIMITED COMPANY | 7,390,300 | 0.089 |

ANALYSIS OF SHAREHOLDINGS

As at 29 March 2024

| No | Name | No. of Shares | % of Shares |
|--|---|----------------------|---------------|
| 26 | POSEIDON SENDIRIAN BERHAD | 7,375,246 | 0.089 |
| 27 | AMANAHRAYA TRUSTEES BERHAD PMB SHARIAH PREMIER FUND | 7,200,000 | 0.087 |
| 28 | HLB NOMINEES (TEMPATAN) SDN. BHD. PLEGGED SECURITIES ACCOUNT FOR TAN KIM HEUNG | 7,000,000 | 0.085 |
| 29 | YEAP AH KAU @ YEAP CHAN TOOI | 6,955,000 | 0.084 |
| 30 | MAYBANK NOMINEES (TEMPATAN) SDN. BHD. PLEGGED SECURITIES ACCOUNT FOR CHEN TAM CHAI | 6,085,553 | 0.074 |
| TOTAL SHAREHOLDING OF THE THIRTY LARGEST SHAREHOLDERS | | 6,394,064,820 | 77.748 |

SUBSTANTIAL SHAREHOLDERS

(as per Register of Substantial Shareholders as at 29 March 2024)

| Name | No. of Shares Held | % of Issued Shares |
|---------------------------------|--------------------|--------------------|
| EMPLOYEES PROVIDENT FUND BOARD* | 4,723,941,890 | 57.453 |
| PERMODALAN NASIONAL BERHAD | 1,050,828,629 | 12.780 |

Notes:

* Total direct interest of EPF held under Citigroup Nominees (Tempatan) Sdn. Bhd.

DIRECTORS' DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY

| | Direct Interest | | Indirect Interest | | Total Shareholdings | |
|--------------------------------|--------------------|--------------------|--------------------|--------------------|---------------------|--------------------|
| | No. of shares held | % of Issued shares | No. of shares held | % of Issued shares | No. of shares held | % of Issued shares |
| Tan Sri Abdul Rahman bin Mamat | - | - | 148,400 | 0.002 | 148,400 | 0.002 |

Note:

Indirect interest via the shareholding held by his son, Izzat bin Abdul Rahman. Tan Sri Abdul Rahman bin Mamat, by virtue of his total indirect interest of 148,400 shares in MBSB, is deemed interested in the shares in all MBSB's subsidiaries to the extent that MBSB has interest.

GROUP CHIEF EXECUTIVE OFFICER'S DIRECT AND INDIRECT INTERESTS IN SHARES IN THE COMPANY

The Group Chief Executive Officer, Encik Rafe Haneef does not hold any direct or indirect interests in shares in the Company.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT THE 54TH 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, PJ Sentral, Lot 12, Persiaran Barat, Seksyen 52, 46200 Petaling Jaya, Selangor (“Broadcast Venue”) on Thursday, 6 June 2024 at 10.00 a.m. for the purpose of considering and, if thought fit, passing the following resolutions with or without modifications:

ORDINARY BUSINESS:

- | | | |
|----|---|---|
| 1. | To receive the Audited Financial Statements of the Company and of the Group for the financial year ended 31 December 2023 and Reports of the Directors and Auditors thereon. | (Please refer to Explanatory Note 1) |
| 2. | To declare a Single-Tier Final Dividend of 3.5 sen per ordinary share for the financial year ended 31 December 2023. | Ordinary Resolution 1 |
| 3. | 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 2025. | Ordinary Resolution 2 |
| 4. | 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 2025. | Ordinary Resolution 3 |
| 5. | To re-elect Dato’ Wan Kamaruzaman bin Wan Ahmad, who retires in accordance with Clause 90 of the Company’s Constitution, and who being eligible offer himself for re-election. | Ordinary Resolution 4 |
| 6. | To re-elect Tan Sri Abd Rahman bin Mamat, who retires in accordance with Clause 90 of the Company’s Constitution, and who being eligible offer himself for re-election. | Ordinary Resolution 5 |
| 7. | To re-elect Datuk (Dr.) Yasmin binti Mahmood, who retires in accordance with Clause 90 of the Company’s Constitution, and who being eligible offer herself for re-election. | Ordinary Resolution 6 |
| 8. | To re-elect Puan Lynette Yeow Su-Yin, who retires in accordance with Clause 100 of the Company’s Constitution, and who being eligible offer herself for re-election. | Ordinary Resolution 7 |
| 9. | To reappoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2024 and to authorise the Directors to determine their remuneration. | Ordinary Resolution 8 |

SPECIAL BUSINESS:

- | | | |
|-----|--|-----------------------------|
| 10. | Proposed Change of Name of the Company from “Malaysia Building Society Berhad” to “MBSB Berhad” (“Proposed Change of Name”) | Special Resolution 1 |
|-----|--|-----------------------------|

THAT subject to the approvals of all relevant authorities and/or parties being obtained (if required), approval be and is hereby given to the Company to change its name from “Malaysia Building Society Berhad” to “MBSB Berhad” with effect from the date of issuance of the Notice of Registration of the New Name by the Companies Commission of Malaysia **AND THAT** the name of the Company wherever appearing in the Constitution of the Company be and is hereby amended accordingly.

THAT the Directors and/or the Company Secretaries be and are hereby authorised and empowered to do all such acts and things (including executing all such documents as may be required) as they may consider necessary and/or expediently including to carry out all the necessary formalities in effecting the Proposed Change of Name.

- | | |
|-----|---|
| 11. | To transact any other business of which due notice shall have been given. |
|-----|---|

BY ORDER OF THE BOARD

KOH AI HOON (MAICSA 7006997)
Practicing Certificate No.: 202308000225
PAULINE NG PECK KUN (MAICSA 7029550)
Practicing Certificate No.: 201908002573
 Company Secretaries

Petaling Jaya
 30 April 2024

Explanatory Notes: -**1. Item 1 of the Agenda - Audited Financial Statements for the financial year ended 31 December 2023**

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 3 of the Agenda - Ordinary Resolution 2 - Directors Fees payable to Directors

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 2025 is based on the following fee structure:-

| Fees per annum | (RM) | |
|-------------------------------------|----------|---------|
| | Chairman | Member |
| Directors | 155,000 | 115,000 |
| Audit Committee | 30,000 | 20,000 |
| Risk Management Committee | 30,000 | 20,000 |
| Nominating & Remuneration Committee | 25,000 | 15,000 |

3. Item 4 of the Agenda - Ordinary Resolution 3 - Benefits payable to Directors

The proposed benefits payable to Directors for the period from the date of this AGM until the next AGM of the Company in 2025 is based on the following structure:-

| | |
|---|---|
| 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 benefit |

Note:

- (a) The benefits payable to the Directors comprise of allowances and other emoluments payable to the Chairman and members of the Board and Board Committees.
- (b) The total amount of benefits payable to the Directors is estimated up to RM1,200,000 from the date of this AGM until the next AGM in 2025 based on the estimated number of 80 meetings.

NOTICE OF ANNUAL GENERAL MEETING

4. Item 5, 6, 7 and 8 of the Agenda - Ordinary Resolution 4, 5, 6 and 7 - Re-election of Directors

Tan Sri Abd Rahman bin Mamat (“Tan Sri Rahman”) was appointed as Independent Non-Executive Director of the Company on 5 December 2023.

Datuk (Dr.) Yasmin binti Mahmood (“Datuk Yasmin”) was appointed as Non-Independent Non-Executive Director of the Company on 5 December 2023.

Dato’ Wan Kamaruzaman bin Wan Ahmad (“Dato’ Wan”) was appointed as Chairman/ Non-Independent Non-Executive Director of the Company on 24 January 2024.

Tan Sri Rahman, Datuk Yasmin and Dato’ Wan shall hold office until this AGM and are eligible to stand for re-election in accordance with Clause 90 of the Company’s Constitution. Tan Sri Rahman, Datuk Yasmin and Dato’ Wan have offered themselves for re-election at this AGM.

Pursuant to Clause 100 of the Company’s Constitution, Puan Lynette Yeow Su-Yin (“Puan Lynette”) is due for retirement by rotation at this AGM. Puan Lynette is eligible to stand for re-election and she has offered herself for re-election at this AGM.

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 were satisfied that all four (4) Directors are not disqualified under the Companies Act, 2016 and Section 59(1) of the Financial Services Act 2013 (“FSA”). The Directors complied with the Fit and Proper Requirements as prescribed in the Fit and Proper Policy. The 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 was no adverse finding or any interest, position or relationship that might influence, or reasonably be perceived to influence in the background screening that could materially affect the Directors’ 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 2022 and 2023. Puan Lynette attended more than 95% of the Board and Board Committee meetings in 2022 and 2023. The Board and NRC were satisfied with the performance and the contribution of Puan Lynette to the Board and the Board Committees. Puan Lynette participated actively in the deliberations during the Board and Board Committee meetings and was able to provide independent and diverse viewpoints. In the absence of the Board Chairman, Puan Lynette assumed the role of chairing the Board Meeting and was redesignated as Acting Chairman on 22 September 2023. She was subsequently redesignated as Senior Independent Non-Executive Director upon the appointment of Dato’ Wan as the Board Chairman of the Company. Puan Lynette also received a high score in the peer evaluation which was part of the Board Effectiveness Evaluation for year 2022 and 2023.

The Board and NRC supported the re-election of Tan Sri Rahman, Datuk Yasmin, Dato’ Wan and Puan Lynette 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 2023.

5. Item 9 of the Agenda - Ordinary Resolution 8 - Re-appointment of Auditors

The Audit Committee (“AC”), at its meeting on 26 February 2024 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 fulfilment 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 2024. The Board, at its meeting on 29 February 2024, approved the recommendation for shareholders’ approval to be sought at the 54th AGM of the Company on the re-appointment of PwC as the external auditors of the Company for the financial year ending 31 December 2024, subject always to the approval from the regulators and shareholders.

6. Item 10 of the Agenda - Special Resolution 1 - Proposed Change of Name

The proposed Special Resolution 1, if passed, will take effect from the date of issuance of the Notice of Registration of the New Name by the Companies Commission of Malaysia.

Please refer to the Circular to Shareholders in relation to the Proposed Change of Name dated 30 April 2024 which is despatched together with this Annual Report for more information.

IMPORTANT NOTICE

The Broadcast Venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman 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 54th 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 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 (“SICDA”), to issue a General Meeting Record of Depositors as at 28 May 2024. Only a depositor whose name appears on the Record of Depositors as at 28 May 2024 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her/its behalf.
2. A member shall be entitled to appoint another person as his/her/its 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, speak and vote at the meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless the member specifies the proportion of the member’s holdings to be represented by each proxy.
4. 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 authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

NOTICE OF ANNUAL GENERAL MEETING

5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
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, or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time fixed for holding the meeting. Alternatively, the instrument appointing a proxy can be submitted electronically, via TIIH Online at the website <https://tiih.online>, not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof. Otherwise the instrument of proxy shall not be treated as valid. 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 AGM remotely using the RPV facilities which are available on 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 54th Annual General Meeting of the Company are disclosed in the "Profile of MBSB Board of Directors" section of the Integrated Annual Report 2023. The details of their interest in securities of the Company are disclosed in the "Analysis of Shareholding" section of the Integrated Annual Report 2023.

| | |
|--------------|-----------------|
| No of shares | CDS Account No. |
| | |

I/We _____
(full name in block letters)

Company /NRIC No. _____ Tel No. _____

of _____
(full address)

being a member/members of MALAYSIA BUILDING SOCIETY BERHAD hereby appoint:-

_____ (Proxy1)
(full name in block letters)

NRIC No. _____ Tel No. _____

of _____ and/ or
(full address)

_____ (Proxy 2)
(full name in block letters)

Company /NRIC No. _____ Tel 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 54th 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, PJ Sentral, Lot 12, Persiaran Barat, Seksyen 52, 46200 Petaling Jaya, Selangor ("Broadcast Venue") on Thursday, 6 June 2024 at 10.00 a.m. and at any adjournment thereof.

My/Our proxy to vote as indicated hereunder.

| NO. | RESOLUTIONS | FOR | AGAINST |
|-----|---|-----|---------|
| 1. | To declare a Single-Tier Final Dividend of 3.5 sen per ordinary share for the financial year ended 31 December 2023. Ordinary Resolution 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 2025. Ordinary Resolution 2 | | |
| 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 2025. Ordinary Resolution 3 | | |
| 4. | To re-elect Dato' Wan Kamaruzaman bin Wan Ahmad as Director of the Company. Ordinary Resolution 4 | | |
| 5. | To re-elect Tan Sri Abd Rahman bin Mamat as Director of the Company. Ordinary Resolution 5 | | |
| 6. | To re-elect Datuk (Dr.) Yasmin binti Mahmood as Director of the Company. Ordinary Resolution 6 | | |
| 7. | To re-elect Puan Lynette Yeow Su-Yin as Director of the Company. Ordinary Resolution 7 | | |
| 8. | To reappoint Messrs. PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2024 and to authorise the Directors to determine their remuneration. Ordinary Resolution 8 | | |
| 9. | Proposed Change of Name of the Company from "Malaysia Building Society Berhad" to "MBSB Berhad" Special Resolution 1 | | |

(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)

| | No. of shares | Percentage (%) |
|---------|---------------|----------------|
| Proxy 1 | | |
| Proxy 2 | | |

Date: _____

Signature / Common Seal

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 ("SICDA"), to issue a General Meeting Record of Depositors as at 28 May 2024. Only a depositor whose name appears on the Record of Depositors as at 28 May 2024 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her/its behalf.
2. A member shall be entitled to appoint another person as his/her/its 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, speak and vote at the meeting.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless the member specifies the proportion of the member's holdings to be represented by each proxy.
4. 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 authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing or, if the appointer is a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
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, or its Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time fixed for holding the meeting. Alternatively, the instrument appointing a proxy can be submitted electronically, via TIIH Online at website <https://tiih.online>, not less than forty-eight (48) hours before the time for holding the meeting or at any adjournment thereof, otherwise the instrument of proxy shall not be treated as valid. Please refer to the procedure for lodgement of Proxy Form in the Administrative Guide for submission of electronic Proxy Form.
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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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www.mbsb.com.my

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 Darul Ehsan
Tel : 03-2096 3000
Fax : 03-7455 5108