MAYBANK ISLAMIC BERHAD
(Co. Reg. No.: 200701029411)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2023

Co. Reg. No.: 200701029411

Maybank Islamic Berhad
(Incorporated in Malaysia)

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Maybank Islamic Berhad
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Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of Maybank Islamic Berhad ("the Bank") for the financial year ended 31 December 2023.

Principal activities

The Bank is principally engaged in the business of Islamic Banking and the provision of related financial services.

There were no significant changes in the principal activities during the financial year.

Results

	RM'000
Profit before taxation and zakat	3,160,961
Taxation and zakat	(768,427)
Profit for the financial year	2,392,534

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in Notes 7, 8(ii), 8(iii), 9, 18, 29, 30 and 31 to the financial statements and the statement of changes in equity.

In the opinion of the Board of Directors, the results of the operations of the Bank during the current financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects of emerging risks as disclosed in Note 3.6 to the financial statements.

Performance review

The Bank recorded a profit before taxation and zakat of RM3,161.0 million for the financial year ended 31 December 2023, a decrease of 30.3% or RM1,373.1 million compared to the previous financial year.

Total income grew by RM2,572.5 million or 22.7% to RM13,893.1 million from RM11,320.6 million in the previous financial year. Total income represents income derived from investment of depositors' funds, income derived from investment account funds, income derived from investment of shareholder's funds and profit share income from investment accounts of RM11,880.7 million, RM1,163.3 million, RM658.4 million and RM190.6 million respectively.

Profit distributed to depositors increased by 74.7% to RM6,162.9 million as compared to RM3,526.8 million in the previous financial year. Meanwhile, profit distributed to investment accounts increased by 23.1% to RM434.6 million.

Performance review (cont'd.)

Allowance for impairment of assets for the Bank increased by RM540.5 million or 144.5% from RM374.1 million in previous financial year to RM914.5 million for the financial year ended 31 December 2023.

As at 31 December 2023, the Bank's gross financing and advances for the year grew by 6.7% to RM231.9 billion as compared to RM217.4 billion recorded as at 31 December 2022. Total Islamic banking assets owned and managed by the Bank increased by 3.0% to RM329.6 billion as compared to RM320.1 billion recorded as at previous financial year end.

Total customer funding increased by 1.1% to RM238.1 billion, contributed by growth in customer deposits of 0.4% at RM210.7 billion against RM209.8 billion as at 31 December 2022 and investment account of customers increased by 6.7% to RM27.4 billion from RM25.6 billion in the previous financial year end.

The Bank’s capital position continued to be strong and well above regulatory requirements as reflected by its Common Equity Tier I, Tier I Capital Ratio and Total Capital Ratio at 14.303%, 15.300% and 17.824% respectively.

Prospects

Global GDP growth is forecasted to moderate to 2.8% in 2024 (2023: 3.3%) on the back of a tepid growth amongst major economies such as the US (2024: 1.0%; 2023: 2.5%) and China (2024: 4.4%; 2023: 5.2%). In contrast, growth of ASEAN economies is anticipated to be firmer at 4.5% in 2024 (2023: 4.0%) supported by resilient domestic demand, sustained tourism, and the continued recovery in technology-related manufacturing products and exports following the recovery in demand since late 2023.

Malaysia’s economy is expected to grow at a higher rate of 4.4% in 2024 compared to 2023 (3.7%) underpinned by a rebound in goods and services exports as well as sustained domestic consumer spending and investment growth. Bank Negara Malaysia is expected to maintain a balanced monetary policy approach with an Overnight Policy Rate of 3.00% in 2024, to promote stable economic growth whilst remaining cognisant of the upside risk to inflation arising from fuel subsidy rationalisation and an anticipated services tax rate hike.

Amid the sanguine ASEAN economic outlook, the Bank is well positioned to intensify its domestic and international businesses and to broaden its market penetration across consumer and business segments, especially among small and medium enterprises. Its Strategic Key Focus Areas and customer centric approach continues to be essential factors in building financial resilience and driving income growth. This entails deepening its Islamic wealth management capabilities to cater for regional onshore and offshore demand for Shariah compliant solutions and strengthening its Halal economy proposition as part of its aspiration to be a Global leader in Islamic Finance. In addition, the Bank seeks to strategically differentiate its solutions and services through advancing value-based banking principles in line with the Group’s mission of Humanising Financial Services.

Prospects (cont'd.)

Concurrently, the Bank will prioritise its asset growth to maintain its leadership position in key segments, whilst also maintaining an optimal capital and liquidity position to support healthy asset growth and financial resilience. The Bank continues to maintain strong asset quality management through a robust assessment and proactive approach towards customers that require assistance by offering support on a targeted basis.

Digitalisation of Islamic Finance solutions remains a high priority for the Bank. The Bank will rollout Shariah compliant digital solutions towards a holistic, regional digital business model in meeting end-to-end customers' life journey and business needs while intensifying efforts to deepen relationships with existing customers and acquire new customers. The ongoing strategic investments to enhance IT capabilities, further embed Agile ways of working and drive regional cross-selling synergies are aligned to the M25+ corporate strategy which will bolster the growth of the Islamic Banking business.

The Bank remains steadfast in its aspirations to create a lasting positive impact to the community, encompassing greater financial inclusion, sustainable financing and solutions, as well as supporting the transition to a low-carbon economy.

Dividends

The amounts of dividend paid by the Bank since 31 December 2023 were as follows:

	RM'000
In respect of the financial year ended 31 December 2022 as reported in the directors' report of that year:	
A single-tier second interim dividend of RM3.546 per ordinary share on 456,116,375 ordinary shares, declared on 27 February 2023 and paid on 22 March 2023	**1,617,389**
In respect of the financial year ended 31 December 2023:	
A single-tier first interim dividend of RM2.46 per ordinary share on 480,122,500 ordinary shares, declared on 24 August 2023 and paid on 26 September 2023	**1,181,101**

Subsequent to the financial year-end, on 28 February 2024, the Board of Directors declared a single-tier second interim dividend in respect of the current financial year ended 31 December 2023 of RM2.523 per ordinary share on 480,122,500 ordinary shares, amounting to a dividend payable of RM1,211,349,068.

The financial statements for the current financial year do not reflect this declared dividend. Such dividend will be accounted for in the statement of changes in equity as an appropriation of retained profits in the financial year ending 31 December 2024.

Holding company

The immediate holding company is Malayan Banking Berhad ("Maybank"), a licensed bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Maybank Group Employees' Share Grant Plan ("ESGP") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP")

The existing ESGP (“ESGP2018”) is governed by the ESGP By-Laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017 and was implemented on 14 December 2018 for a period of seven (7) years from the effective date. A total of five (5) awards have been made under the ESGP2018 from 2018 to 2022. Three (3) out of the five (5) awards made have been vested to eligible employees in 2021 to 2023 whilst balance of the two (2) awards will vest in 2024 and 2025 respectively. The last tranche of the ESGP Award (i.e. fifth ESGP Award) under the existing plan was made in September 2022 and will vest in 2025. Starting from 2023, there will be no additional new awards to be issued to staff under the ESGP2018.

As continuation of the existing employees’ share grant plan, the shareholders at Extraordinary General Meeting (“EGM”) held on 3 May 2023 has approved for the establishment of a new ESGP plan (“ESGP2023”). This plan will run concurrently with ESGP2018 until its expiration. The ESGP2023 was implemented on 20 September 2023 for eligible talents and senior management. The features of the ESGP2023 are similar to the ESGP2018 with the exception being the plan period i.e. 10 years as compared to ESGP2018 of 7 years. The first award under the ESGP2023 was made in September 2023 and will vest in 2026 subject to fulfilment of the ESGP vesting conditions as well as meeting the performance criteria at the Maybank Group and individual levels.

Both ESGP2018 and ESGP2023 are administered by the Nomination and Remuneration Committee of the Board ("NRC").

The ESGP consists of two (2) types of performance-based awards: Employees' Share Grant Plan ("ESGP Shares") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of Maybank Group NRC.

The ESGP Shares is a form of Restricted Share Units ("RSU") and the NRC may, from time to time during the ESGP period, make further ESGP grants designated as Supplemental ESGP to a selected group of eligible employees to participate in Supplemental ESGP. This selected group may consist of selected key executive, selected key retentions and selected senior external recruits, and such grants may contain terms and conditions which may vary from earlier ESGP grants made available to selected senior management.

Maybank Group Employees' Share Grant Plan ("ESGP") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP") (cont'd.)

The CESGP is a form of Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") and the NRC may, from time to time during the ESGP period, make further CESGP grants designated as Supplemental CESGP to a selected group of eligible employees to participate in the ESGP. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

The maximum number of ordinary shares in Maybank available under the ESGP should not exceed 3.5% of the total number of issued and paid-up capital of Maybank at any point of time during the duration of the scheme.

Issuance of share capital and debentures

The following are the changes in debt and equity securities of the Bank during the financial year ended 31 December 2023:

On 22 March 2023, the Bank increased its share capital from RM11,029,954,534 to RM11,676,910,001 via issuance of 24,006,125 new ordinary shares at issue price per share of RM26.9496 to Maybank on the basis of one new share for every nineteen existing ordinary shares held.

Directors

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

Dato' Zulkiflee Abbas bin Abdul Hamid (Chairman)
Professor Dr. Aznan bin Hasan
Encik Shariffuddin bin Khalid
Puan Natasha binti Kamaluddin
Datuk Zainal Izlan bin Zainal Abidin (Appointed on 10 November 2023)
Dato' Azmi bin Mohd Ali (Resigned on 7 November 2023)
Encik Dali bin Sardar (Resigned on 13 June 2023)
Datuk Mohd Anwar bin Yahya (Resigned on 27 March 2023)

Directors' benefits

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Bank was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate, other than arising from the ESGP.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the holding company as disclosed in Note 34 to the financial statements) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The holding company, Maybank maintained on a group basis, a Directors' and Officers' Liability Insurance against any legal liability incurred by the directors in the discharge of their duties while holding office for Maybank or for Maybank's subsidiary companies. The directors shall not be indemnified by such insurance for any negligence, fraud, intentional breach of law or breach of trust proven against them.

Directors' interests

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interest in shares in the Bank and options over shares in the holding company, Maybank or other related corporations during the financial year.

Rating by external rating agency

Details of the Bank's ratings is as follows:

Rating agency	Date	Rating classification	Rating received
RAM Ratings Services Berhad ("RAM")	21 November 2023	Financial Institution Rating	AAA/Stable/P1

Other statutory information

(a) Before the statement of financial position, income statement and statement of comprehensive income of the Bank were made out, the directors took reasonable steps:

(i) to ascertain that proper action had been taken in relation to the writing-off of bad financing and the making of allowance for doubtful financing and satisfied themselves that all known bad financing had been written-off and that adequate allowance had been made for doubtful financing; and

(ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) the amount written-off for bad financing or the amount of the allowances for doubtful financing in the financial statements of the Bank inadequate to any substantial extent; and

(ii) the values attributed to current assets in the financial statements of the Bank misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Bank which would render any amount stated in the financial statements misleading.

(e) At the date of this report, there does not exist:

(i) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Bank.

Other statutory information (cont'd.)

(f) In the opinion of the directors:

(i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Bank to meet its obligations as and when they fall due; and

(ii) no item or transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Bank for the financial year in which this report is made.

Significant and subsequent events

There are no significant adjusting events after the statement of financial position's date up to the date when the financial statements are authorised for issue.

Shariah Committee

The operations of the Bank is governed by Sections 28 and 29 of the Islamic Financial Services Act 2013 ("IFSA"), which stipulates, that any licensed institution shall at all times ensure that its aims and operations, businesses, affairs and activities are in compliance with Shariah, and, in accordance with the advice or rulings of Shariah Advisory Council ("SAC"), specific standards on Shariah matters in respect of the carrying on of its business, affair or activity. Meanwhile, BNM's Shariah Governance Policy Document (BNM/RH/PD 028-100) relates to, among other things, Shariah Committee’s objectivity to reinforce sound decision-making process and robustness of internal control functions for effective management of Shariah non-compliance risks.

Based on the above, the duties and responsibilities of the Shariah Committee are to advise on the overall operations of the Bank’s business in order to ensure compliance with the Shariah requirements.

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

(a) To provide a decision or advice to the financial institution on the application of any rulings of the SAC or standards on Shariah matters to its operations, businesses, affairs and activities;

(b) To provide a decision or advice on matters which require a reference to be made to the SAC;

(c) To provide a decision or advice on the operations, businesses, affairs and activities of the financial institution which may trigger a Shariah non-compliance event;

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Shariah Committee (cont'd.)

The roles and responsibilities of Shariah Committee in monitoring the Bank's activities include, but not limited to the following (cont'd.):

(d) To deliberate and affirm a Shariah non-compliance finding by any relevant function; and

(e) To endorse a rectification measure to address a Shariah non-compliance event.

Zakat obligation

The Bank pays zakat for its business. The Bank does not pay zakat on behalf of the shareholder, depositors and investment account holders.

Auditors

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

Auditors' remuneration are disclosed in Note 33 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 28 February 2024.

Dato' Zulkiflee Abbas bin Abdul Hamid
Kuala Lumpur, Malaysia

Shariffuddin bin Khalid

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

We, Dato' Zulkiflee Abbas bin Abdul Hamid and Shariffuddin bin Khalid, being two of the directors of Maybank Islamic Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 65 to 250 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Bank as at 31 December 2023 and of the results and the cash flows of the Bank for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 28 February 2024.

Dato' Zulkiflee Abbas bin Abdul Hamid
Kuala Lumpur, Malaysia

Shariffuddin bin Khalid

Statutory declaration
Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Malique Firdauz bin Ahmad Sidique, being the officer primarily responsible for the financial management of Maybank Islamic Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 65 to 250 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Malique Firdauz bin Ahmad Sidique
MIA 42336

Subscribed and solemnly declared by the abovenamed Malique Firdauz bin Ahmad Sidique at Kuala Lumpur in Malaysia on 28 February 2024.

Before me,

PESURUHJAYA SUMPAH
No. PJS: W 904
ROSLI BIN SAAD
1.2.2022 - 31.12.2024
MALAYSIA

Commissioner for Oaths

50A-1, Jalan Kemuja
Bangsar Utama,
59000 Kuala Lumpur

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Maybank Islamic Berhad
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Corporate governance

1. The Board of Directors

Composition of the Board

As at 31 December 2023, the Board of Maybank Islamic Berhad ("Maybank Islamic" or "the Bank") comprised five (5) directors of which four (4) were Independent Non-Executive Directors. The composition of the Board complied with the requirement under the BNM Corporate Governance Policy ("BNM CG Policy") of having a majority of independent directors at all times. The members were as follows:

Name	Position	First Appointment Date
Chairman		
Dato' Zulkiflee Abbas bin Abdul Hamid	Independent Non-Executive Director (Chairman)	Independent Non-Executive Director 25 April 2019 Chairman 1 June 2020
Members		
Professor Dr. Aznan bin Hasan	Non-Independent Non-Executive Director	25 April 2019
Encik Shariffuddin bin Khalid	Independent Non-Executive Director	13 June 2019
Puan Natasha binti Kamaluddin	Independent Non-Executive Director	1 July 2022
Datuk Zainal Izlan bin Zainal Abidin	Independent Non-Executive Director	10 November 2023

Notes:
1. Encik Dali bin Sardar (resigned on 13 June 2023).
2. Datuk Mohd Anwar bin Yahya (resigned on 27 March 2023).
3. Dato' Azmi bin Mohd Ali (resigned on 7 November 2023).

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

The profile of each member of the Board is presented below:-

Dato' Zulkiflee Abbas bin Abdul Hamid ("Dato' Zulkiflee")
Independent Non-Executive Director (Chairman)

Nationality
Malaysian

Age
66

Appointment
25 April 2019, as Chairman effective 1 June 2020

Qualification

- Bachelor of Science in Marketing, Southern Illinois University
- Master in Business Administration, Southern Illinois University
- Advanced Management Program, Wharton School of Business, University of Pennsylvania, USA

Relevant working experience

Dato' Zulkiflee has served in various senior management positions such as the following:

- Managing Director/President of Bank Kerjasama Rakyat Malaysia Berhad
- Chief Executive Officer of Affin Holdings Berhad
- Managing Director/Chief Executive Officer of Affin Bank Berhad
- Chief Credit Officer of Malayan Banking Berhad

Directorship of other companies

- Director, Malayan Banking Berhad
- Commissioner, PT Bank Maybank Indonesia Tbk
- Trustee, Yayasan Budiman Universiti Teknologi MARA
- Trustee, Tabung Pendidikan 1 Billion

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Dato' Zulkilfee Abbas bin Abdul Hamid ("Dato' Zulkiflee") (cont'd.)
Independent Non-Executive Director (Chairman)

Attendance in 2023

- 16 out of 16 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

Professor Dr. Aznan bin Hasan ("Prof. Dr. Aznan")
Non-Independent Non-Executive Director

Nationality
Malaysian

Age
52

Appointment
25 April 2019

Qualification

- Bachelor’s degree in Shariah (BA Hons), Al-Azhar University, Egypt
- Master’s degree in Shariah (Mumtaz), Cairo University, Egypt
- PhD, University of Wales, Lampeter, UK

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Professor Dr. Aznan bin Hasan ("Prof. Dr. Aznan") (cont'd.)
Non-Independent Non-Executive Director

Relevant working experience

Prof. Dr. Aznan, currently a Professor at the IIUM Institute of Islamic Banking & Finance, International Islamic University Malaysia and is also the Chairman, Shariah Committee of Maybank Islamic Berhad, Member, Shariah Committee of Etiqa Family Takaful Berhad and Etiqa General Takaful Berhad as well as Shariah consultant to Maybank Investment Bank Berhad and Islamic Estate Planning Advisor, Maybank Islamic Berhad.

Prof. Dr. Aznan has been appointed in key roles at various local and international organisation including:

- Chairman, Shariah Advisory Council, Securities Commission Malaysia
- Deputy Chairman, Shariah Advisory Board for Employees Provident Fund, ABSA Islamic Bank (South Africa), Yasaar Limited (London), Standard Chartered (Global), Khalij Islamic (London) and Association of Islamic Banking Institutions Malaysia
- Member, Shariah Council for Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI) and Islamic Financial Services Industry (IIFM)
- Board Member, Higher Shari'ah Authority of UAE Central Bank
- Member, Shariah Advisory Council, Islamic Development Bank
- Chairman, Shariah Committee for Bank Pembangunan Malaysia Berhad and Amanah Hartanah Bumiputra
- Chairman, Shariah Advisory Board for Sedania As-Salam Capital Sdn Bhd, FNB Bank (South Africa), HSBC Amanah (Dubai) and Koperasi Permodalan Felda
- Chairman, Association of Shariah Advisors in Islamic Finance
- Deputy Chairman, Shariah Supervisory Board, Nizwa Bank (Oman)
- Member, Shariah Committee for Yayasan Waqaf Malaysia and Lembaga Zakat Selangor
- Shariah Consultant/Adviser for Hong Leong Investment Bank (Stockbroking), Public Investment Bank Bhd (Stockbroking), Malacca Securities Sdn Bhd, CGS-CIMB Securities Berhad, UOB Kayhian Securities, Inter-Pacific Securities Bhd, HSBC Global Asset Management

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Professor Dr. Aznan bin Hasan ("Prof. Dr. Aznan") (cont'd.)
Non-Independent Non-Executive Director

Directorship of Other Companies

- Sepakat Berkat Resources Sdn Bhd
- Hana Food Industries & Trading Sdn Bhd

Attendance in 2023

- 16 out of 16 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

Encik Shariffuddin bin Khalid ("Encik Shariffuddin")
Independent Non-Executive Director

Nationality
Malaysian

Age
58

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Encik Shariffuddin bin Khalid ("Encik Shariffuddin") (cont'd.)
Independent Non-Executive Director

Appointment
13 June 2019

Qualification

- Fellow Member, Chartered Institute of Management Accountants, UK

Relevant working experience

Encik Shariffuddin has previously served as:

- Director, Strategic Communications, Bank Negara Malaysia and was also the pioneer and Director, Malaysia International Islamic Finance Center
- Non-Executive Director, Sterling Biofuels Ltd
- General Manager, Communications & Human Resource, Pengurusan Danaharta Nasional Berhad
- Deputy General Manager, Business Development, Amanah Merchant Bank Berhad
- Chief Executive Officer, Avis Rent a Car Malaysia
- Head, Contracts & Agency, Kumpulan FIMA Bhd

Directorship of Other Companies

- Director, Malayan Banking Berhad
- Chairman, Maybank (Cambodia) Plc
- Director, Marine & General Berhad
- Director, MCB Bank Limited

Attendance in 2023

- 15 out of 16 Board meetings held in the financial year

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Encik Shariffuddin bin Khalid ("Encik Shariffuddin") (cont'd.)
Independent Non-Executive Director

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

Puan Natasha binti Kamaluddin ("Puan Natasha")
Independent Non-Executive Director

Nationality
Malaysian

Age
51

Appointment
1 July 2022

Qualification

- B.A. in Economics, University of Cambridge

Relevant working experience

Puan Natasha is a Senior Advisor, McKinsey & Co, and was previously the ASEAN Head of Strategy Advisory, EY Advisory (Malaysia) as well as Partner, Ethos Consulting Sdn Bhd and Ethos Capital.

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Puan Natasha binti Kamaluddin ("Puan Natasha") (cont'd.)
Independent Non-Executive Director

Directorship of other companies

- Asia Digital Engineering Sdn Bhd
- Notch Associates Sdn Bhd

Attendance in 2023

- 16 out of 16 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

Datuk Zainal Izlan bin Zainal Abidin ("Datuk Zainal Izlan")
Independent Non-Executive Director

Nationality
Malaysian

Age
56

Appointment
10 November 2023

Qualification

- Bachelor of Science in Economics, The Wharton School, University of Pennsylvania, USA
- Chartered Financial Analyst, CFA Institute

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Datuk Zainal Izlan bin Zainal Abidin ("Datuk Zainal Izlan") (cont'd.)
Independent Non-Executive Director

Relevant working experience

Datuk Zainal Izlan held various key positions in the financial sectors having been the Deputy Chief Executive, Securities Commission Malaysia ("SC"), Managing Director, Development & Islamic Markets, Executive Director, Islamic Capital Market, Head of Intermediary & Fund Supervision Business Group, Head of People & Corporate Resources Business Group, SC, CEO/Director, i-VCAP Management Sdn Bhd and CEO/Director, MIDF Amanah Asset Management Berhad.

He currently sits as the Chairman, Investment Panel of Lembaga Tabung Haji.

Directorship of other companies

- NIL

Attendance in 2023

- 3 out of 3 Board meetings held in the financial year (from the date of his appointment)

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

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Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

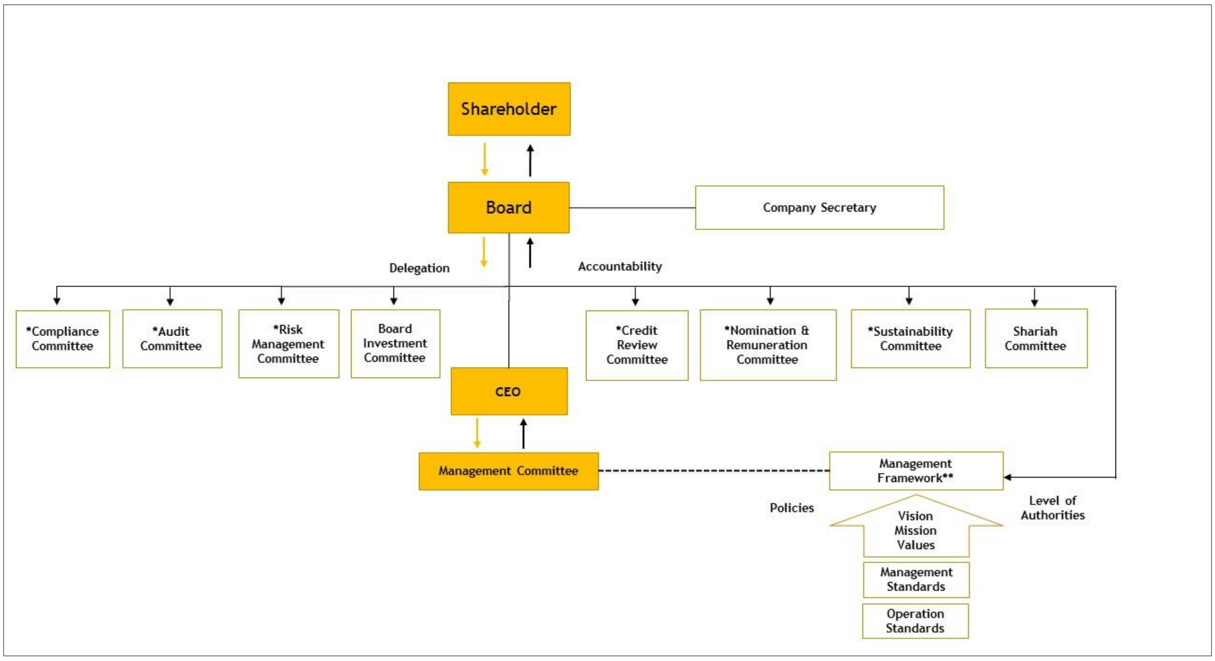
Board Charter

The Board acknowledges the importance of developing and maintaining a framework of Corporate Governance that is robust and sound, to promote a culture of integrity and transparency throughout the Bank. In this regard, all directors are required to maintain the highest standards of transparency, integrity and honesty. This standard serves as the basis for the principles that govern directors' conduct and their relationship with the Bank's stakeholders.

The Board Charter outlines among others, the respective roles, responsibilities and authorities of the Board (both individually and collectively) in setting the direction, management and control of the Bank.

A description of the roles and responsibilities of the Board can be found in our Board Charter which is available on Maybank Islamic Berhad website www.maybank.com/islamic.

Corporate Governance Framework



* Under the leverage model, the Board delegates its governance responsibilities to these Board Committees of Maybank.

** In addition to Executive Level Management Committees ("ELMCs") established at the Bank, the Bank also leverages on the various ELMCs of the Group to assist and support the relevant Board Committees.

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Gender Diversity

The Bank embraces the proposition that having a gender diverse Board would have a positive, value-relevant impact on the Bank. However, any appointment on the Board must always be based on merit, with due regard to a candidate's background, skill and experience, and whether the appointment of such candidate would further complement or enhance the existing mix of skill and experience of the Board. In this connection, the Board has adopted Maybank's Policy on Board Gender Diversity which sets out the approach to gender diversity on the Board(s) of Malaysian Financial Institutions ("FIs") with a view towards increasing female representation on such Boards.

Separation of Roles and Responsibilities of Chairman and CEO

The roles and responsibilities of the Chairman and the Bank's Chief Executive Officer ("CEO") are separated with a clear division of responsibilities, defined, documented and approved by the Board, in line with the best practices so as to ensure appropriate supervision of the Management. This distinction allows for a better understanding and distribution of responsibilities and accountabilities.

Roles and responsibilities of the Board

The Board's duties and responsibilities include the following:

(a) To approve the Bank's strategy, business plans and the annual budget together with its half yearly review as well as relevant policies;

(b) To ensure that the strategic plan of the Bank supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability including the corresponding opportunities and Environment, Social and Governance ("ESG") related risks;

(c) To ensure the effective design and implementation of sound governance framework, internal controls, compliance and risk management systems as well as to ensure that the Bank's overall operation is in compliance with Shariah principles;

(d) To approve and/or review the organisational structure and the recruitment, appointment, promotion, confirmation, termination of service as well as succession plan of the senior management;

(e) To determine the general composition of the Board in order to ensure that the Board consists of the requisite diversity of skills, experience, gender, qualification and other core competencie required;

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Roles and responsibilities of the Board (cont'd.)

(f) To approve and review the remuneration policy of the Bank including to approve the remuneration of the directors, Shariah Committee, senior management and other material risk takers;

(g) To oversee the performance of the senior management and ensures that the senior management is monitoring the effectiveness of the internal control system;

(h) To appoint committees of the Board and delegates any of its powers to such committees as the Board thinks fit;

(i) To approve the Bank's financial statements (and ensures the reliability of the same) as well as the interim dividend and recommend the final dividend to the shareholder and the application of Dividend Reinvestment Plan thereto (where applicable);

(j) To approve policies pertaining to corporate image, brand management, community relations, investor relations and shareholder communications programs and to promote timely and effective communication with the regulators;

(k) To ensure that the Bank has a beneficial influence on the economic well-being of the communities within which it operates in the spirit of Maqasid Al-Shariah;

(l) To ensure that the Board is supported by a suitably qualified and competent company secretary;

(m) To ensure that the Board members have access to appropriate education and training programmes to keep abreast of the latest development in the industry and as may be prescribed by the regulatory authorities from time to time;

(n) To ensure that the corporate governance disclosures are accurate and clear; and

(o) To have due regard to any decision of the Shariah Committee on any Shariah issue relating to the carrying on of the business, affairs or activities of the Bank.

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Board Committees

Delegation of certain governance responsibilities has been undertaken by the Board in favour of its Board Committees, which operate within clearly defined terms of references, primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain key and operational matters, the ultimate responsibility for final decision on all matters lies with the entire Board.

Board Investment Committee ("BIC")

The members of the BIC as at 31 December 2023 were as follows:

Name	Position	Appointment Date
Puan Natasha binti Kamaluddin	Chairman	15 November 2023
Professor Dr. Aznan bin Hasan	Member	12 June 2023
Datuk Zainal Izlan bin Zainal Abidin	Member	15 November 2023

The specific duties of the BIC include:

(i) To review and recommend to the Board including, but not limited to the establishment of investment objectives, strategies, policies, products, business collaborations with internal and external stakeholders;

(ii) To review and approve the changes in the existing investment mandate, parameters, policies and procedures of Investment Account ("IA") including profit distribution policy and valuation policy;

(iii) To ensure the investment operations are performed in accordance with the fiduciary duties and agency duties in the agreed terms and conditions of the IA, relevant legislations and Shariah rulings and review IA performance reports on a periodic basis;

(iv) To ensure compliance to effective risk management policies, processes and infrastructure to identify, measure, monitor, control and report the various types of risk associated with the assets funded by the IA including policies and procedures to determine the significant level of IA business;

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Board Investment Committee ("BIC") (cont'd.)

The specific duties of the BIC include (cont'd.):

(v) To ensure the management of the IA is conducted by personnel with the appropriate competency and investment expertise; and

(vi) To review and approve the disclosures as per the requirements to ensure reliable, relevant and timely information are disseminated to the Investment Account Holders (“IAH”) to facilitate informed decision making and conduct regular review on the effectiveness of these policies to protect the interest of the IAH.

Other Board Committees

Under the leverage model, the Board delegated certain of its governance responsibilities to the following Board Committees of Maybank:

1. Audit Committee of the Board[1]
2. Credit Review Committee[2]
3. Nomination and Remuneration Committee[2]
4. Risk Management Committee[1]
5. Compliance Committee of the Board[2]
6. Board Sustainability Committee[2]

Notes:

[1] Two members of these Board Committees were the Chairman and a Board member of Maybank Islamic Berhad.

[2] A member of these Board Committees was also a Board member of Maybank Islamic Berhad.

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Tenure or directorship

Consistent with the Maybank Group's Policy on Directors' Independence and recommendations of the Malaysian Code on Corporate Governance 2021 ("the Code"), the Board via the Nomination and Remuneration Committee ("NRC") assesses the independence of Independent Non-Executive Directors upon his/her appointment, re-appointment and in any event, annually. In line with the Code, the tenure of service for Independent Non-Executive Directors has been capped at the maximum period of nine years whereby upon completion of such tenure, the Independent Non-Executive Director may, subject to the NRC's recommendation and the Board's approval, continue to serve on the Board subject to re-designation as a Non-Independent Non-Executive Director.

Board meetings

During the financial year ended 31 December 2023, a total of 16 meetings were convened inclusive of 5 special meetings for urgent issues and/or important decisions required to be addressed between the scheduled meetings.

All directors have exceeded the 75% meeting attendance requirement under BNM CG Policy. Details of attendance of each Director for the meetings of the Board and Board Investment Committee during the financial year ended 31 December 2023 are highlighted in the table below.

Name of Directors	Board Number of Meetings			BIC Number of Meetings		
	Held	Attended	%	Held	Attended	%
Dato' Zulkiflee Abbas bin Abdul Hamid	16	16	100			
Encik Dali bin Sardar[1]	7	7	100	3	3	100
Datuk Mohd Anwar bin Yahya[2]	5	5	100	2	2	100
Dato' Azmi bin Mohd Ali[3]	14	14	100	5	5	100
Professor Dr. Aznan bin Hasan	16	16	100	2	2	100
Encik Shariffuddin bin Khalid	15	16	94			
Puan Natasha binti Kamaluddin	16	16	100	3	3	100
Datuk Zainal Izlan bin Zainal Abidin[4]	3	3	100			

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Board meetings (cont'd.)

Notes:
[1] Resigned on 13 June 2023
[2] Resigned on 27 March 2023
[3] Resigned on 7 November 2023
[4] Appointed on 10 November 2023

Directors' remuneration

The Board believes that one of the areas of focus in order for the Board to remain effective in discharging its duties and responsibilities is the setting of a fair and comprehensive remuneration package to commensurate with the expertise, skills and responsibilities as well as the risks associated with being a director of a financial institution. In line with good corporate governance, Maybank Group has set out its intention to periodically review the Non-Executive Directors ("NED"s) remuneration for Maybank and its group of companies at least once every three years. A summary of the total remuneration of the Directors (shown in nearest thousand), in aggregate with categorisation into appropriate components for the financial year ended 31 December 2023 is as disclosed in Note 34 to the financial statements.

Board Effectiveness Evaluation

NRC has established clear criteria, processes and procedures to assess the performance and effectiveness of the Board, Board Committees and individual Directors to ensure effective decision making of the Board ("the BEE Exercise"). This exercise is conducted annually to objectively assess the performance and effectiveness of the Board.

Directors' training

The Board acknowledges the importance of continuing education for its directors to ensure that they are well equipped with the necessary skills and knowledge to perform their functions and meet the challenges as the Board. During the year, all the Board members have attended various training programmes and workshops on relevant issues, including key training programme for directors of financial institutions, namely the Financial Institutions Directors' Education ("FIDE").

The Board continues to assess the training needs of its directors and identify key areas of focus for training programmes.

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Directors’ training (cont'd.)

Trainings programmes, conferences, forums and talks attended by the directors for the financial year ended 31 December 2023 were as follows:

Maybank Group internal training

- Managing Cyber Risk
- Board of Directors Agile Training
- SP5 Showcase for Board of Directors
- Invest ASEAN 2023
- Annual Board Risk Workshop ("ABRW") FY2023
- 7th Shariah Discourse - Islam and Restoration of Justice in Society
- Invest Malaysia 2023 - Reshaping Malaysia’s Narrative Series 1: Strengthening Resilience and Sustaining Growth
- Maybank Group Sustainability Week – Building a Diverse, Equitable and Inclusive Workforce
- Rent To Own Product Briefing
- Presentation on Global Islamic Wealth Managent ("GIWM")

External training

(i) FIDE

- FIDE Elective: Risk Management Committee – Banking Sector
- Leadership for Enterprise Sustainability Asia ("LESA 2023") - Asian #Sustain-Ablers in Action
- Understanding the Impact of Digital Transformation in the Financial Industry: What Board Members Need to Know
- Distinguished Board Leadership Series 2023 - Empowering Change through Diversity Equity and Inclusion ("DEI")
- FIDE Elective: Market Risk Management- Banking Sector

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Directors' training (cont'd.)

Trainings programmes, conferences, forums and talks attended by the directors for the financial year ended 31 December 2023 were as follows (cont'd.):

(ii) Other external seminars/conferences/talks

- Bursa Malaysia - Invest Malaysia 2023 - Reshaping Malaysia's Narrative Series 1: Strengthening Resilience and Sustaining Growth
- MIA - Audit Committee Conference 2023: Audit Committees – Catalyst of Change
- MIA - Financial Reporting on Impact of Climate Change Effects
- Malaysian Economic Association ("MEA") - 2023 Post-Budget Debate
- Bursa Malaysia - Advocacy Session on the Continuing Disclosure Requirements & Corporate Disclosure Policy of the Listing Requirements
- SP Setia - Demystifying ESG - Understanding Bursa Malaysia's Requirements And ISSB's Global Baseline On Sustainability Reporting
- SP Setia - Sembang Nasi Lemak 2.0: Effective Leadership for Good Governance
- Azmi & Associates - Talk on Solar Energy Documentation and Issues by Dr. Chairil Nazri Ahmad
- ICDM - Board Audit Committee Dialogue and Networking: "A Serious Allegation is Reported –What Should Boards Do?"
- Malaysian Bar - International Malaysia Law Conference 2023
- Malaysian Bar - POLA Conference
- PNB - PNB Knowledge Forum 2023
- Bursa Malaysia - Invest Malaysia 2023 Special Series (Launch of the National Energy Transition Roadmap - Part 1: Flagship Catalyst Projects and Initiatives Energising the Nation, Powering Our Future.
- 7th Shariah Discourse -Islam and Restoration of Justice in Society
- ISRA - The Islamic Finance for Board Programme 2023
- ICDM - Modernising Data Governance – What Should Boards Focus On Now?
- ICDM - Bridging the Gap: Metaverse, Board of Directors, Net Zero & NFT
- SIDC - Event Suite Talk: Strengthening Islamic Capital Market Proposition through Fintech
- SIDC - Capital Market Director Programme ("CMDP") Module 3: Risk Oversight and Compliance - Action Plan for Board of Directors
- SIDC - Capital Market Director Programme ("CMDP") Module 4: Emerging and Current Regulatory Issues in the Capital Market
- ASB - What Amounts to a Conflict of Interest by Directors

Corporate governance (cont'd.)

2. Internal control framework

Introduction

In pursuant to the requirement under the BNM Corporate Governance policy document, the internal control framework is presented herewith outlining the key features of rules governing the Bank’s organisational and operational structure, including reporting processes and control functions.

Under the leverage model, Islamic business operations are residing in Maybank Group. Hence, Maybank Islamic Berhad ("the Bank" or "MIB") is similarly adopting Maybank Group's risk management and internal control system with customisation, where required to address the Bank’s internal control environment.

Governance and oversight

The Board of Directors

The Board affirms its overall responsibilities for establishing a sound risk management and internal control system, as well as for reviewing its adequacy and effectiveness in identifying, assessing and responding to risks which may hinder the Bank from achieving its objectives. One of the vital roles of the Board is to establish the Bank's risk appetite, which articulates the levels and types of risk that it is willing to accept in the pursuit of its business and strategic objectives. In this respect, the Board actively participates in setting the strategic goals and plans of the Bank and ensures that the corresponding risks are adequately mitigated within its approved risk appetite. In view of the inherent limitations in any risk management and internal control system, the Board recognises that such a system can only provide reasonable, rather than absolute assurance against material financial misstatement, fraud or losses.

The Board plays a crucial role in establishing a strong risk management and internal control governance structure, which is critical in setting the tone and culture of effective risk management and internal control. To carry out its risk and control oversight responsibilities effectively, the Board is assisted by the Maybank Group Board level Committees, namely, Risk Management Committee ("RMC"), Compliance Committee of the Board ("CCB") and Audit Committee of the Board ("ACB") to oversee matters relating to risk, compliance and controls respectively.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Governance and oversight (cont'd.)

Shariah Committee

The Board has appointed an independent Shariah Committee (“SC”) to provide decisions, views and opinions related to Shariah matters, as well as to perform oversight role on Shariah matters related to the business operations and activities to ensure compliance with Shariah. Among its main duties and responsibilities are to provide relevant advice to the Board and the management in addition to assessing the work carried out by Shariah Review and Compliance and Shariah Audit.

Management Committee

The Management Committee of the Bank is established to assist and support the Board to oversee the core areas of business operations and implement the Board’s policies and procedures on risks and controls. MIB is also leveraging on the various Maybank Group Executive Level Management Committees ("ELCs") to oversee risks, compliance and controls, namely, the Group Executive Committee, Group Executive Risk Committee, Group Asset and Liability Management Committee, Group Management Credit Committee, Group Client Onboarding and Review Committee, Group Non-Financial Risk Committee, EXCO Sustainability Committee, Group Procurement and Property Committee, Group IT Steering Committee, Group Transformation Steering Committee, Group Internal Audit Committee, Group Staff Committee and Whistleblowing Governance Committee.

Lines of defence

MIB’s governance model provides a transparent and effective governance structure that promotes active involvement from the Board and senior management to ensure a uniform view of risk. The governance model aims to place accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the lines of defence, which include the following:

Line of Defence	Key Responsibilities
1st Line	● Owns and manages day-to-day risks inherent in its business and/or activities, including that of risk taking. ● Executes activities within the end-to-end process, in accordance with the process design and controls.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Governance and oversight (cont'd.)

Lines of defence (cont'd.)

MIB's governance model provides a transparent and effective governance structure that promotes active involvement from the Board and senior management to ensure a uniform view of risk. The governance model aims to place accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the lines of defence, which include the following (cont'd.):

Line of Defence	Key Responsibilities
1st Line (cont'd)	● Drives and facilitates the management of risk by ensuring effective implementation and adherence to internal control framework, policies, procedures and controls, including the monitoring and reporting of risk exposures of the business/function. ● Provides clarity to risk owners in relation to risk management practices.
2nd Line	● Establishes and owns internal control frameworks, policies and procedures. ● Provides overall risk governance and oversight over the internal control framework including monitoring and reporting overall risk exposures of the Group/Entity. ● Reviews, analyses and challenges the 1st line's risk assessments and effectiveness in managing risk. ● Support sustainable and quality asset growth with optimal returns through specific credit management functions such as credit evaluation, approval and monitoring. ● Ensure compliance to the applicable laws, regulations, internal policies, procedures and limits (including risk limits). This includes maintaining policies and procedures to detect and minimise risk of non-compliances and to assess the adequacy and effectiveness of such policies and procedures on an on-going basis.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Governance and oversight (cont'd.)

Lines of defence (cont'd.)

MIB's governance model provides a transparent and effective governance structure that promotes active involvement from the Board and senior management to ensure a uniform view of risk. The governance model aims to place accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the lines of defence, which include the following (cont'd.):

Line of Defence	Key Responsibilities
3rd Line	• Provide reasonable via independent assessment, review and validation, which includes the following: • Internal control frameworks, policies and tools are sufficiently robust and consistent with regulatory standards. • Controls to mitigate risks are adequate and effectively executed by the 1st line. • Adequate oversight by the 2nd line over the 1st line.

Risk Management And Internal Control System

The Risk Management team within MIB provides independent risk assessment and oversight, and ensures the established risk management strategies, frameworks and policies are well implemented within the Bank. At the enterprise-wide level, Group Risk also provides oversight of risk management through the establishment of the Group's risk strategies, frameworks and policies, with independent assessment and monitoring of all risk challenges. In 2023, continued focus was given on value creation and supporting the Bank in meeting its strategic and business objectives. In the continuous pursuit to drive effectiveness, Risk Centres of Excellence ("COEs") were created, building on the specialisation of risk professionals to provide value-added risk insights in support of business decision-making. The identified COEs set consistent standards in relation to risk policies, risk reporting and risk modelling, specialise in the management of specific risk areas and manage all risks associated with our external environment and material matters strategically.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

The key elements of risk management and internal control system established by the Board that provides effective governance and oversight of risks and internal controls include:

Risk management framework

Risk management has evolved into an important driver for strategic decisions in support of business strategies while balancing the appropriate levels of risk taken to the desired level of returns. To complement this, the Enterprise Risk Management Framework has been established to institutionalise vigilance and awareness of the most significant risks to the achievement of the most important objectives, i.e. to humanise financial services by putting customers and the wider community at the heart of everything that the Bank does. It is underpinned by a set of building blocks which serves as the foundation in driving a strong risk management culture, encompassing practices and processes:

1.	Risk Culture	Risk culture is a vital component in strengthening risk governance and forms a fundamental principle of strong risk management.
2.	Risk Coverage	The Bank must determine its business strategy and assess the risks to ensure the appropriate risk strategies are put in place to give a greater level of assurance on achieving its business strategy.
3.	Risk Appetite	The risk appetite defines the types and levels of risk that the Bank is willing to accept in pursuit of its business and strategic goals.
4.	Risk Response	Selection of the appropriate risk response is imperative to align all risks with the Bank's risk tolerance and risk appetite.

Corporate governance (cont'd.)

2. **Internal control framework (cont'd.)**

Risk Management And Internal Control System (cont'd.)

Risk management framework (cont'd.)

Risk management has evolved into an important driver for strategic decisions in support of business strategies while balancing the appropriate levels of risk taken to the desired level of returns. To complement this, the Enterprise Risk Management Framework has been established to institutionalise vigilance and awareness of the most significant risks to the achievement of the most important objectives, i.e. to humanise financial services by putting customers and the wider community at the heart of everything that the Bank does. It is underpinned by a set of building blocks which serves as the foundation in driving a strong risk management culture, encompassing practices and processes (cont'd.):

5.	Governance and Risk Oversight	There is a clear, effective and robust governance structure with well-defined, transparent and consistent lines of responsibility.
6.	Risk Management Practices and Processes	Robust risk management processes are in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Bank.
7.	Stress Test	Stress testing is used to test the resilience of the Bank's exposure against future financial scenarios and gauge the resulting risk and adequacy of capital.
8.	Resources and System Infrastructure	Ensure sufficient resources, infrastructure and techniques are in place to enable effective risk management.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Risk appetite

The Bank's risk appetite is an integral component of the risk management framework and is driven by both top-down Board leadership and bottom-up involvement of various stakeholders at all levels. The risk appetite enables the Board and Senior Management to communicate and assess the types and levels of risk that the Bank is willing to accept in pursuit of its business and strategic goals while taking into consideration the constraints under a stressed environment. The risk appetite defines our risk capacity and translates it into risk limits and/or tolerances as guidance, which are then used to regularly measure and evaluate our risk profile.

The risk appetite is integrated into the strategic planning process, and remains dynamic and responsive to the changing internal and external drivers such as market conditions, stakeholders' expectations and internal capabilities. In addition, the budgeting process is aligned to the risk appetite in ensuring that projected revenues arising from business transactions are consistent with the risk profiles established. The risk appetite also provides a consistent structure in understanding risk and is embedded in day-to-day business activities and decisions.

Guided by these principles, our risk appetite is articulated through a set of Risk Appetite Statements for all material risks to ultimately balance the strategic objectives of the Bank.

Risk Governance and Oversight

The governance model adopted by the Bank provides a formalised, transparent and effective governance structure that promotes the active involvement of the Board and senior management in the risk management process to ensure a uniform view of risks.

Our governance model places accountability and ownership in ensuring appropriate levels of independence and segregation of duties between the three lines of defence. The management of risk takes place at different hierarchical levels and is emphasised through various levels of committees and business lines, as well as control and reporting functions.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Risk and Compliance Culture

The risk and compliance culture is driven by a strong tone from the top. It serves as the foundation upon which robust enterprise wide risk management structure and governance are built. This is to ingrain the expected values and principles of conduct that shape the behaviour and attitude of employees at all levels of business and activity across the Bank.

Risk and compliance policies are clearly defined, consistently communicated and continuously reinforced throughout the Bank to embed a robust culture that cultivates active identification, assessment and mitigation of risks. As part of the risk and compliance culture, the Bank has instilled a culture where the Board, Senior Management and employees are committed to adhere to the requirements of relevant laws, rules and regulations. This commitment is clearly demonstrated through the establishment and strengthening of policies, processes and controls in managing and preventing non-compliances.

Risk and compliance culture programmes are emplaced and driven by the Board and Senior Management encompassing, amongst others, value capsules, induction programmes, engagement sessions, e-Learnings and roadshows. An integrated assurance platform is also emplaced to provide a single, collective view of risk controls, compliance and governance. This ensures that risk considerations are embraced by all employees in enhancing customer experience, building trust and brand value of the Bank for long-term sustainability of the organisation.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Risk management practices and processes

The risk management practices and processes enable systematic identification, measurement, control, monitoring and reporting of risk exposures across the Bank.

IDENTIFICATION	• Identify, understand and assess risks inherent in products, activities and business initiatives. • Enable early detection of risk and ensure sound risk management practices are in place to manage and control product risk. • Adopt forward looking approach in identifying emerging risk to ensure appropriate steps are taken to minimise Bank's exposure.
MEASUREMENT	• Develop risk measurement techniques across different dimensions of risk factors to ensure continual reassessment and identification of risks. • Measure aggregate exposure of the Bank, individual business and country, the risk types as well as the short and long run impact of the exposures.
CONTROLS	• Establish quantitative and qualitative controls including risk limits and thresholds and triggers to oversee and manage the risk exposures identified. • Implement risk mitigation techniques aimed to minimise existing or in some instances to prevent new or emerging risks from occurring.
MONITORING & REPORTING	• Monitor forward looking key risk indicators and early warning signals to ensure that sufficient and timely action is in place to mitigate any potential risk to the Bank. • Report the state of compliance to the Senior Management level and Board level risk committees as well as to the Board on a regular basis.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Compliance framework

The Framework provides the key principles and guidelines for managing compliance risk within the Group. It serves as a guide for the Compliance function alongside the Board, senior management and all employees in all jurisdictions in understanding and managing compliance risk. It is adopted and implemented by operating entities across the Group.

The Framework outlines:

- The overarching principles for the management of compliance risk across the Group;
- The overall strategy for managing compliance risk to ensure uniformity in practices across the Group in meeting regulatory and legal obligations;
- The minimum expected standards for compliance risk management; and
- The roles and responsibilities of compliance risk management across the Group.

Compliance Oversight within MIB

The Bank promotes a compliance culture that inculcates a sense of responsibility in our employees to be in compliance with all relevant laws and regulations; while the business is conducted ethically and we proactively play our part in maintaining public confidence in the financial system. MIB Shariah Review and Compliance as the second line of defense provides the oversight on the compliance matters within MIB, in terms of giving advice and guidance, where appropriate.

Key Roles	Description
Regulatory Management	Provide guidance and advice on the proper application and interpretation of regulatory requirements applicable to its business lines including identifying gaps and appropriate action plans.
Compliance Assessment	Compliance assessment helps to identify the applicable regulations that associated with the particular projects/initiatives initiated by the Bank prior to the implementation.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Compliance Oversight within MIB (cont'd.)

Key Roles	Description
Compliance Monitoring and Mitigation	In order to keep abreast with the changes in regulatory requirements, it is important to maintain close ties with domestic and foreign regulatory bodies to keep up-to-date as and when there are changes with the requirements and the industry best practice globally.
Compliance Reporting	A key aspect of the role of compliance function is to assist the Board, Shariah Committee and Senior Management in discharging its oversight functions through management reporting. Compliance issues including incidences of non-compliance and deficiencies, corrective measures and information are promptly updated in the monthly Compliance Report to facilitate the Board, Shariah Committee and Senior Management having a holistic and overall view of all compliance matters across Group Islamic Banking.
Shariah Compliance	Conducts regular assessment on the compliance of the operations, business, affairs and activities of the Bank with Shariah requirements (under Shariah Review function).

MIB Shariah Review and Compliance will continue to enhance its capability to ensure that new and existing regulations are complied with and expectations from regulators are met.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Shariah Governance Framework

Maybank Group Shariah Governance Framework sets out expectations for the effective Shariah governance structures, processes and arrangements of all businesses that execute Islamic business transactions. The framework was established in accordance with BNM's Shariah Governance Policy Document. This is to ensure that all of its operations and business activities are in accordance with the Shariah principles as well as to provide comprehensive guidance to the Board, Shariah Committee and Management in discharging their duties in matters relating to Shariah.

The Shariah Governance Framework reflects the responsibility of the Board, Management, Shariah Committee and Shariah control functions, namely, Shariah Risk, Shariah Review and Shariah Audit to ensure effective management of Shariah Non-Compliance risks. The end-to-end Shariah-compliant governance mechanism is carried out through three lines of defence that cater for both pre-execution and post-execution. The three lines of defence are as follows:

- 1st - Business and Support Units, Shariah Management and Shariah Secretariat;
- 2nd - Shariah Risk and Shariah Review; and
- 3rd - Shariah Audit

Stress Test

The stress testing programme is embedded within the risk and capital management process and is also a key function of the business planning process. It serves as a forward looking tool to facilitate the understanding of risk profiles under exceptional but plausible events and worst-case scenarios that may arise due to various economic, political and/or environmental factors, as well as to ascertain their impact to the Bank and how they can be proactively managed.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Responsible Lending

Our long term financial success depends on the ability to identify and address environmental, social and governance ("ESG") risks of our business, as well as , to identify opportunities for our businesses and our customers to grow sustainably whilst supporting our customer's transition to more sustainable business. Premised on the guiding principles embedded in the Maybank Group Sustainability Framework and the Environmental, Social and Governance Risk Management Framework (ESG Risk Management Framework), we continuously review and enhance our ESG practices by working with our stakeholders to drive sustainable business activities. To enhance our ESG practices, ESG considerations are incorporated into the credit risk policies and procedures documents as well as business processes through the development of position papers and ESG Risk Acceptance Criteria for industries with high ESG risk. Part of this process involves engagement with industry players and clients to promote understanding of ESG impacts and identify opportunities to integrate sustainability into clients' business practices. Furthermore, the Client Engagement Guidebook enables our relationship managers to have meaningful ESG-related engagements with clients, build forward-looking strategic and operational thinking capabilities, and curate bespoke solutions to support their decarbonisation journey. The ESG Screening Document, meanwhile, integrates ESG considerations into the deal evaluation process, allowing relationship managers, risk managers and/or decision makers to gauge the maturity of clients' sustainability practices. In addition, the Maybank Group Sustainable Product Framework serves as a guide for the development of ESG-themed solutions, while the Maybank Group Transition Finance Framework provides guardrails on the mobilisation of transition finance for hard-to-abate sectors. Furthermore, the Climate Risk Policy provides principle-based requirements for climate risk management, with the intention of achieving climate resilience.

Cyber and technology risk management frameworks

The Cyber Risk Management Framework has been established based on the standards issued by National Institute of Standards and Technology ("NIST") and guidance issued by regulatory bodies which emphasise on identifying risks, building resilience, detecting cyber threats and responding effectively to cyber related events. The framework encompasses the cyber risk management strategy, governance structure and risk management enablers. It complements the Technology Risk Management Framework and covers both Business and Technology drivers with focus on the key layers of People, Process and Technology.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Cyber and technology risk management frameworks (cont'd.)

The Technology Risk Management Framework sets out the standards for identifying the risks and required controls in the organisation’s technology-related functionalities and for implementing the recommended risk remedial actions. It standardises the technology operations environment, and ensures service availability to customers as well as the business units. Both frameworks are in place to ensure that our deliverables are aligned with the financial services industry's recommended practices and regulatory requirements. They have also been designed to be living documents, and to grow with the Bank in the areas of cyber defence and technology development, application and system deliverables, management of outsourced service providers and awareness of cyber hygiene among our stakeholders.

Internal Control System

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include:

- **Organisation Structure**

  The Board has established an organisation structure with clearly defined lines of responsibility, authority limits and accountabilities, aligned with business and operations requirements to support the maintenance of a strong control environment.

- **Annual Business Plan and Budget**

  The Board deliberates and approves the annual business plan and budget for the year. The performance achievements are reviewed monthly against the targeted results, allowing time for the appropriate responses and required remedial actions to be taken. The Board regularly reviews reports from the management on key operational statistics, as well as legal and regulatory matters.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Oversight by Audit Committee of the Board**

  The ACB has been established by the Board to assist in the execution of its governance and oversight responsibilities, as well as to ensure that there is a reliable and transparent financial reporting process within the Group. ACB’s responsibilities include assessing the adequacy and effectiveness of the Group’s governance, risk management and internal control systems through the Internal Audit ("IA") function. The ACB has active oversight of the independence, scope of work and resources of the IA. The ACB meticulously reviews both internal and external audit plans, scrutinises control mechanisms, addresses weaknesses, and verifies financial statements for accuracy and compliance. Furthermore, the ACB plays a pivotal role in appointing and evaluating the Group Chief Audit Executive ("GCAE") and external auditor, safeguarding audit objectivity; and upholding ethical conduct through conflict of interest review. The committee meets periodically to review audit and investigation reports prepared by IA, taking into consideration the corresponding Group Internal Audit Committee’s ("GIAC") deliberation of the same reports. Significant control lapses are escalated by the ACB to the Board for further deliberation, where necessary. As for unresolved audit findings, the ACB deliberates on them and ensures that Management undertakes the necessary remedial actions within the stipulated timeline.

- **Oversight by Risk Management Committee**

  The Board has delegated the risk oversight responsibility to the Risk Management Committee ("RMC"). The committee is responsible for formulating policies and frameworks to identify, measure, monitor, manage and control the material risk components impacting the businesses. The effectiveness of the risk management system is monitored and evaluated by the Risk Management function at the Entity and Group level on an on-going basis.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Oversight by Compliance Committee of the Board**

  The Board is assisted by the CCB in the oversight of compliance risk. The overall objective of the CCB is to ensure that compliance risk management is deliberated at the highest level for the effective management of regulatory compliance to support business growth in line with the Group's aspirations and risk appetite. The role of the CCB, among others, is to review and assess the adequacy of infrastructure, resources and systems to manage compliance risk across the Group and recommend improvements to ensure effectiveness of the compliance framework.

  Further information on the roles and responsibilities of the CCB can be found in the Corporate Governance Report ("CG Report") which is available on Maybank's corporate website at www.maybank.com.

- **Other Board Committees**

  There are other Board level Committees that assist the Board in executing its overall governance responsibilities and oversight function. They are the Board Investment Committee, as well as Maybank Group Board level Committees i.e. Credit Review Committee, Board Sustainability Committee, and Nomination and Remuneration Committee. These Committees are authorised to examine all matters within the scope defined in their respective terms of reference.

- **Executive Level Management Committees**

  There are various Executive Level Management Committees ("ELC"s) assisting and supporting the various Board Committees in overseeing the core areas of business operations and controls. These ELCs include the Group Executive Committee, Group Client Onboarding and Review Committee, Group Management Credit Committee, Group Executive Risk Committee, Group Asset and Liability Management Committee, EXCO Sustainability Committee,Group Non-Financial Risk Committee, Group Procurement and Property Committee, Group IT Steering Committee, Group Transformation Steering Committee, Group Internal Audit Committee, Group Staff Committee and Whistleblowing Governance Committee.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Management of Information Assets**

  Confidentiality, integrity and availability of information are critical to the day-to-day operations and to facilitate management decision-making. The Group Information Risk Management Guidelines outline the guiding principles for effective management of information assets. All information must be properly managed, controlled and protected as guided by these information handling rules which are also within the Cyber and Technology Risk Management Frameworks and BNM's Risk Management in Technology (RMiT) policy document.

  With the increased adoption of technology capabilities and the increasing risk of cyber threats, information security has been among the key focus areas. Technology controls are applied at various stages of the information cycle. Amongst the controls is Data Loss Protection to protect and prevent the potential of data loss or theft.

  Technology infrastructure and security controls continue to be strengthened based on the evolving cyber threat landscape which is monitored from time to time. A clear desk policy is reinforced in the primary, alternative or mobile work arrangement site(s) to protect confidential and proprietary information.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Sustainability Management**

  Premised on our purpose-driven mission to humanise financial services, the Maybank Group Sustainability Framework to serves as the overarching document outlining the sustainability mission, principles, goals, targets, governance and approach to all our activities. It is supported by other policies and procedures that reflect specific aspects of sustainability that are aligned with the Group's core values. The framework details the six key principles and four commitments which are entwined with Maybank Group's M25+ Strategy. Maybank Group's sustainability agenda is underpinned by three key pillars: Responsible Transition; Enabling Our Communities; and Our House is in Order and We Walk the Talk. This involves:

  (1) Enabling the transition to a low-carbon economy and balancing environmental and social imperatives with stakeholders’ expectations;

  (2) Building community resilience across ASEAN and undertaking responsive actions to promote economic development and social well-being; and

  (3) Leading by example with good management practices and ensuring that the Maybank Group's ESG strategy is based on a strong foundation.

  To ensure sound sustainability governance, the EXCO Sustainability Committee which is chaired by the President & Group CEO is responsible for steering, coordinating and ensuring the effective implementation of the Group's Sustainability Agenda. Concurrently, the Board Sustainability Committee; oversees the Group’s overall strategy on sustainability and reviews the effectiveness of the strategies and integration of sustainability considerations across the Group.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Regular Updates and Communication of Risk Management Principles, Policies, Procedures and Practices**

  Risk management principles, policies, procedures and practices are reviewed and updated regularly to ensure relevance to the current business environment as well as compliance with current/applicable laws and regulations. MIB has a dedicated risk management function to facilitate establishment and review of these documents and ensure their implementation within the Bank.

- **Standard Practice Instruction**

  Policies and procedures are in place to ensure compliance with internal controls and the prescribed laws and regulations. These policies and procedures are set out in the Group’s Standard Practice Instructions ("SPI"s) and are updated from time to time in accordance with changes to the business environment or regulatory guidelines. These SPIs are published on the communication portal, which is made available to all employees.

- **Maybank Group People Policies**

  The Maybank Group People Policies ("MGPP") serves as a baseline with clarity on the philosophy and principles for people management and development in the Group. It incorporates key principles and philosophies that support the Group’s mission of Humanising Financial Services. The MGPP consists of a set of policies and guidelines that govern all aspects of human resource management, from talent acquisition and development, performance and consequence management and code of conduct to cessation of employment. A Disciplinary Policy is also established to provide a structure where disciplinary matters are dealt with fairly, consistently and in line with the prevailing labour laws and employment regulations.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Maybank Group People Policies (cont'd.)**

  Due to the COVID-19 pandemic and as a requirement by Business Continuity Management ("BCM") in anticipation of future pandemics, Maybank has introduced a Mobile Work Arrangement Policy. The policy reflects the overall mobile working arrangement that will enable the organisation to balance its objectives of achieving a highly productive and harmonious work environment that is responsive to the changing professional and personal needs of today's workforce, while taking into account business and organisational needs to ensure business continuity and sustainability. The policy enables employees to work from home, on-site and at split locations. It is a bilateral agreement between Maybank and the employees which offers mutually-beneficial outcomes for both parties. Various controls and engagements are put in place to actively manage and ensure employees under the Mobile Work Arrangement continue to be supported. Being a disciplined and tracked arrangement, employees are assigned an agreed Management Model which includes agreed expectations and outcomes, minimum weekly scheduled physical/virtual check-ins and performance updates reflected in the myHR2u Conversation Log.

- **Core Values and Code of Ethics and Conduct**

  MIB observes the Islamic code and values. The Shariah is the overarching principle steering the Bank at all times in all its businesses and operations. In addition, the Maybank Group's core values, T.I.G.E.R. (Teamwork, Integrity, Growth, Excellence and Efficiency, Relationship Building) are the essential guiding principles to drive behavioural ethics while fulfilling our collective responsibility to serve our mission of Humanising Financial Services. It is further complemented by the Code of Ethics and Conduct that sets out sound principles and standards of good practice observed by all.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Fraud Management**

  The Bank instils a culture of vigilance amongst employees in handling and combating fraud as well as to deter future occurrences. Robust and comprehensive tools/ infrastructure and programmes are emplaced to ensure risks resulting from fraud are identified, escalated/reported and managed in a decisive and timely manner. Stern disciplinary action is taken against employees involved in fraud.

- **Reputational Risk Management**

  The Bank adopts a holistic approach and sound governance in managing reputational risk and to institutionalise awareness and its consequences. Protecting our reputation is paramount to operating as an institution providing financial services. Upholding trust and creating better customer experience and security are vital parts of our obligations as a financial institution. Hence, policy is in placed with roles and responsibilities of key stakeholders and processes, such as monitoring of social media sentiment, to facilitate an effective reputational risk management and monitoring of risk exposures to be within the risk appetite.

- **Whistleblowing Policy**

  The Bank is committed to the highest standard of ethics and integrity in its conduct of business and operations. The Maybank Group Whistleblowing Policy encapsulates the governance and standards required to promote an ethical, responsible and secure whistleblowing practice in the Bank, in line with BNM’s Corporate Governance Policy. The Whistleblowing Policy provides a proper and secure avenue for employees and members of the public to report any knowledge of improper conduct without fear of any adverse consequences.

  Access to whistleblowing information is governed with the strictest confidentiality under the oversight of a committee chaired by an Independent Non-Executive Director.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Anti-Bribery and Corruption Policy**

  The Bank adopts a zero-tolerance approach against all forms of bribery and corruption in carrying out its daily operations. The Group complies with the Malaysian Anti-Corruption Commission Act 2009, as well as other laws and regulations in the countries where it operates. The Maybank Group Anti-Bribery & Corruption Policy and Procedures set out the guiding principles for the Bank to address and manage bribery and corruption risks in all its dealings.

- **Financial Crime Compliance**

  The Bank is committed to fighting financial crime and ensuring compliance with the relevant laws and regulations. Financial crime risks are managed to protect the Bank’s integrity and reputation. The Group has established comprehensive controls to anticipate, prevent, detect and respond to money laundering, terrorist financing and sanctions risks.

- **Independent Assurance by Internal Audit**

  The Board established the Internal Audit ("IA") function to provide independent assurance on the adequacy and effectiveness of risk management, control, anti-corruption, whistleblowing and governance processes. The IA function operates independently of the activities and operations of other operational units within the Group. This function is led by the Group Chief Audit Executive, who reports functionally to the ACB and administratively to the President & Group CEO. IA's processes and activities are guided by the Audit Charter and governed by relevant regulatory guidelines, the Group’s Code of Ethics and mandatory guidance outlined within the International Professional Practices Framework established by The Institute of Internal Auditors.

Corporate governance (cont'd.)

3. Remuneration

Rewards and remuneration

Maybank Islamic Berhad ("MIB") total rewards management remains core to our remuneration approach and practices and is strongly aligned with our business and people strategies to deliver long-term sustainable returns to our shareholders, customers and other stakeholders. It is a strategic human capital sustainability component of the integrated Talent Management framework, which enables differentiated rewards for talent retention and attraction by providing the right remuneration, benefits and career development/progression opportunities at the right time for our people to achieve personal and professional aspirations. At the same time, it ensures we are positioned to increase staff engagement, drive positive outcomes and deliver exponential business results responsibly.

This upholds our M25+ purpose to be "a values-driven platform, powered by a bionic workforce that humanises financial services". By focusing on the right compensation, benefits and development support, we inspire our employees to achieve their personal and professional aspirations which, in turn, improves employee productivity and engagement.

Our Total Rewards Framework is firmly anchored in the principles of pay for performance and affordability, ensuring that our talented workforce is rewarded in a manner that is equitable, reasonable, and in line with relevant indices within each respective country. Simultaneously, we strive to maintain competitiveness against our peers and competitors in the market, while embracing the importance of differentiation that contributes positively to diversity, balance and overall relevance.

We continue to accelerate our Environmental, Social and Governance ("ESG") and sustainability commitments by incorporating ESG in various aspects of our total rewards management through proper governance, performance measurement standards and prudent risk management considerations. Governed by sound principles, our remuneration policies and practices are reviewed periodically to ensure alignment with regulatory requirements and to reinforce a high-performance culture.

Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Components of remuneration

MIB adopts a well-rounded Total Rewards Framework that encompasses three integral pillars: total compensation, benefits & well-being, and development & career opportunities.

i) **Total compensation:**

MIB Compensation Policy ensures that our employees are paid in line with prevailing market standards. Our differentiated compensation levels are competitive through annual salary reviews, variable bonus and long-term incentive plans (for eligible senior management and above) to retain, motivate and reward our talents.

Our holistic approach to total compensation is structured around two core elements: fixed pay and variable pay, the latter consisting of variable bonuses and long-term incentive awards. This dynamic framework is designed to reflect targeted pay mix levels, intricately calibrated to align with the long-term performance goals and objectives of the organisation while simultaneously motivating and rewarding our employees in a manner that befits their outstanding efforts and achievements.

Fixed Pay	Variable Pay	
	Variable Bonus	Long-term Incentive
• Attract and retain talents by providing competitive and equitable pay. • Reviewed annually on a holistic approach through internal and external benchmarking against relevant peers /locations, taking into consideration of market dynamics, differences in individual responsibilities, functions/roles, performance level, skillsets, as well as competency level.	• Reinforce a pay-for-performance culture and adherence to Maybank Group's Core Values, T.I.G.E.R. • Variable cash award design that is aligned with the risk management and long-term performance goals of the Group through our deferral and claw-back policies. • Based on the overall performance of the Group, business/corporate function and individual.	• A significant component of senior management's total compensation with the intent to drive sustainable, longer-term risk management and to meet the Group's M25+ strategy.

Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Components of remuneration (cont'd.)

i) Total compensation (cont'd.):

<table>
<tr><th rowspan="2">Fixed Pay</th><th colspan="2">Variable Pay</th></tr>
<tr><th>Variable Bonus</th><th>Long-term Incentive</th></tr>
<tr><td rowspan="2"></td><td>● Premised on the balanced scorecard ("BSC") approach (comprising financial and non-financial KPIs) that is tailored to drive desired behaviours and performance levels in creating long-term shareholder value.</td><td></td></tr>
<tr><td colspan="2">Deferral Policy:
● Any variable bonus in excess of certain thresholds will be deferred over a period of time. A deferred variable bonus will lapse immediately upon termination of employment (including resignation) except in the event of ill health, disability, redundancy, retirement or death.
Clawback Provision:
● Maybank’s Board has the right to make adjustments or clawbacks to any variable bonus or long-term incentive award if deemed appropriate based on risk management issues, financial misstatement, fraud, gross negligence or wilful misconduct.</td></tr>
</table>

Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Components of remuneration (cont'd.)

ii) Benefits & Well-being

Employee benefits are an integral component to our total rewards management, dovetailing seamlessly with our commitment to ESG values and our M25+ strategic objectives. MIB's comprehensive benefits program is designed to offer financial security, healthcare coverage, paid time off, employee loans at preferential rates, and other perks and benefits that facilitate work-life balance. We regularly review these offerings, ensuring they remain competitive and aligned with industry standards amid the ever-evolving business landscape.

Our approach is holistic, intertwining sustainability principles with the well-being of our employees. This is to cater to our employees' phusical, mental and emotional well-being, as well as their financial, social, career needs, underscoring our dedication to fostering a supportive and well-rounded work environment.

iii) Development and career opportunities

In line with our commitment to fostering a robust learning culture, we continue to deploy best-in-class learning and development programmes that are flexible and tailored to nurture our employees across all levels. These programs are designed to offer flexibility and customisation, ensuring that they remain relevant for the long term, enhance our competitive edge, and promote sustained growth.

Long-term incentive award

Employees’ Shares Grant Plan

The existing ESGP was rolled out in December 2018 and will expire in 2025. A total of five awards have been made under the existing ESGP from 2018 to 2022. Three out of these five awards have been vested to eligible employees in 2021 to 2023 while the two remaining awards will vest in 2024 and 2025 respectively. The last (i.e. fifth) tranche of the ESGP Award under the existing plan was made in September 2022 and will vest in 2025. Starting from 2023, no additional awards will be issued to our staff under the existing ESGP.

Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Long-term incentive award (cont'd.)

Employees' Shares Grant Plan (cont'd.)

To maintain our commitment to rewarding sustainable performance and ensure the continuity of our LTIP from 2023 onwards, we introduced a new scheme on 20 September 2023 for eligible talents and senior management. The new ESGP is valid for 10 years and will expire in 2033. The first award under the new ESGP, made in September 2023, will vest in 2026 subject to fulfilment of the vesting conditions as well as the performance criteria at the Maybank Group and individual levels.

Governance and controls – remuneration practice

We maintain strong corporate governance practices with remuneration policies and practices that comply with all statutory and regulatory requirements, and are strengthened by sound risk management and controls, ensuring remuneration practices are carried out responsibly.

The Bank has strong internal governance on the performance and remuneration of control functions which are measured and assessed independently of the business units to avoid any conflict of interest. The remuneration of employees in control functions is predominantly fixed to reflect the nature of their responsibilities. Annual reviews of their compensation are benchmarked internally and against the market to ensure they are competitive.

Based on sound performance management principles, our key performance indicators ("KPIs") continue to focus on outcomes and are aligned with our business plans. Each of the senior officers and other material risk takers ("OMRTs") carries risk, governance and compliance goals in his/her individual scorecards which are cascaded accordingly. The right KPI setting continues to shape our organisational culture while driving risk and compliance agendas effectively. Inputs from control functions and board committees are incorporated into the respective functional areas and individual performance results.

Senior Officers and Other Material Risk Takers

The remuneration of Senior Officers and OMRTs are reviewed annually and submitted to the Nomination and Remuneration Committee for recommendation to the Board for approval.

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Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Senior Officers and Other Material Risk Takers (cont'd.)

The remuneration of Maybank Islamic's Senior Officers and OMRTs in financial year ended 31 December 2023 is summarised in the table below:

Total value of remuneration awards for the financial year	Senior Officers^	
	Unrestricted RM	Deferred RM
Fixed remuneration		
- Cash-based	6,759,146	-
Variable remuneration		
- Cash-based	2,578,580	-
- Shares and share-linked instruments*	778,500^	-

Total value of remuneration awards for the financial year	OMRTs	
	Unrestricted RM	Deferred RM
Fixed remuneration		
- Cash-based	-	-
Variable remuneration		
- Cash-based	-	-
- Shares and share-linked instruments*	-	-
Definition	Senior Officers of the Identified Entities & Senior Officers of BNM regulated Companies refers to Chief Executive Officer ("CEO"), Direct Report to the CEOs, Chief Financial Officer; Chief Risk Officer, Chief Compliance Officer; Chief Audit Executive and Company Secretary. OMRTs are defined as employees who can materially commit or control significant amounts of a financial institution's resources, or whose actions are likely to have a significant impact on its risk profile, or those among the most highly remunerated officers.	

Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Senior Officers and Other Material Risk Takers (cont'd.)

The remuneration of Maybank Islamic's Senior Officers and OMRTs in financial year ended 31 December 2022 is summarised in the table below (cont'd.):

Notes:

* In FY2023, a total of 279,500 and 19,000 units of Maybank shares (based on On Target performance levels) under Maybank Group Employees' Share Grant Plan ("ESGP")/Cash-settled Employees' Share Grant Plan ("CESGP") were awarded to 10 MRTs. The number of ESGP/CESGP units to be vested/paid by 2026 would be conditional upon the said employees fulfilling the vesting/payment criteria.

^ A total of 88,000 units of ESGP/CESGP granted in September 2020 has vested to 9 MRTs in September 2023. ESGP values are based on statutory guidelines for taxable gains calculation and CESGP value is based on volume weighted average market price ("VWAMP") for the five market days immediately preceding the CESGP vesting date.

Shariah Committee's report

In the name of Allah, the Most Compassionate, the Most Merciful

All praise is due to Allah, the Cherisher of the Worlds, and peace and blessings be upon the Prophet of Allah, on his family and all his companions.

'Assalamualaikum warahmatullahi wabarakatuh'

To the shareholder, depositors and customers of Maybank Islamic Berhad ("the Bank"):

We, the members of the Shariah Committee of the Bank ("Shariah Committee"), are responsible to assist the Board in the oversight and management of Shariah matters in the operation of the Bank. In carrying out the roles and responsibilities as prescribed in the Shariah Governance Policy Documents issued by Bank Negara Malaysia ("BNM") and in compliance with our terms of appointment, we hereby submit the Shariah Committee Report for the financial year ended 31 December 2023.

We have provided the Shariah advisory services on various aspects to the Bank in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Councils of the regulatory bodies.

The Management of the Bank shall at all times be responsible for ensuring that the Bank's operations, business affairs and activities in relation to its Islamic financial business are conducted in accordance with Shariah rules and principles.

As members of the Shariah Committee, we are responsible to form an independent opinion, based on our review of the operations, business affairs and activities in relation to the Islamic financial business of the Bank and to produce this report.

In making our independent assessment and confirmation, we have always recognised the importance of the Bank maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the Shariah compliant status of its businesses.

In this regard, sufficient internal controls are in place to ensure that any new Islamic financial transaction is properly authorised; the Bank’s assets and liabilities under its statements of financial position are safeguarded against possible Shariah non-compliance; and that the day to day conduct of its operations does not contradict Shariah principles.

In ensuring that the activities and operations of the Bank are Shariah-compliant, the Bank has carried out Shariah audit performed by the Internal Audit Division and Shariah review by the Shariah Review and Compliance Department throughout the organisation and the reports were deliberated in the Committee meetings.

Shariah Committee's report (cont'd.)

The Bank is committed to continuous capacity building initiatives aimed at fostering robust Shariah knowledge across its workforce. In 2023, a comprehensive approach was taken, with the Bank actively participating in various training programs focused on Shariah Awareness and Islamic Banking products. Key collaborations were established with vital departments, such as Community Financial Services at the Group level, to conduct onboarding sessions for sales personnel.

Moreover, the Bank sustained its annual Islamic banking internal certification program, certifying newly appointed managers nationwide. This strategic initiative aims to fortify Islamic banking and finance knowledge retention at branch levels. Additionally, elected Islamic Banking regional representatives played a crucial role by organizing refresher sessions on Shariah awareness and Islamic banking products, contributing significantly to the reinforcement of knowledge. The Bank has also developed Islamic Quick Reference Assistant (i-QRA), i-QRA is an online platform for internal staff to conveniently access knowledge about Islamic Banking products. It features i-QRA Guide, a virtual library providing information on Islamic products, and i-QRA Live Chat, enabling staff to engage with the Bank’s Community Banking product owners for operational support.

Through these concerted efforts, the Bank has successfully enhanced Shariah compliance awareness throughout the organization. The integration of diverse training programs and collaborations has played a pivotal role in ensuring a comprehensive understanding of Shariah principles and practices across various levels of the institution, aligning the entire team with the highest standards of Shariah compliance.

During the year, the Committee had convened twenty-nine (29) times inclusive of five (5) special meetings in which we reviewed and deliberated on, among others, the products and services, transactions, processes and documents which were presented to us by the Bank. In performing our roles and responsibilities, we had obtained all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Bank has complied with Shariah.

All committee members have satisfied the minimum attendance requirement required as per paragraph 11.4 of the BNM's Shariah Governance Policy Document which requires a Committee member to attend personally at least 75% of the committee meetings held in each financial year, where all members had achieved 100% for attendance.

We, the members of the Shariah Committee, do hereby confirm that we have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank from 1 January 2023 until 31 December 2023.

Based on the internal controls that have been put in place, in our opinion, to the best of our knowledge, the Bank has complied with the Shariah rulings issued by the Shariah Advisory Council of BNM and by all other financial regulators (where relevant), as well as Shariah decisions made by us, and nothing has come to the Shariah Committee’s attention, subject to paragraph (e) below that causes the Shariah Committee to believe that the operations, business affairs and activities involve any material Shariah non-compliances.

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Maybank Islamic Berhad
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Shariah Committee's report (cont'd.)

We are of the opinion that:

(a) The new products, business initiatives and enhanced processes introduced by the Bank during the year ended 31 December 2023, that we have reviewed are in compliance with the Shariah rules and principles;

(b) Subject to paragraph (e) below, the contracts, transactions and dealings entered into by the Bank during the year ended 31 December 2023, that we have reviewed are in compliance with the Shariah rules and principles;

(c) The funding sources and investments of the Bank disclosed to us conform to the basis that had been approved by us in accordance with the Shariah rules and principles;

(d) The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles;

(e) The Shariah non-compliant events and disposal of any earnings from prohibited sources or means by the Bank during the year ended 31 December 2023 had been rectified as disclosed in Note 46;

(f) The audited financial statements of the Bank for the year ended 31 December 2023 together with the calculation of zakat disclosed to us are in compliance with the Shariah rules and principles;

(g) Nothing has come to our attention that causes the Bank to believe that the operations, business, affairs and activities of the Bank involve any material Shariah non-compliances; and

(h) To the best of our knowledge and belief that the information provided is true and accurate.

We bear witness only to what we know, and we could not well guard against the unseen. (Surah Yusuf, verse: 81)

We beg Allah SWT to grant us wisdom, strength and humility to perform our tasks in the best possible way and Allah knows best.

Prof. Dr. Aznan bin Hasan
Chairman of the Committee

Dr. Akhtarzaite Abdul Aziz
Member of the Committee

Kuala Lumpur, Malaysia
28 February 2024

Building a better working world

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Co. Reg. No.: 200701029411

Independent auditors' report to the member of
Maybank Islamic Berhad
(Incorporated in Malaysia)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Maybank Islamic Berhad ("the Bank"), which comprise the statement of financial position as at 31 December 2023, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 65 to 250.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2023, and of its financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the information included in the directors' report and corporate governance, but does not include the financial statements of the Bank and our auditors' report thereon.

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

Independent auditors' report to the member of Maybank Islamic Berhad (cont'd.)
(Incorporated in Malaysia)

Information other than the financial statements and auditors' report thereon (cont'd.)

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

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

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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**Independent auditors' report to the member of
Maybank Islamic Berhad (cont'd.)
(Incorporated in Malaysia)**

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

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Building a better
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Independent auditors' report to the member of
Maybank Islamic Berhad (cont'd.)
(Incorporated in Malaysia)

Other matters

This report is made solely to the member of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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

Chan Hooi Lam
No.02844/02/2026 J
Chartered Accountant

Kuala Lumpur, Malaysia
28 February 2024

Co. Reg. No.: 200701029411

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2023

	Note	2023 RM'000	2022 RM'000
Assets			
Cash and short-term funds	5	**7,811,508**	15,092,586
Deposits and placements with banks and other financial institutions	6	**2,801,850**	5,329,880
Financial assets purchased under resale agreements	7(i)	**58,118**	2,121,695
Financial investments at fair value through profit or loss	8(i)	**1,331,059**	309,504
Financial investments at fair value through other comprehensive income	8(ii)	**24,342,546**	15,645,983
Financial investments at amortised cost	8(iii)	**13,759,189**	27,461,699
Financing and advances	9	**228,807,155**	214,379,623
Derivative assets	10	**160,619**	263,763
Other assets	11	**3,952,570**	5,150,765
Statutory deposit with Bank Negara Malaysia	12	**3,621,143**	3,505,736
Property, plant and equipment	13	**199**	341
Right-of-use assets	14	**4,494**	7,279
Deferred tax assets	20	**79,648**	288,433
Total assets		**286,730,098**	289,557,287
Liabilities			
Customers' funding:			
- Deposits from customers	15	**210,698,979**	209,783,463
- Investment accounts of customers[1]	16	**27,354,337**	25,637,702
Deposits and placements of banks and other financial institutions	17	**17,511,621**	23,597,506
Obligations on financial assets sold under repurchase agreements	7(ii)	**-**	461,081
Bills and acceptances payable		**80,796**	32,569
Derivative liabilities	10	**309,093**	384,674
Other liabilities	18	**1,305,096**	2,654,948
Provision for taxation and zakat	19	**63,590**	138,207
Term funding	21	**10,932,227**	9,421,202
Subordinated sukuk	22	**2,021,893**	2,021,893
Capital securities	23	**1,002,347**	1,002,347
Total liabilities		**271,279,979**	275,135,592

[1] Investment accounts of customers are used to fund financing and advances as disclosed in Note 9.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2023 (cont'd.)

	Note	2023 RM'000	2022 RM'000
Equity attributable to equity holder of the Bank			
Share capital	24	**11,676,910**	11,029,955
Retained profits	25	**2,524,541**	2,655,423
Other reserves	25	**1,248,668**	736,317
		15,450,119	14,421,695
Total liabilities and shareholder's equity		**286,730,098**	289,557,287
Restricted investment accounts managed by the Bank	16	**42,884,778**	30,552,966
Total Islamic banking assets owned and managed by the Bank		**329,614,876**	320,110,253
Commitments and contingencies	40	**100,661,175**	80,496,780

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Maybank Islamic Berhad
(Incorporated in Malaysia)

Income statement
For the financial year ended 31 December 2023

	Note	2023 RM'000	2022 RM'000
Income derived from investment of depositors' funds	26	**11,880,732**	9,534,723
Income derived from investment of investment account funds	27	**1,163,306**	1,092,610
Income derived from investment of shareholder's funds	28	**658,427**	501,316
Allowances for impairment losses on financing and advances, net	29	**(929,187)**	(379,482)
Writeback of/(allowances for) impairment losses on financial investments, net	30	**13,939**	(881)
Writeback of impairment losses on other financial assets, net	31	**716**	6,285
Total distributable income		**12,787,933**	10,754,571
Profit share income from investment accounts		**190,604**	191,943
Profit distributed to depositors	32	**(6,162,889)**	(3,526,754)
Profit distributed to investment account holders		**(434,604)**	(353,015)
Total net income		**6,381,044**	7,066,745
Overhead expenses	33	**(2,658,520)**	(2,103,916)
Finance cost	35	**(561,563)**	(428,760)
Profit before taxation and zakat		**3,160,961**	4,534,069
Taxation	36	**(717,224)**	(1,474,819)
Zakat		**(51,203)**	(26,329)
Profit for the financial year		**2,392,534**	3,032,921
Profit attributable to:			
Equity holder of the Bank		**2,392,534**	3,032,921
Earnings per share attributable to equity holder of the Bank - basic/diluted (sen)	37	**503.8**	691.7

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of comprehensive income
For the financial year ended 31 December 2023

	Note	2023 RM'000	2022 RM'000
Profit for the financial year		**2,392,534**	3,032,921
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Net loss on foreign exchange translation		**(2,569)**	(140)
Net gain/(loss) on financial investments at fair value through other comprehensive income		**789,994**	(247,101)
- Net gain/(loss) from change in fair value		**1,025,120**	(329,549)
- Changes in expected credit losses		**10,903**	3,356
- Income tax effect	20	**(246,029)**	79,092
Other comprehensive income/(loss) for the financial year, net of tax		**787,425**	(247,241)
Total comprehensive income for the financial year, net of tax		**3,179,959**	2,785,680
Total comprehensive income attributable to:			
Equity holder of the Bank		**3,179,959**	2,785,680

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the financial year ended 31 December 2023

	Share capital (Note 24) RM'000	Equity contribution from the holding company (Note 25) RM'000	Fair value through other comprehensive income reserve (Note 25) RM'000	Regulatory reserve (Note 25) RM'000	Exchange fluctuation reserve (Note 25) RM'000	Retained profits (Note 25) RM'000	Total equity RM'000
	<-------------------------- Non-distributable				--------------------------->	Distributable	
At 1 January 2023	**11,029,955**	**1,697**	**(169,846)**	**904,654**	**(188)**	**2,655,423**	**14,421,695**
Profit for the financial year	-	-	-	-	-	2,392,534	2,392,534
Other comprehensive income/(loss)	-	-	789,994	-	(2,569)	-	787,425
Total comprehensive income/(loss) for the financial year	-	-	789,994	-	(2,569)	2,392,534	3,179,959
Transfer from regulatory reserve	-	-	-	(275,074)	-	275,074	-
Issue of ordinary shares (Note 24)	646,955	-	-	-	-	-	646,955
Dividend on ordinary shares (Note 38)	-	-	-	-	-	(2,798,490)	(2,798,490)
Total transactions with shareholder/ other equity movements	646,955	-	-	(275,074)	-	(2,523,416)	(2,151,535)
At 31 December 2023	11,676,910	1,697	620,148	629,580	(2,757)	2,524,541	15,450,119

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Maybank Islamic Berhad
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Statement of changes in equity (cont'd.)
For the financial year ended 31 December 2023 (cont'd.)

	<---	---	Non-distributable	---	--->	Distributable	
	Share capital (Note 24) RM'000	Equity contribution from the holding company (Note 25) RM'000	Fair value through other comprehensive income reserve (Note 25) RM'000	Regulatory reserve (Note 25) RM'000	Exchange fluctuation reserve (Note 25) RM'000	Retained profits (Note 25) RM'000	Total equity RM'000
At 1 January 2022	10,322,374	1,697	77,255	121,014	(48)	3,247,267	13,769,559
Profit for the financial year	-	-	-	-	-	3,032,921	3,032,921
Other comprehensive loss	-	-	(247,101)	-	(140)	-	(247,241)
Total comprehensive (loss)/income for the financial year	-	-	(247,101)	-	(140)	3,032,921	2,785,680
Transfer to regulatory reserve	-	-	-	783,640	-	(783,640)	-
Issue of ordinary shares (Note 24)	707,581	-	-	-	-	-	707,581
Dividend on ordinary shares (Note 38)	-	-	-	-	-	(2,841,125)	(2,841,125)
Total transactions with shareholder/ other equity movements	707,581	-	-	783,640	-	(3,624,765)	(2,133,544)
At 31 December 2022	11,029,955	1,697	(169,846)	904,654	(188)	2,655,423	14,421,695

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of cash flows
For the financial year ended 31 December 2023

	2023 RM'000	2022 RM'000
Cash flows from operating activities		
Profit before taxation and zakat	**3,160,961**	4,534,069
Adjustments for:		
Amortisation of premiums, net	**56,718**	79,973
Allowances for impairment losses on financing and advances, net	**1,112,693**	494,598
(Writeback of)/allowances for impairment losses on financial investments, net	**(13,939)**	881
Writeback of impairment losses on other financial assets, net	**(716)**	(6,285)
Depreciation of property, plant and equipment	**147**	277
Depreciation of right-of-use assets	**3,228**	3,150
Finance cost on lease liabilities	**162**	239
Unrealised gains on revaluation of derivatives	**(39,010)**	(1,075)
Unrealised (gains)/losses on revaluation of financial investments at fair value through profit or loss	**(692)**	1,305
Gains on disposal of financial investments at fair value through other comprehensive income	**(146,852)**	(23,200)
Gains on disposal of financial investments at fair value through profit or loss	**(19,461)**	(4,685)
Gains on foreign exchange translations	**(350,922)**	(102,374)
ESGP expenses	**2,070**	2,703
Finance cost	**561,563**	428,760
Operating profit before working capital changes	**4,325,950**	5,408,336
Change in deposits and placements with banks and other financial institutions	**5,329,880**	(2,329,723)
Change in financial assets purchased under resale agreements	**2,064,293**	8,305,339
Change in financial investments portfolio	**1,333,708**	(4,343,238)
Change in financing and advances	**(24,061,103)**	(23,533,230)
Change in derivative assets and liabilities	**66,574**	61,860
Change in other assets	**1,545,093**	(522,175)
Change in statutory deposit with Bank Negara Malaysia	**(115,407)**	(3,485,289)
Change in deposits from customers	**915,515**	30,268,545
Carried forward	**(8,595,497)**	9,830,425

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Maybank Islamic Berhad
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Statement of cash flows (cont'd.)
For the financial year ended 31 December 2023

	2023 RM'000	2022 RM'000
Brought forward	**(8,595,497)**	9,830,425
Change in deposits and placements of banks and other financial institutions	**6,368,848**	124,152
Change in investment accounts of customers	**1,944,875**	(3,289,134)
Change in obligations on financial assets sold under repurchase agreements	**(461,081)**	461,081
Change in bills and acceptances payable	**48,227**	13,008
Change in other liabilities	**(1,348,963)**	1,134,273
Cash (used in)/generated from operating activities	**(2,043,591)**	8,273,805
Taxes and zakat paid	**(1,230,337)**	(1,237,764)
Net cash (used in)/generated from operating activities	**(3,273,928)**	7,036,041
Cash flows from investing activities		
Purchase of property, plant and equipment	**-**	(151)
Net cash used in investing activities	**-**	(151)
Cash flows from financing activities		
Proceeds from issuance of shares	**646,955**	707,581
Dividend paid on ordinary shares	**(2,798,490)**	(2,841,125)
Dividend paid for capital securities	**(47,600)**	(49,500)
Dividend paid for subordinated sukuk	**(74,000)**	(73,921)
Drawdown/(redemption) of term funding	**1,500,000**	(1,500,000)
Dividend paid for term funding	**(428,938)**	(307,329)
Repayment of lease liabilities	**(3,227)**	(3,002)
Net cash used in financing activities	**(1,205,300)**	(4,067,296)
Net (decrease)/increase in cash and cash equivalents	**(4,479,228)**	2,968,594
Cash and cash equivalents at beginning of year	**15,092,586**	12,123,992
Cash and cash equivalents at end of year	**10,613,358**	15,092,586
Cash and cash equivalents comprise:		
Cash and short term funds (Note 5)	**7,811,508**	15,092,586
Deposits and placements with banks and other financial institutions (Note 6)	**2,801,850**	5,329,880
	10,613,358	20,422,466
Less: Cash and short-term funds and deposits and placements with original maturity of more than three months	**-**	(5,329,880)
Cash and cash equivalents at end of year	**10,613,358**	15,092,586

Notes to the financial statements - 31 December 2023

1. Corporate information

The Bank is a public limited liability company, incorporated on 5 September 2007 and domiciled in Malaysia. The registered office of the Bank is located at 15th Floor, Tower A Dataran Maybank, 1, Jalan Maarof, 59000 Kuala Lumpur.

The Bank is principally engaged in the business of Islamic Banking and the provision of related financial services. There were no significant changes in these activities during the financial year.

The holding company of the Bank is Malayan Banking Berhad (“Maybank”), a licensed bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 February 2024.

2. Accounting policies

2.1 Basis of preparation and presentation of the financial statements

The financial statements of the Bank has been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards ("IFRS"), and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Bank has been prepared under the historical cost basis unless otherwise indicated in the summary of accounting policies as disclosed in Note 2.2.

The Bank presents the statement of financial position in the order of liquidity.

Financial assets and financial liabilities are offset and the net amounts are reported in the statement of financial position of the Bank only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement of the Bank unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

The financial statements are presented in Ringgit Malaysia (“RM”) and all values are rounded to the nearest thousand (RM’000), unless otherwise stated.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies

(i) Financial assets

(a) Date of recognition

All financial assets are initially recognised on the trade date i.e. the date that the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades, purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

All financial assets are measured initially at their fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics.

(b) Initial recognition and subsequent measurement

i) Business model

The Bank determines its business model at the level that best reflects how groups of financial assets are managed to achieve its business objective.

The Bank does not assess the business model on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- How the performance of the portfolio and the financial assets held within that business model are evaluated and reported to the key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Bank’s assessment.

2. Accounting policies (cont'd.)

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

(i) Financial assets (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

i) Business model (cont'd.)

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

ii) The solely payments of principal and profit ("SPPP") test

Upon determination of business model, the Bank will assess the contractual terms of financial assets to identify whether they meet the SPPP test.

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

The most significant elements of profit within a financing arrangement are typically the consideration for the time value of money and credit risk. The Bank applies judgement and consider relevant factors such as the currency in which the financial asset is denominated, and the period for which the profit rate is set in assessing the SPPP.

In contrast, contractual terms that introduce a more than *de minimis* exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement do not give rise to contractual cash flows that are SPPP on the amount outstanding. In such cases, the financial asset is required to be measured at fair value through profit or loss.

2. Accounting policies (cont'd.)

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

(i) Financial assets (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

Included in financial assets are the following:

- Amortised cost, as explained in Note 2.2(i)(b)(1);
- Fair value through other comprehensive income ("FVOCI"), as explained in Note 2.2(i)(b)(2); and
- Fair value through profit or loss ("FVTPL"), as explained in Note 2.2(i)(b)(3).

(1) Financial assets at amortised cost

The Bank measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPP on the principal amount outstanding.

Included in financial assets at amortised cost are cash and short-term funds, deposits and placements with financial institutions, financial assets purchased under resale agreements, financial investments and financing and advances as disclosed in the respective notes to the financial statements.

(2) Fair value through other comprehensive income ("FVOCI")

The Bank measures financial assets at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the financial assets meet the SPPP test.

2. Accounting policies (cont'd.)

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

(i) Financial assets (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

(2) Fair value through other comprehensive income ("FVOCI") (cont'd.)

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income ("OCI"). Finance income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Bank hold more than one investment in the same security, they are deemed to be disposed-off on a first-in, first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, the Bank measure the changes through FVOCI (without recycling profit or loss upon derecognition).

Included in financial asset FVOCI are financial investments and financing and advances to customers.

(3) Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL are those that are held-for-trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9. The Bank designates an instrument at FVTPL upon initial recognition when one of the following criteria are met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or

- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

2. Accounting policies (cont'd.)

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

(i) Financial assets (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

(3) Financial assets at fair value through profit or loss ("FVTPL") (cont'd.)

Included in financial assets at FVTPL are financial investments and derivatives.

Subsequent to initial recognition, financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in the income statement under the caption of 'other operating income'.

(c) Derecognition

A financial asset is derecognised when there is substantial modification of terms and conditions or factors other than substantial modification.

(1) Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a financing to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financing, with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

The newly recognised financing are classified as Stage 1 for Expected Credit Losses (“ECL”) measurement purposes, unless the new financing is deemed to be purchased or originated credit-impaired ("POCI").

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective profit rate ("EPR"), the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2. Accounting policies (cont'd.)

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

(i) Financial assets (cont'd.)

(c) Derecognition (cont'd.)

(2) Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

(i) The rights to receive cash flows from the financial asset have expired; or

(ii) The transfer of financial asset is as set out below and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset; or

- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a ‘pass–through’ arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assume a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount financed plus accrued profit at market rates;

- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients; and

- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including profit earned, during the period between the collection date and the date of required remittance to the eventual recipients.

2. Accounting policies (cont'd.)

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

(i) Financial assets (cont'd.)

(c) Derecognition (cont'd.)

(2) Derecognition other than for substantial modification (cont'd.)

A transfer only qualifies for derecognition if either the Bank has:

- Transferred substantially all the risks and rewards of the asset; or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflect the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2. Accounting policies (cont'd.)

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

(i) Financial assets (cont'd.)

(d) Impairment of financial assets

The MFRS 9 impairment requirements are based on an ECL model. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable financing commitments and financial guarantee contracts, which include financing and advances and debt instruments held by the Bank. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 16 *Leases* .

The measurement of ECL involves increased complexity and judgement that include:

(i) Determining a significant increase in credit risk since initial recognition ("SICR")

The assessment of SICR is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The Bank performed quantitative and qualitative assessments to determine the SICR by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.

The Bank applies a three-stage approach based on the change in credit quality since initial recognition:

3-Stage approach	Stage 1 Performing	Stage 2 Under-performing	Stage 3 Non-performing
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of profit income	On gross carrying amount	On gross carrying amount	On net carrying amount

2. Accounting policies (cont'd.)

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

(i) Financial assets (cont'd.)

(d) Impairment of financial assets (cont'd.)

(ii) ECL Measurement

There are three main components to measure ECL which are a probability of default model ("PD"), a loss given default model ("LGD") and an exposure at default model ("EAD"). The Bank's leveraged as much as possible on its existing Basel II models and performed the required adjustments to produce MFRS 9 compliant model.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Bank has decided to continue to measure the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant, and collectively assess for other financial assets.

(iii) Expected life

Lifetime ECL must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolving financial instruments such as credit cards and cashline. The expected life for these revolving facilities generally refers to its behavioural life.

(iv) Financial investments at FVOCI

The ECL for financial investments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

2. Accounting policies (cont'd.)

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

(i) Financial assets (cont'd.)

(d) Impairment of financial assets (cont'd.)

(v) Forward-looking information

ECL measurement is based on unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward-looking information is obtained from the Maybank Group's research arm, Maybank Research Pte. Ltd. ("Maybank IBG Research"). Maybank IBG Research's assumptions and analysis are based on the collation of macroeconomic data obtained from various sources such as, but not limited to regulators, government and foreign ministries as well as independent research organisations.

Where applicable, the Bank incorporates forward-looking adjustments in credit risk factors of PD and LGD used in ECL calculation; taking into account the impact of multiple probability-weighted future forecast economic scenarios.

Embedded in ECL is a broad range of forward-looking information as economic inputs, such as:

- Gross Domestic Product ("GDP") growth;
- Unemployment rates;
- House Price indices; and
- Bank Negara Malaysia ("BNM") policy rates.

The Bank applies the following three alternatives macroeconomic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

Base scenario : This scenario reflects that current macroeconomic conditions continue to prevail; and

Upside and Downside scenarios : These scenarios are set relative to the base scenario, reflecting best and worst-case macroeconomic conditions based on subject matter expert's best judgement of current economic conditions.

2. Accounting policies (cont'd.)

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

(i) Financial assets (cont'd.)

(d) Impairment of financial assets (cont'd.)

(vi) Valuation of collateral held as security for financial assets

The Bank's valuation policy for collateral assigned to its financial assets are dependent on its financing arrangements.

(e) Modification of financing

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of financing to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

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

2. Accounting policies (cont'd.)

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

(i) Financial assets (cont'd.)

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

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculate a new effective profit rate ("EPR") 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 Bank also assesses 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 customer being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in the income statements as a gain or loss on derecognition.

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

(f) Reclassification of financial assets

Reclassification of financial assets is permissible when and only when there is change in business model for managing financial assets.

The Bank does not consider the following changes in circumstances as reclassifications:

- An item that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- An item becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- Changes in measurement where the Bank adopt fair value option.

2. Accounting policies (cont'd.)

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

(ii) Financial liabilities

(a) Date of recognition

All financial liabilities are initially recognised on the trade date i.e. the date that the Bank becomes a party to the contractual provision of the instruments. This includes regular way trades: purchases or sales of financial assets that require settlement of assets within the time frame generally established by regulation or convention in the market place.

(b) Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable transaction costs.

(1) Other financial liabilities

The Bank's other financial liabilities include deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, debt securities (including term funding), payables, bills and acceptances payable and other liabilities.

(1) <u>Deposits from customers, investment accounts of customers and deposits and placements of banks and other financial institutions</u>

Deposits from customers, investment accounts of customers and deposits and placements of banks and other financial institutions are stated at placement values. Profit expense of deposits from customers, investment accounts of customers and deposits and placements from banks and other financial institutions measured at amortised cost is recognised using the effective yield method.

(2) <u>Debt securities</u>

Debt securities issued by the Bank are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Bank's debt securities issued consist of subordinated sukuk, capital securities and term funding.

2. Accounting policies (cont'd.)

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

(ii) Financial liabilities (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

(1) Other financial liabilities (cont'd.)

(2) Debt securities (cont'd.)

These debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Bank to make cash payments of either principal or profit or both to holders of the debt securities and that the Bank is contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the income statement over the period of the term fundings on an effective yield method.

(3) Payables

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective yield method.

(4) Bills and acceptances payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are measured at amortised cost using the effective yield method.

(5) Other liabilities

Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in the future for goods and services received.

2. Accounting policies (cont'd.)

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

(ii) Financial liabilities (cont'd.)

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the original financial liability and the consideration paid is recognised in the income statement.

(iii) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position of the Bank if there is a current legal enforceable right to offset the recognised amount and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The financial assets and financial liabilities of the Bank that are subject to offsetting, enforceable master netting arrangements and similar agreements are disclosed in Note 43.

(iv) Derivative financial instruments and hedge accounting

(a) Derivative financial instruments

The Bank trades derivatives such as profit rate swaps, foreign exchange swaps, forward foreign exchange contracts and options on profit rates and foreign currencies.

Derivative financial instruments are initially recognised at fair value. For non-option derivatives, their fair value are normally zero or negligible at inception. For purchased or written options, their fair value are equivalent to the market premium paid or received. The derivatives are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

2. Accounting policies (cont'd.)

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

(iv) Derivative instruments and hedge accounting (cont'd.)

(b) Hedge accounting

The Bank uses derivative instruments to manage exposures to profit rate, foreign currency and credit risks. In order to manage these particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.

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

Hedges that meet the strict criteria for hedge accounting are accounted for, as described below:

(1) Fair value hedge

For designated and qualifying fair value hedges, the cumulative change in the fair value of a hedging instrument is recognised in the income statements. Meanwhile, the cumulative change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying amount of the hedged item in the statements of financial position and is also recognised in the income statements.

For fair value hedges relating to items carried at amortised cost, any adjustments to carrying amount is amortised over the remaining term of the hedge using the effective profit method. The amortisation may begin as soon as an adjustment exists and no later than when the hedged item ceases to be adjusted for changes in its fair value attributable to the risk being hedged. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statements.

2. Accounting policies (cont'd.)

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

(v) Embedded derivatives

Embedded derivatives in financial assets are not separated from a host financial asset are classified based on the business model and their contractual terms as outlined in Note 2.2(i).

Derivatives embedded in financial liabilities and in non-financial host contracts are treated as separate derivatives and recorded at fair value if their economic characteristic and risk are not closely related to those of the host contract is not itself held for trading or designated at FVTPL. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statement.

(vi) Resale and repurchase agreements

Securities purchased under resale agreements are securities which the Bank purchased with a commitment to resell at future dates. The commitments to resell the securities are reflected as assets on the statement of financial position. The difference between the purchase and resale prices is recognised in the income statement under the caption of ‘income derived from investment of depositors' funds/shareholder's funds’ and is accrued over the life of the agreement using the effective yield method.

Conversely, obligations on securities sold under repurchase agreements are securities which the Bank sell from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and corresponding obligations to purchase the securities are reflected as liabilities on the statement of financial position. The difference between the sale and the repurchase prices is recognised in the income statements under the caption of ‘profit distributed to depositors’ and is accrued over the life of the agreement using the effective yield method.

(vii) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant 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 Bank and the cost of the item can be measured reliably.

2. Accounting policies (cont'd.)

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

(vii) Property, plant and equipment and depreciation (cont'd.)

Subsequent to initial recognition, all items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statements as incurred.

Depreciation of other property, plant and equipment is computed on a straight-line basis over its estimated useful life at the following annual rates:

Office furniture, fittings, equipment and renovations	10% - 25%
Computers and peripherals	14% - 25%
Motor vehicles	20% - 25%

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

Details of property, plant and equipment of the Bank are disclosed in Note 13.

(viii) Other assets

Included in other assets are other debtors, prepayments and deposits and tax recoverable.

Other assets are carried at anticipated realisable values. An estimate is made for doubtful debts based on a review of all outstanding balances as at the reporting date. Bad debts are written-off when identified.

2. Accounting policies (cont'd.)

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

(ix) Cash and short-term funds

Cash and short-term funds in the statement of financial position comprise cash balances and deposits with financial institutions and money at call with a maturity of one month or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents comprise of cash and short-term funds and deposits and placements with financial institutions, with the original maturity of three (3) months or less.

(x) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is such indication or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit ("CGU")'s fair value less costs to sell and its value-in-use ("VIU"). When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

The Bank bases its VIU calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGU to which the individual assets are allocated. In assessing VIU, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For other non-financial assets, an assessment is made at each reporting date as to whether any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

2. Accounting policies (cont'd.)

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

(xi) Provisions

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

Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation. Any increases in the provision due to the passage of time is recognised in the income statement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and recognised in income statement.

(xii) Foreign currencies

(a) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Bank's functional and presentation currency.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the income statement.

2. Accounting policies (cont'd.)

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

(xii) Foreign currencies (cont'd.)

(b) Foreign currency transactions and balances (cont'd.)

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the financial year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income.

(xiii) Income and deferred taxes

(a) Income tax

Current tax assets/recoverable and current tax liabilities/provisions are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Income taxes for the year comprises current and deferred taxes.

Current tax expense relating to items recognised directly in equity, is recognised in other comprehensive income or in equity and not in the income statements.

Details of income taxes for the Bank are disclosed in Note 36.

(b) Deferred tax

Deferred 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 at the reporting date.

2. Accounting policies (cont'd.)

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

(xiii) Income and deferred taxes (cont'd.)

(b) Deferred tax (cont'd.)

Deferred tax liabilities are recognised for all temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside income statement is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Details of deferred tax assets and liabilities are disclosed in Note 20.

2. Accounting policies (cont'd.)

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

(xiv) Zakat

This represents business zakat payable by the Bank to comply with the principle of Shariah. Zakat provision is calculated based on 'Shareholders' Equity with Adjustment' method, at 2.5%. The beneficiaries of the zakat fund are determined by the Zakat Committee and subject to the approval of the Shariah Committee.

(xv) Leases

(a) Classification

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Bank combine lease and non-lease components, in cases where splitting the non-lease component is not possible.

(b) Recognition and initial measurement

(1) Bank as a lessee

The Bank applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low value assets. The Bank recognises lease liabilities to make lease payments and right-of-use asset representing the right to use the underlying assets.

<u>Right-of-use ("ROU") assets</u>

The Bank recognises ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

2. Accounting policies (cont'd.)

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

(xv) Leases (cont'd.)

(b) Recognition and initial measurement (cont'd.)

(1) Bank as a lessee (cont'd.)

Right-of-use ("ROU") assets (cont'd.)

The cost of ROU assets includes the amount of lease liabilities adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The lease term includes periods covered by an option to extend if the Bank is reasonably certain to exercise that option. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised ROU assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. ROU are subject to impairment assessment. The impairment policy for ROU assets are in accordance with impairment of non-financial assets as described in Note 2.2(x).

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payment includes fixed payments (less any lease incentive receivables), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payment also includes the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

2. Accounting policies (cont'd.)

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

(xv) Leases (cont'd.)

(b) Recognition and initial measurement (cont'd.)

(1) Bank as a lessee (cont'd.)

Lease liabilities (cont'd.)

In calculating the present value of lease payment, the Bank uses incremental funding rate at the commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liabilities is increased to reflect the accretion of profit and reduced for the lease payment made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the fixed lease payment or a change in the assessment of an option to purchase the underlying asset.

(2) Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Bank also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low-value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense when incurred.

(xvi) Fair value measurement

The Bank measures financial instruments such as financial investments at FVTPL, financial investments at FVOCI and derivatives at fair value at each statement of financial position date.

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.

2. Accounting policies (cont'd.)

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

(xvi) Fair value measurement (cont'd.)

The principal or the most advantageous market must be accessible to the Bank.

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.

A 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 Bank uses 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.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- 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 Bank determines whether transfers have occurred between fair value hierarchy levels by reassessing 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.

The fair value hierarchies of financial instruments that are measured at fair value are disclosed in Note 42(c).

While the fair value hierarchies of financial instruments that are not measured at fair value, for which the fair value is disclosed are presented in Note 42(g).

2. Accounting policies (cont'd.)

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

(xvii) Income recognition

For all financial instruments measured at amortised cost and profit-bearing financial investments at FVTPL, financial investments at FVOCI, profit income for all profit-bearing financial instruments are recognised within finance income in the income statement using the effective yield method.

The effective yield method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the finance income over the relevant period. The effective yield rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective yield/profit rate, the Bank takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument, which are an integral part of the effective profit rate, but does not consider future credit losses.

Profit on impaired financial assets is recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss.

Profit income and profit distributed to depositors from the business are recognised on an accrual basis in accordance with the principles of Shariah.

(xviii) Other operating income

Commitment and guarantee fees are recognised as income based on time apportionment basis.

Handling fees paid to motor vehicle dealers for Islamic hire purchase financing are amortised in the income statement over the tenure of the financing and is set off against income recognised on the Islamic hire purchase financing.

(xix) Financing and related expense recognition

Finance cost and income attributable to deposits, investment accounts and term funding of the Bank are amortised using the effective yield method.

2. Accounting policies (cont'd.)

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

(xx) Employee benefits

(a) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the income statement in the year in which the associated services are rendered by employees of the Bank. 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 as an expense in the income statement when the absences occur.

(b) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund (“EPF”). Such contributions are recognised as an expense in the income statement when incurred.

(c) Share-based compensation

(1) Employees' Share Grant Plan ("ESGP Shares")

The ESGP Shares is awarded to the eligible Executive Directors and employees of the participating Maybank Group excluding dormant subsidiaries. The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or cash at the absolute discretion of the NRC.

The total fair value of ESGP Shares granted to eligible employees is recognised as an employee cost with a corresponding increase in the reserve within equity over the vesting period and taking into account the probability that the ESGP Shares will vest. The fair value of ESGP Shares is measured at grant date, taking into account, the market and non-market vesting conditions upon which the ESGP Shares were granted.

Upon vesting of ESGP Shares, the Bank will recognise the impact of the actual numbers of ESGP Shares vested as compared to original estimates.

2. Accounting policies (cont'd.)

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

(xx) Employee benefits (cont'd.)

(c) Share-based compensation (cont'd.)

(2) Cash-settled Performance-based Employees' Share Grant Plan ("CESGP")

The CESGP is awarded to the eligible Executive Directors and employees of the participating Maybank Group, subject to achievement of performance criteria set out by the Board of Directors and prevailing market practices in the respective countries. Upon vesting, the cash amount equivalent to the value of the Maybank Reference Shares will be transferred to the eligible employees.

The total fair value of CESGP granted to eligible employees is recognised as an employee cost with a corresponding increase in the liability over the vesting period and taking into account the probability that the CESGP will vest. The fair value of CESGP is measured at grant date, taking into account, the market and non-market vesting conditions upon which the CESGP were granted.

Upon vesting of CESGP, the Bank will recognise the impact of the actual numbers of CESGP vested as compared to original estimates.

(xxi) Share capital and dividends declared

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Transaction costs directly attributable to the issuance of new equity shares are taken to equity as a deduction against the issuance proceeds.

Dividends declared on ordinary shares are recognised as a liability and deducted from equity in the period in which all relevant approvals have been obtained.

(xxii) Contingent assets and contingent liabilities

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank. The Bank does not recognise contingent assets but discloses its existence when inflows of economic benefits are probable, but not virtually certain.

2. Accounting policies (cont'd.)

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

(xxii) Contingent assets and contingent liabilities (cont'd.)

Contingent liabilities are possible obligations that arise from past events, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or are present obligations that have arisen from past events but are not recognised because it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably. The Bank does not recognise contingent liabilities. Contingent liabilities are disclosed, unless the probability of outflow of economic benefits is remote.

(xxiii) Earnings per share ("EPS")

The Bank presents basic and diluted (where applicable) EPS for profit or loss from continuing operations attributable to the ordinary equity holder of the Bank on the face of the income statement.

Basic and diluted EPS are calculated by dividing the net profit attributable to equity holder of the Bank by the weighted average number of ordinary shares in issue during the financial year.

(xxiv) Restricted Profit Sharing Investment Accounts (“RPSIA”)

RPSIA placements are used to fund specific financial assets and are based on the principle of Mudharabah whereby profits will be shared between the Bank as Mudharib and the investors as Rabbul Mal whereas losses shall be borne solely by the investors.

The Bank disclosed details of these placements and financial assets recorded as off-balance sheet items in Notes 8(ii), 8(iii), 9 and 16 in accordance with BNM's policy document on Financial Reporting for Islamic Banking Institution.

2. Accounting policies (cont'd.)

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

(xxv) Financial assistance scheme

Financing under a government scheme is recognised and measured in accordance with MFRS 9 *Financial Instruments* , with the benefit at a below market and concession rate is measured as the difference between the initial carrying amount or fair value of the financing and the amount received. Government financing facility is measured in accordance with the amount received.

The benefit of a financing or a facility under a government scheme that addresses identified costs or expenses incurred by the Bank is recognised in the profit or loss in the same financial period when the costs or expenses are recognised, when the required conditions are fulfilled in accordance with MFRS 120 *Accounting for Government Grants and Disclosure of Government Assistance.*

2.3 Changes in accounting policies and disclosures

On 1 January 2023, the Bank adopted the following amendments to MFRSs:

Description	Effective for annual periods beginning on or
Amendments to MFRS 101 *Presentation of Financial Statements - Disclosure of Accounting Policies*	1 January 2023
Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*	1 January 2023
Amendments to MFRS 112 *Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to MFRS 112 *Income Taxes - International Tax Reform—Pillar Two Model Rules*	1 January 2023

2. Accounting policies (cont'd.)

2.3 Changes in accounting policies and disclosures (cont'd.)

Amendments to MFRS 101 *Presentation of Financial Statements - Disclosure of Accounting Policies*

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

The amendments explain that an accounting policy is material if, without it the users of the financial statements would be unable to understand other material information in the financial statements or/and when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decision that the primary users of general purpose financial statements make on the basis of those financial statements. Immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting information.

The amendments are to be applied prospectively in annual periods beginning on or after 1 January 2023, earlier application is permitted. These amendments do not have significant impact on the preparation of the Bank's financial statements.

Amendments to MFRS 101 *Classification of Liabilities as Current or Non-current*

The amendments clarify the followings:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are to be applied retrospectively in annual periods beginning on or after 1 January 2023, earlier application is permitted. The amendments do not have any impact on the Bank's financial statements.

2. Accounting policies (cont'd.)

2.3 Changes in accounting policies and disclosures (cont'd.)

Amendments to MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates*

The amendments redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". These amendments provide clarity on how to distinguish changes in accounting policies from changes in accounting estimates. The amendments clarify that the effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate if the changes do not arise from prior period errors.

The distinction is important because changes in accounting estimates are applied prospectively but changes in accounting policies are applied retrospectively. The amendments are to be applied prospectively in annual periods beginning on or after 1 January 2023, earlier application is permitted. These amendments do not have significant impact on the preparation of the Bank's financial statements.

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

The amendments specify the treatment for deferred tax on transactions related to leases and decommissioning obligation. The amendments clarify that the initial recognition exemption set out in MFRS 112 does not apply to transactions that give rise to equal amounts of taxable and deductible temporary difference. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are to be applied to transactions that occur on or after the beginning of the earliest comparative period presented. These amendments do not have significant impact on the preparation of the Bank's financial statements.

2. Accounting policies (cont'd.)

2.3 Changes in accounting policies and disclosures (cont'd.)

Amendments to MFRS 112 *Income Taxes - International Tax Reform—Pillar Two Model Rules*

An entity is required to separately disclose its current tax expense (income) related to Pillar Two income taxes, in the periods when the legislation is effective, as this helps users of financial statements understand the relative level of those taxes.

The Amendments require, for periods in which Pillar Two legislation is (substantively) enacted but not yet effective, disclosure of known or reasonably estimable information that helps users of financial statements understand the entity's exposure arising from Pillar Two income taxes. To comply with these requirements, an entity is required to disclose qualitative and quantitative information about its exposure to Pillar Two income taxes at the end of the reporting period.

The temporary exception from recognition and disclosure of information about deferred taxes and the requirement to disclose the application of the exception, apply immediately and retrospectively upon issue of the Amendments.

The disclosure of the current tax expense related to Pillar Two income taxes and the disclosures in relation to periods before the legislation is effective are required for annual reporting periods beginning on or after 1 January 2023, but are not required for any interim period ending on or before 31 December 2023. Maybank Group is within the scope of the Organisation for Economic Co-operation and Development ("OECD") Pillar Two model rules. Pillar Two legislation was enacted in United Kingdom and Vietnam effective 1 January 2024. Since the Pillar Two legislation was not effective at the reporting date, the Group has no related current or expected material tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes.

The amendments are to be applied retrospectively in annual periods beginning on or after 1 January 2023, earlier application is permitted. These amendments do not have significant impact on the preparation of the Bank's financial statements.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ. The most significant uses of judgements and estimates are as follows:

3.1 Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

3.2 Impairment of financial investments portfolio (Notes 8 and 30)

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.

In carrying out the impairment review, the following management's judgements are required:

(i) Determination whether the investment is impaired based on certain indicators such as, amongst others, difficulties of the issuers or obligors, deterioration of the credit quality of the issuers or obligors; and

(ii) Determination of ECL that reflect:

(a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

(b) The time value of money; and

(c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

3. Significant accounting judgements, estimates and assumptions (cont'd.)

3.2 Impairment of financial investments portfolio (Notes 8 and 30) (cont'd.)

The overlays and post-model adjustments arising from remaining uncertainties of COVID-19 pandemic and emerging risks involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward-looking assessment for ECL estimation purposes. The impact is outlined in Note 3.6.

3.3 Deferred tax (Note 20) and income taxes (Note 36)

The Bank is subject to income taxes in Malaysia and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the year in which the estimate is revised or the final liability is established.

Deferred tax assets are recognised in respect of tax losses to the extent that it is probable that future taxable profit will be available against which the losses can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits, together with future tax planning strategies.

3.4 Leases - renewal option

The Bank determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Bank has the option, under some of its leases to lease the assets for additional terms of three to nine years. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Bank includes the renewal period as part of the lease term for leases of premises due to the significance of these assets to its operations.

3. Significant accounting judgements, estimates and assumptions (cont'd.)

3.5 Fair value estimation of financial investments at FVTPL (Note 8), financial investments at FVOCI (Note 8), financing and advances (Note 9) and derivative financial instruments (Note 10)

For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the discounted cash flows method, option pricing models, credit models and other relevant valuation models.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Refer to Note 42 for further disclosures.

3.6 Impairment losses on financing and advances (Notes 9, 18 and 29)

The Bank reviews its individually significant financing and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment losses. In estimating these cash flows, the Bank makes judgements about the customer’s financial situation and the net realisable value of collateral. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowances.

The Bank’s ECL calculations under MFRS 9 are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL models that are considered accounting judgements and estimates include:

(i) Internal credit grading model, which assigns PDs to the individual grades;

(ii) Criteria for assessing possible significant increase in credit risk and qualitative information to determine if allowances should be measured using lifetime ECL basis;

3. Significant accounting judgements, estimates and assumptions (cont'd.)

3.6 Impairment losses on financing and advances (Notes 9, 18 and 29) (cont'd.)

Elements of the ECL models that are considered accounting judgements and estimates include (cont'd.):

(iii) The segmentation of financial assets when their ECL is assessed on a collective basis;

(iv) Development of ECL models, including the various formulas and the choice of inputs;

(v) Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values and the effect on PDs, EADs and LGDs; and

(vi) Selection of forward-looking macroeconomic scenarios and their probability weightings to derive the economic inputs into the ECL models.

<u>Overlays and adjustments for ECL</u>

As the current MFRS 9 models are being recalibrated and not expected to generate levels of ECL with sufficient reliability yet in view of uncertainties from emerging risks of the current economic environment, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL as of the financial year ends.

These overlays and post-model adjustments were taken to reflect the following risk factors not captured in the modelled outcome:

(a) Latest macroeconomic outlook given the elevated uncertainty under high inflation and profit rate environment;
(b) High risk and vulnerable sectors; and
(c) Effects of climate related matters (physical and transition risk) and the impact to economic activities including delinquencies and defaults.

3. Significant accounting judgements, estimates and assumptions (cont'd.)

3.6 Impairment losses on financing and advances (Notes 9, 18 and 29) (cont'd.)

The overlays and post-model adjustments involved significant level of judgement and reflect the management's views of possible severities of the pandemic and paths of recovery in the forward-looking assessment for ECL estimation purposes. The drivers of the management judgemental adjustments continue to evolve with the economic environment.

The customers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with other risk trigger or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 or initial status. The overlays and post-model adjustments are made at both portfolio and individual obligor levels in determining the sufficient level of ECL overlay.

The impact of these post-model adjustments were estimated at both portfolio and vulnerable obligors level amounting to RM1,288.9 million (2022: RM847.6 million) for the Bank as at 31 December 2023.

This overlay includes impact assessment on impairment of financial investments portfolio outlined in Note 3.2.

4. Standards and annual improvements to standards issued but not yet effective

The following are standards and annual improvements to standards issued by Malaysian Accounting Standards Board ("MASB"), but not yet effective, up to the date of issuance of the Bank's financial statements. The Bank intends to adopt these standards and annual improvements to standards, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 16 *Leases - Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to MFRS 7 *Financial Instruments: Disclosures - Supplier Finance Arrangements*	1 January 2024
Amendments to MFRS 107 *Statement of cashflow: Disclosures - Supplier Finance Arrangements*	1 January 2024
Amendments to MFRS 101 *Presentation of Financial Statements Non-current Liabilities with Covenants*	1 January 2024
Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*	1 January 2025
Amendments to MFRS 10 and MFRS 128: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Deferred

Amendments to MFRS 16 *Leases - Lease Liability in Sale and Leaseback*

The amendment requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognising in profit or loss any gain or loss relating to the partial or full termination of a lease.

The amendment applies retrospectively to annual reporting periods beginning on or after 1 January 2024. Earlier application is permitted. The amendments are not expected to have material impact on the Bank's financial statements.

4. Standards and annual improvements to standards issued but not yet effective (cont'd.)

Amendments to MFRS 7 *Financial Instruments: Disclosures - Supplier Finance Arrangements*

The disclosure requirements in the amendments enhance the current requirements and are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity’s liabilities, cash flows and exposure to liquidity risk.

The amendments clarify the characteristics of supplier finance arrangements. In these arrangements, one or more finance providers pay amounts an entity owes to its suppliers. The entity agrees to settle those amounts with the finance providers according to the terms and conditions of the arrangements, either at the same date or at a later date than that on which the finance providers pay the entity’s suppliers. As a result, supplier finance arrangements provide the entity with extended payment terms, or the entity’s suppliers with early payment terms, compared to the original payment due dates.

Different terms are used to describe these arrangements, such as supply chain finance, payables finance and reverse factoring arrangements. Arrangements that are solely credit enhancements for the entity, for example, financial guarantees including letters of credit used as guarantees, are not supplier finance arrangements. Similarly, instruments used to settle the amounts owed directly with a supplier, for example, credit cards, are not supplier finance arrangements.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed. These amendments are not expected to have a significant impact on the preparation of the Bank's financial statements.

Amendments to MFRS 107 *Statement of cashflow: Disclosures - Supplier Finance Arrangements*

The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including:

- Terms and conditions;

4. Standards and annual improvements to standards issued but not yet effective (cont'd.)

Amendments to MFRS 107 *Statement of cashflow: Disclosures - Supplier Finance Arrangements* (cont'd.)

The amendments require an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows, including (cont'd.):

- As at the beginning and end of the reporting period:

  (a) The carrying amounts of supplier finance arrangement financial liabilities and the line items in which those liabilities are presented

  (b) The carrying amounts of financial liabilities and the line items, for which the finance providers have already settled the corresponding trade payables

  (c) The range of payment due dates for financial liabilities owed to the finance providers and for comparable trade payables that are not part of those arrangements payables

- The type and effect of non-cash changes in the carrying amounts of supplier finance arrangement financial liabilities, which prevent the carrying amounts of the financial liabilities from being comparable

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024. Early adoption is permitted but will need to be disclosed. These amendments are not expected to have a significant impact on the preparation of the Bank's financial statements.

Amendments to MFRS 101 *Presentation of Financial Statements - Non-current Liabilities with Covenants*

The amendments clarify the following:

- Right to defer settlement;
- Expected deferrals;
- Settlement by way of own equity instruments; and
- Disclosures.

The amendments will be effective for annual reporting periods beginning on or after 1 January 2024 and will need to be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early adoption is permitted, but will need to be disclosed. These amendments are not expected to have a significant impact on the preparation of the Bank's financial statements.

4. Standards and annual improvements to standards issued but not yet effective (cont'd.)

Amendments to MFRS 121 *The Effects of Changes in Foreign Exchange Rates - Lack of Exchangeability*

The amendments clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

The amendments apply for annual reporting periods beginning on or after 1 January 2025. Earlier application is permitted, in which case, an entity is required to disclose that fact. These amendments are not expected to have a significant impact on the preparation of the Bank's financial statements.

Amendments to MFRS 10 and MFRS 128 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments clarify that:

- Gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity’s financial statements only to the extent of unrelated investors’ interests in the associate or joint venture; and

- Gains and losses resulting from transactions involving the sale or contribution of assets to an associate or a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by the MASB. Earlier application is permitted. The amendments are not expected to have material impact on the Bank's financial statements.

5. Cash and short-term funds

	2023 RM'000	2022 RM'000
Cash and balances with banks and other financial institutions	**26**	30
Money at call and interbank placements with remaining maturity not exceeding one month	**7,811,482**	15,092,556
	7,811,508	15,092,586

6. Deposits and placements with banks and other financial institutions

	2023 RM'000	2022 RM'000
Licensed banks	**2,801,850**	4,000,657
Bank Negara Malaysia	**-**	1,329,223
	2,801,850	5,329,880

7. Financial assets purchased under resale agreements and obligations on financial assets sold under repurchase agreements

(i) The financial assets purchased under resale agreements are as follows:

	Note	2023 RM'000	2022 RM'000
Malaysian Government Investment Issues		**58,198**	2,122,491
Allowances for impairment losses	(a)	**(80)**	(796)
		58,118	2,121,695

7. Financial assets purchased under resale agreements and obligations on financial assets sold under repurchase agreements (cont'd.)

(i) The financial assets purchased under resale agreements are as follows (cont'd.):

(a) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial assets purchased under resale agreements are as follows:

As at 31 December 2023

Changes in the financial assets purchased under resale agreements for the Bank that contributed to the changes in the loss allowances during the financial year ended 31 December 2023 was mainly due to the following:

- The decrease in the gross carrying amount due to financial assets derecognised during the year which correspondingly decrease the ECL allowances.

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2023	796	-	-	796
New financial assets purchased	80	-	-	80
Financial assets derecognised	(796)	-	-	(796)
At 31 December 2023	80	-	-	80

As at 31 December 2022

Changes in the financial assets purchased under resale agreements for the Bank that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2022 was mainly due to the following:

- The decrease in the gross carrying amount for financial assets purchased under resale agreements due to financial assets derecognised during the year which correspondingly decreased the ECL allowances.

7. Financial assets purchased under resale agreements and obligations on financial assets sold under repurchase agreements (cont'd.)

(i) The financial assets purchased under resale agreements are as follows (cont'd.):

(a) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial assets purchased under resale agreements are as follows (cont'd.):

As at 31 December 2022

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2022	7,081	-	-	7,081
New financial assets purchased	796	-	-	796
Financial assets derecognised	(7,081)	-	-	(7,081)
At 31 December 2022	796	-	-	796

(ii) Obligations on financial assets sold under repurchase agreements are as follows:

	Note	2023 RM'000	2022 RM'000
Financial investments at fair value through other comprehensive income	8(ii)(e)	-	461,081
		-	461,081

8. Financial investments portfolio

	Note	2023 RM'000	2022 RM'000
Financial investments at fair value through profit or loss	(i)	**1,331,059**	309,504
Financial investments at fair value through other comprehensive income	(ii)	**24,342,546**	15,645,983
Financial investments at amortised cost	(iii)	**13,759,189**	27,461,699
		39,432,794	43,417,186

Included in notes (ii) and (iii) are MFRS 9 reclassification that result in net increase of RM10,753.8 in financial investments at fair value through other comprehensive income and a net decrease of RM10,266.0 in financial investments at amortised cost for the Bank respectively arising from implementation of Group Investment Management Framework ("GIMF") in stages as disclosed in Note 41(a).

(i) Financial investments at fair value through profit or loss ("FVTPL")

	2023 RM'000	2022 RM'000
At fair value		
Money market instruments:		
Malaysian Government Investment Issues	**378,487**	
Bank Negara Malaysia Monetary Notes	**713,291**	-
Cagamas Sukuk	**30,009**	-
	1,121,787	-
Unquoted securities:		
In Malaysia:		
Corporate Sukuk	**126,293**	-
Outside Malaysia:		
Islamic Corporate Sukuk	**82,979**	309,504
Total financial investments at FVTPL	**1,331,059**	309,504

8. Financial investments portfolio (cont'd.)

(ii) Financial investments at fair value through other comprehensive income ("FVOCI")

	Note	2023 RM'000	2022 RM'000
At fair value			
Money market instruments:			
Bank Negara Malaysia Monetary Notes		**584,212**	-
Malaysian Government Investment Issues		**16,320,593**	12,457,878
		16,904,805	12,457,878
Unquoted securities:			
In Malaysia:			
Corporate Sukuk	(a)	**7,436,491**	3,186,855
Equity		**1,250**	1,250
		7,437,741	3,188,105
Total financial investments at FVOCI		**24,342,546**	15,645,983

(a) As at 31 December 2023, the Corporate Sukuk funded by RPSIA amounting to RM940.9 million (2022: RM537.8 million) was recorded off-balance sheet in accordance with the accounting policy as disclosed in Note 2.2(xxiv).

(b) The maturity profile of money market instruments are as follows:

	2023 RM'000	2022 RM'000
Within one year	**808,618**	3,220,412
One year to three years	**172,771**	512,126
Three years to five years	**1,451,415**	1,223,262
After five years	**14,472,001**	7,502,078
	16,904,805	12,457,878

(c) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at FVOCI are as follows:

As at 31 December 2023

Changes in the financial investments at FVOCI for the Bank that contributed to the changes in the loss allowances during the financial year ended 31 December 2023 was mainly due to the following:

- The overall increase in the gross carrying amount of financial investments at FVOCI was mainly contributed by Government Investment Issues ("GII") and Corporate Sukuk. GII and Corporate Sukuk mainly includes Government Guaranteed securities which did not attract impact to ECL allowances.

8. Financial investments portfolio (cont'd.)

(ii) Financial investments at fair value through other comprehensive income ("FVOCI") (cont'd.)

(c) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at FVOCI are as follows (cont'd.):

As at 31 December 2023 (cont'd.)

Changes in the financial investments at FVOCI for the Bank that contributed to the changes in the loss allowances during the financial year ended 31 December 2023 was mainly due to the following (cont'd.):

- The decrease in ECL for Stage 2 was due to derecognition of financial assets which correspondingly decreased the ECL allowances.

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2023	607	1,414	-	2,021
Net remeasurement of allowances	(533)	-	-	(533)
New financial assets purchased	343	-	-	343
Financial assets derecognised	(31)	(1,414)	-	(1,445)
Changes in models/ risk parameters	(7)	-	-	(7)
Exchange differences	1	-	-	1
At 31 December 2023	380	-	-	380

As at 31 December 2022

Changes in the financial investments at FVOCI for the Bank that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2022 was mainly due to the following:

- The overall increase in the gross carrying amount of financial investments at FVOCI was mainly contributed by GII which did not attract loss allowances.

8. Financial investments portfolio (cont'd.)

(ii) Financial investments at fair value through other comprehensive income ("FVOCI") (cont'd.)

(c) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at FVOCI are as follows (cont'd.):

As at 31 December 2022 (cont'd.)

Changes in the financial investments at FVOCI for the Bank that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2022 was mainly due to the following (cont'd.):

- The decrease in the gross carrying amount of Islamic Corporate Sukuk due to financial assets derecognised during the financial year which correspondingly decrease the ECL allowances.

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2022	3,632	-	-	3,632
Transferred to Stage 2	(579)	579	-	-
Net remeasurement of allowances	(337)	835	-	498
New financial assets purchased	22	-	-	22
Financial assets derecognised	(2,400)	-	-	(2,400)
Exchange differences	269	-	-	269
At 31 December 2022	607	1,414	-	2,021

(d) Equity instrument at FVOCI is as follows:

	2023 RM'000	2022 RM'000
Raeed Holdings Berhad	**1,250**	1,250

8. Financial investments portfolio (cont'd.)

(ii) Financial investments at fair value through other comprehensive income ("FVOCI") (cont'd.)

(e) Included in investments at FVOCI are financial assets sold under repurchase agreements are as follows:

	2023 RM'000	2022 RM'000
Malaysian Government Investment Issues	**-**	461,081

(iii) Financial investments at amortised cost

	Note	2023 RM'000	2022 RM'000
At amortised cost			
Money market instruments:			
Malaysian Government Investment Issues		**9,260,073**	15,437,414
Khazanah Sukuk		**562,011**	545,883
Cagamas Sukuk		**-**	125,468
		9,822,084	16,108,765
Unquoted securities:			
In Malaysia:			
Corporate Sukuk	(a)	**3,955,924**	11,384,050
Allowances for impairment losses	(c)	**(18,819)**	(31,116)
Total financial investments at amortised cost		**13,759,189**	27,461,699

(a) As at 31 December 2023, the Corporate Sukuk funded by RPSIA amounting to RM7,357.8 million (2022: RM4,164.2 million) was recorded off-balance sheet in accordance with the accounting policy as disclosed in Note 2.2(xxiv).

8. Financial investments portfolio (cont'd.)

(iii) Financial investments at amortised cost (cont'd.)

(b) The maturity profile of money market instruments are as follows:

	2023 RM'000	2022 RM'000
Within one year	**808,247**	611,866
One year to three years	**603,712**	648,051
Three years to five years	**2,107,795**	19,584
After five years	**6,302,330**	14,829,264
	9,822,084	16,108,765

(c) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at amortised cost are as follows:

As at 31 December 2023

Changes in the financial investments at amortised cost for the Bank that contributed to the changes in the loss allowances during the financial year ended 31 December 2023 were mainly due to following:

- The decrease in the gross carrying amount of financial investments amortised cost was contributed by Corporate Sukuk, due to decrease in the net remeasurement of allowances which correspondingly decreased the ECL allowances.

- The increase in the ECL for stage 3 was due to deteriotation in credit risk which correspondingly increase the net remeasurement of allowances.

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2023	**30,266**	**850**	**-**	**31,116**
Transferred to Stage 3	**-**	**(850)**	**850**	**-**
Net remeasurement of allowances	**(28,117)**	**-**	**15,891**	**(12,226)**
New financial assets purchased	**66**	**-**	**-**	**66**
Financial assets derecognised	**(873)**	**-**	**-**	**(873)**
Changes in models/ risk parameters	**736**	**-**	**-**	**736**
At 31 December 2023	**2,078**	**-**	**16,741**	**18,819**

8. Financial investments portfolio (cont'd.)

(iii) Financial investments at amortised cost (cont'd.)

(c) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at amortised cost are as follows (cont'd.):

As at 31 December 2022

Changes in the financial investments at amortised cost for the Bank that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2022 were mainly due to following:

- The overall increase in the gross carrying amount of financial investments amortised cost was contributed by GII which did not attract loss allowances.

- The increase in the gross carrying amount of Corporate Sukuk due to new financial assets purchased during the financial year which correspondingly increase ECL allowances.

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2022	28,355	-	-	28,355
Transferred to Stage 2	(386)	386	-	-
Net remeasurement of allowances	2,786	464	-	3,250
New financial assets purchased	1,005	-	-	1,005
Financial assets derecognised	(1,470)	-	-	(1,470)
Changes in models/ risk parameters	(24)	-	-	(24)
At 31 December 2022	30,266	850	-	31,116

9. Financing and advances

	2023 RM'000	2022 RM'000
Financing and advances*:		
(A) Financing and advances at FVOCI	**1,491,790**	3,141,460
(B) Financing and advances at amortised cost	**289,328,434**	280,573,323
	290,820,224	283,714,783
Unearned income	**(58,938,346)**	(66,345,579)
Gross financing and advances	**231,881,878**	217,369,204
Allowances for ECL and impairment losses:		
- Stage 1 - 12-month ECL	**(548,816)**	(442,735)
- Stage 2 - Lifetime ECL not credit impaired	**(1,423,854)**	(1,309,534)
- Stage 3 - Lifetime ECL credit impaired	**(1,102,053)**	(1,237,312)
Net financing and advances	**228,807,155**	214,379,623

* As at 31 December 2023, the financing and advances funded by RPSIA amounting to RM34,308.6 million (2022: RM25,882.8 million) was recorded off-balance sheet in accordance with the accounting policy as disclosed in Note 2.2(xxiv).

The gross exposure of the financing and advances funded by investment accounts of customers ("IA") as at 31 December 2023 was RM27,354.3 million (2022: RM25,637.7 million).

9. Financing and advances (cont'd.)

(i) Financing and advances analysed by type and Shariah concepts are as follows:

2023	Bai'[1] RM'000	Murabahah RM'000	Musharakah RM'000	Al-Ijarah Thumma Al-Bai' ("AITAB")[2] RM'000	Ijarah[3] RM'000	Others RM'000	Total financing and advances RM'000
Cashline	-	7,068,707	-	-	-	-	7,068,707
Term financing							
- House financing	10,805,361	97,680,534	1,397,371	-	-	590	109,883,856
- Syndicated financing	-	5,213,306	-	-	-	-	5,213,306
- Hire purchase receivables	-	14,063,247	-	47,001,375	-	-	61,064,622
- Lease receivables	-	-	-	-	2,548,038	-	2,548,038
- Other term financing	4,645,909	82,088,431	402,904	-	-	41,582	87,178,826
Bills receivable	-	-	-	-	-	52	52
Trust receipts	-	212,698	-	-	-	-	212,698
Claims on customers under acceptance credits	-	7,786,061	-	-	-	-	7,786,061
Staff financing	234,631	2,894,181	5,608	141,127	-	48,654	3,324,201
Credit card receivables	-	-	-	-	-	2,158,462	2,158,462
Revolving credit	-	4,340,427	-	-	-	-	4,340,427
Share margin financing	-	38,482	-	-	-	-	38,482
Financing to:							
- Directors of the Bank	-	1,631	-	186	-	84	1,901
- Directors of related companies	-	348	-	237	-	-	585
	15,685,901	221,388,053	1,805,883	47,142,925	2,548,038	2,249,424	290,820,224
Unearned income							(58,938,346)
Gross financing and advances[4]							231,881,878
Allowances for ECL and impairment losses:							
- Stage 1 - 12-month ECL							(548,816)
- Stage 2 - Lifetime ECL not credit impaired							(1,423,854)
- Stage 3 - Lifetime ECL credit impaired							(1,102,053)
Net financing and advances							228,807,155

[1] Bai' comprises of Bai'-Bithaman Ajil, Bai' Al-Inah and Bai'-Al-Dayn.

[2] The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer via sale at the end of the Ijarah financing.

[3] The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer at the end of the Ijarah financing subject to the customer's execution of the purchase option.

[4] Included in financing and advances are the underlying assets under the IA.

9. Financing and advances (cont'd.)

(i) Financing and advances analysed by type and Shariah concepts are as follows (cont'd.):

2022	Bai'[1] RM'000	Murabahah RM'000	Musharakah RM'000	Al-Ijarah Thumma Al-Bai' ("AITAB")[2] RM'000	Ijarah[3] RM'000	Others RM'000	Total financing and advances RM'000
Cashline	-	6,837,168	-	-	-	-	6,837,168
Term financing							
- House financing	11,752,044	87,570,087	1,552,014	-	-	599	100,874,744
- Syndicated financing	-	7,229,950	-	-	-	-	7,229,950
- Hire purchase receivables	-	13,349,586	-	41,455,457	-	-	54,805,043
- Lease receivables	-	-	-	-	1,735,870	-	1,735,870
- Other term financing	6,507,592	87,128,112	483,889	-	-	150,491	94,270,084
Trust receipts	-	175,810	-	-	-	-	175,810
Claims on customers under acceptance credits	-	6,024,358	-	-	-	-	6,024,358
Staff financing	282,744	2,548,232	6,488	137,263	-	43,715	3,018,442
Credit card receivables	-	-	-	-	-	1,779,342	1,779,342
Revolving credit	-	6,909,108	-	-	-	-	6,909,108
Share margin financing	-	49,724	-	-	-	-	49,724
Financing to:							
- Directors of the Bank	-	2,032	-	-	-	37	2,069
- Directors of related companies	-	2,899	-	137	-	35	3,071
	18,542,380	217,827,066	2,042,391	41,592,857	1,735,870	1,974,219	283,714,783
Unearned income							(66,345,579)
Gross financing and advances[4]							217,369,204
Allowances for ECL and impairment losses:							
- Stage 1 - 12-month ECL							(442,735)
- Stage 2 - Lifetime ECL not credit impaired							(1,309,534)
- Stage 3 - Lifetime ECL credit impaired							(1,237,312)
Net financing and advances							214,379,623

[1] Bai' comprises of Bai'-Bithaman Ajil, Bai' Al-Inah and Bai'-Al-Dayn.
[2] The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer via sale at the end of the Ijarah financing.
[3] The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer at the end of the Ijarah financing subject to the customer's execution of the purchase option.
[4] Included in financing and advances are the underlying assets under the IA.

9. Financing and advances (cont'd.)

(ii) Financing and advances analysed by type of customers are as follows:

	2023 RM'000	2022 RM'000
Domestic non-banking financial institutions	**5,074,447**	5,070,402
Domestic business enterprises:		
- Small and medium enterprises	**44,525,336**	36,949,925
- Others	**16,548,233**	19,948,088
Government and statutory bodies	**116,470**	3,024,602
Individuals	**163,584,593**	150,215,905
Other domestic entities	**157,160**	112,416
Foreign entities	**1,875,639**	2,047,866
Gross financing and advances	**231,881,878**	217,369,204

(iii) Financing and advances analysed by profit rate sensitivity are as follows:

	2023 RM'000	2022 RM'000
Fixed rate:		
- House financing	**1,618,028**	1,678,831
- Hire purchase receivables	**42,032,224**	37,177,565
- Other financing	**11,120,924**	16,285,363
Floating rate:		
- House financing	**78,113,967**	66,675,784
- Other financing	**98,996,735**	95,551,661
Gross financing and advances	**231,881,878**	217,369,204

(iv) Financing and advances analysed by their economic purposes are as follows:

	2023 RM'000	2022 RM'000
Purchase of securities	**22,391,172**	26,491,247
Purchase of transport vehicles	**54,676,294**	49,567,413
Purchase of landed properties:		
- Residential	**82,158,475**	69,603,629
- Non-residential	**20,653,905**	18,016,280
Purchase of fixed assets (excluding landed properties)	**294,376**	267,159
Personal use	**3,674,884**	3,198,911
Purchase of consumer durables	**584**	475
Constructions	**2,418,548**	2,379,126
Mergers and acquisitions	**-**	460,000
Working capital	**43,388,891**	45,556,016
Credit cards	**2,224,749**	1,828,948
Gross financing and advances	**231,881,878**	217,369,204

9. Financing and advances (cont'd.)

(v) The maturity profile of financing and advances are as follows:

	2023 RM'000	2022 RM'000
Within one year	**23,900,036**	24,619,767
One year to three years	**8,916,511**	7,994,328
Three years to five years	**19,117,586**	19,579,563
After five years	**179,947,745**	165,175,546
Gross financing and advances	**231,881,878**	217,369,204

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

	2023 RM'000	2022 RM'000
Gross impaired financing and advances at 1 January	**2,061,080**	1,492,756
Impaired during the financial year	**1,605,365**	1,237,425
Reclassified as non-impaired	**(56,988)**	(65,139)
Amount recovered	**(99,115)**	(223,830)
Amount written-off	**(1,060,045)**	(380,132)
Gross impaired financing and advances at 31 December	**2,450,297**	2,061,080
Less: Stage 3 - Lifetime ECL credit impaired	**(1,102,053)**	(1,237,312)
Net impaired financing and advances at 31 December	**1,348,244**	823,768

Calculation of ratio of net impaired financing and advances (excluding financing funded by IA):

	2023 RM'000	2022 RM'000
Gross impaired financing and advances	**2,323,152**	2,001,463
Less: Stage 3 - Lifetime ECL credit impaired	**(1,102,053)**	(1,237,312)
Net impaired financing and advances	**1,221,099**	764,151

9. Financing and advances (cont'd.)

(vi) Movements in the credit impaired financing and advances are as follows (cont'd.):

Calculation of ratio of net impaired financing and advances (excluding financing funded by IA) (cont'd.):

	2023 RM'000	2022 RM'000
Gross financing and advances	**204,527,541**	191,731,502
Less: Allowances for financing and advances at amortised cost and at fair value through other comprehensive income	**(3,094,536)**	(2,996,850)
Net financing and advances	**201,433,005**	188,734,652
Ratio of net impaired financing and advances	**0.61%**	0.40%

(vii) Credit impaired financing and advances analysed by their economic purposes are as follows:

	2023 RM'000	2022 RM'000
Purchase of securities	**12,098**	7,462
Purchase of transport vehicles	**222,367**	129,899
Purchase of landed properties:		
- Residential	**357,454**	256,992
- Non-residential	**325,396**	187,865
Purchase of fixed assets (excluding landed properties)	**2,154**	2,720
Personal use	**407,599**	32,286
Purchase of consumer durables	**1**	2
Constructions	**224,916**	204,506
Working capital	**883,749**	1,228,537
Credit cards	**14,563**	10,811
	2,450,297	2,061,080

9. Financing and advances (cont'd.)

(viii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows:

As at 31 December 2023

Changes in the gross carrying amount of financing and advances carried at fair value through other comprehensive income and amortised cost for the Bank that contributed to the changes in the loss allowance during the financial year ended 31 December 2023 were mainly due to the following:

- Gross carrying amount grew primarily from retail hire purchase receivables and house financing by 11% and 9% respectively.

- The ECL for Stage 1 (12-month ECL) increased by RM105.2 million in tandem with higher growth in loans, advances and financing and accounts migrated into Stage 1 from Stage 2 or Stage 3 due to credit quality improvement.

- The ECL for Stage 2 (lifetime ECL not credit impaired) increased by RM127.7 million primarily due to accounts migrated to Stage 2 which was offset by financing and advances that were fully repaid or having movement in the existing balances during the financial year, and accounts migrated to Stage 3 due to deterioration in credit quality.

- The ECL for Stage 3 (lifetime credit impaired) decreased by RM135.3 million primarily due to significant financing and advances written off during year, which is still subject to recovery activity amounting to RM1,060.0 million (2022: RM380.1 million). This is offset by RM1,605.4 million of the Bank’s financing and advances that were transferred into Stage 3 due to credit quality deterioration.

9. Financing and advances (cont'd.)

(viii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows (cont'd.):

As at 31 December 2023 (cont'd.)

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At fair value through other comprehensive income				
At 1 January 2023	7,269	-	-	7,269
Transferred to Stage 2	(3,186)	3,186	-	-
Net remeasurement of allowances	-	10,203	-	10,203
New financial assets originated or purchased	1,827	-	-	1,827
Financial assets derecognised	(371)	-	-	(371)
Changes in models/risk parameters	873	-	-	873
Exchange differences	12	-	-	12
At 31 December 2023	6,424	13,389	-	19,813

9. Financing and advances (cont'd.)

(viii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows (cont'd.):

As at 31 December 2023 (cont'd.)

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At amortised cost				
At 1 January 2023	442,735	1,309,534	1,237,312	2,989,581
Transferred to Stage 1	114,366	(108,573)	(5,793)	-
Transferred to Stage 2	(31,198)	46,414	(15,216)	-
Transferred to Stage 3	(8,799)	(98,770)	107,569	-
Net remeasurement of allowances	41,988	299,978	803,183	1,145,149
New financial assets originated or purchased	134,253	71,265	-	205,518
Financial assets derecognised	(67,846)	(58,074)	25,299	(100,621)
Changes in models/risk parameters	(77,070)	(38,031)	(10,877)	(125,978)
Amount written-off	-	-	(1,060,045)	(1,060,045)
Exchange differences	387	111	20,621	21,119
At 31 December 2023	548,816	1,423,854	1,102,053	3,074,723

9. Financing and advances (cont'd.)

(viii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows (cont'd.):

As at 31 December 2022

Changes in the gross carrying amount of financing and advances carried at fair value through other comprehensive income and amortised cost for the Bank that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2022 were mainly due to the following:

- Gross carrying amount grew significantly from hire purchase receivables and house financing by 14% and 5% respectively.

- The ECL for Stage 1 (12-month ECL) and Stage 2 (lifetime ECL not credit impaired) decreased primarily due to the improvement in macro-economic outlook and repayment behavioural trend along with movement of accounts from Stage 2 to Stage 3 due to newly impaired accounts under high risk industry which led to an increase in ECL for Stage 3 (lifetime ECL credit impaired).

- The gross carrying amount of financing and advances that was written off during the year, which is still subject to recovery activity was RM380.1 million (2021: RM233.8 million). This has resulted in the reduction of Stage 3 lifetime ECL credit impaired by the same amount.

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At fair value through other comprehensive income				
At 1 January 2022	2,302	-	-	2,302
Net remeasurement of allowances	2,885	-	-	2,885
New financial assets originated or purchased	2,550	-	-	2,550
Financial assets derecognised	(494)	-	-	(494)
Exchange differences	26	-	-	26
At 31 December 2022	7,269	-	-	7,269

9. Financing and advances (cont'd.)

(viii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows (cont'd.):

As at 31 December 2022 (cont'd.)

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At amortised cost				
At 1 January 2022	556,209	1,678,410	709,435	2,944,054
Transferred to Stage 1	167,116	(162,063)	(5,053)	-
Transferred to Stage 2	(32,756)	47,143	(14,387)	-
Transferred to Stage 3	(8,797)	(250,227)	259,024	-
Net remeasurement of allowances	(342,559)	1,080	684,326	342,847
New financial assets originated or purchased	140,955	64,426	-	205,381
Financial assets derecognised	(56,107)	(69,495)	(22,596)	(148,198)
Changes in models/risk parameters	(1,738)	(210)	(9,655)	(11,603)
Amount written-off	-	-	(380,132)	(380,132)
Exchange differences	20,412	470	16,350	37,232
At 31 December 2022	442,735	1,309,534	1,237,312	2,989,581

10. Derivative financial instruments and hedge accounting

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of derivative's underlying asset, reference rate or index and is the basis upon which change in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the reporting date and are indicative of neither the market risks nor the credit risk.

The Bank enters into derivative financial instruments at the request and on behalf of its customers as well as to hedge the Bank's own exposures and not for speculative purpose. Derivative financial instruments that are entered into for hedging purpose but which the Bank have not used to apply hedge accounting or which relate to customers' transactions are classified as trading derivatives.

	2023			2022		
	Principal amount RM'000	<--------- Fair value ----------> Assets RM'000	Liabilities RM'000	Principal amount RM'000	<--------- Fair value ----------> Assets RM'000	Liabilities RM'000
Trading derivatives						
Foreign exchange related contracts						
Currency forwards:						
- Less than one year	**8,006,888**	**38,165**	**(97,359)**	7,169,578	16,622	(220,596)
- One year to three years	**1,214,410**	**17,595**	**(17,595)**	735,487	1,847	(1,847)
- More than three years	**2,211,892**	**16,097**	**(16,097)**	2,396,107	31,628	(31,628)
	11,433,190	**71,857**	**(131,051)**	10,301,172	50,097	(254,071)
Currency swaps:						
- Less than one year	**23,968,277**	**75,316**	**(163,348)**	9,208,639	185,047	(83,280)
Currency spots:						
- Less than one year	**261,522**	**140**	**(313)**	193,731	4,446	(257)
Currency options:						
- Less than one year	**20,271**	**53**	**(53)**	4,348	10	(10)

10. Derivative financial instruments and hedge accounting (cont'd.)

	2023			2022		
	Principal amount RM'000	<--------- Fair value -----------> Assets RM'000	Liabilities RM'000	Principal amount RM'000	<--------- Fair value -----------> Assets RM'000	Liabilities RM'000
Trading derivatives (cont'd.)						
Foreign exchange related contracts (cont'd.)						
Cross currency profit rate swaps:						
- Less than one year	**-**	**-**	**-**	5,064	225	(225)
- One year to three years	**-**	**-**	**-**	7,225	283	(283)
- More than three years	**425,504**	**12,896**	**(14,049)**	416,486	2,790	(2,790)
	425,504	**12,896**	**(14,049)**	428,775	3,298	(3,298)
Profit rate related contracts						
Profit rate swaps:						
- Less than one year	**-**	**-**	**-**	3,012,000	18,501	(18,501)
- One year to three years	**37,321**	**164**	**(164)**	65,437	494	(494)
- More than three years	**220,000**	**193**	**(115)**	220,000	1,870	(1,780)
	257,321	**357**	**(279)**	3,297,437	20,865	(20,775)
Hedging derivatives						
Profit rate related contracts						
Profit rate swaps:						
- More than three years	**-**	**-**	**-**	1,635,000	-	(22,983)
Total	**36,366,085**	**160,619**	**(309,093)**	25,069,102	263,763	(384,674)

10. Derivative financial instruments and hedge accounting (cont'd.)

Fair value hedge

Included within hedging derivatives are derivatives where the Bank have used to apply hedge accounting.

Fair value hedge is used by the Bank to protect against changes in the fair value of financial assets and financial liabilities due to movements in profit rates. The financial instruments hedged for profit rate risk include the Bank's financial investments.

During the financial year ended 31 December 2023, the Bank has discontinued a number of hedge relationships between the hedged items and hedging instruments due to a change in risk management objective resulting from the implementation of the GIMF.

A total loss of RM1,578,592 has been amortised in the Profit or Loss during the financial year with the remaining unamortised Fair Value Hedge adjustment being RM34,591,749 which will be amortised over the average remaining maturity of the financial assets.

For the financial year ended 31 December 2023, the Bank recognised the following net gain/(loss):

	2023 RM'000	2022 RM'000
Loss on the hedging instruments	**(21,671)**	(21,838)
Gain on the hedged items attributable to the hedged risk	**34,592**	20,474

11. Other assets

	2023 RM'000	2022 RM'000
Amount due from holding company	**2,723,755**	4,170,395
Handling fees	**239,621**	218,146
Prepayments and deposits	**15,407**	15,006
Tax recoverable	**350,050**	-
Margin account with holding company	**118,860**	-
Other debtors	**504,877**	747,218
	3,952,570	5,150,765

12. Statutory deposit with Bank Negara Malaysia

The non-profit bearing statutory deposit maintained with Bank Negara Malaysia is in compliance with the requirements of the Central Bank of Malaysia Act 2009, the amount of which is determined as set percentages of total eligible liabilities.

13. Property, plant and equipment

As at 31 December 2023	Office furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2023	1,037	295	379	1,711
Exchange differences	16	5	6	27
At 31 December 2023	1,053	300	385	1,738
Accumulated depreciation				
At 1 January 2023	1,017	94	259	1,370
Depreciation charge for the financial year (Note 33)	10	60	77	147
Exchange differences	16	2	4	22
At 31 December 2023	1,043	156	340	1,539
Net carrying amount	10	144	45	199

13. Property, plant and equipment (cont'd.)

As at 31 December 2022	Office furniture, fittings, equipment and renovations RM’000	Computers and peripherals RM’000	Motor vehicles RM’000	Total RM’000
Cost				
At 1 January 2022	1,099	152	401	1,652
Additions	-	151	-	151
Exchange differences	(62)	(8)	(22)	(92)
At 31 December 2022	1,037	295	379	1,711
Accumulated depreciation				
At 1 January 2022	846	66	194	1,106
Depreciation charge for the financial year (Note 33)	182	28	67	277
Exchange differences	(11)	-	(2)	(13)
At 31 December 2022	1,017	94	259	1,370
Net carrying amount	20	201	120	341

14. Right-of-use assets

	Premises 2023 RM’000	2022 RM’000
Cost		
At 1 January	**14,242**	13,350
Additions	**303**	4,603
Termination	**(1,289)**	(3,313)
Modification	**-**	(396)
Exchange differences	**138**	(2)
At 31 December	**13,394**	14,242
Accumulated depreciation		
At 1 January	**6,963**	7,224
Depreciation charge for the financial year (Note 33)	**3,228**	3,150
Termination	**(1,289)**	(3,313)
Modification	**-**	(99)
Exchange differences	**(2)**	1
At 31 December	**8,900**	6,963
Net carrying amount		
At 31 December	**4,494**	7,279

15. Deposits from customers

	2023 RM'000	2022 RM'000
Savings deposits		
Murabahah	**27,898,298**	27,711,469
Qard	**537,261**	601,896
	28,435,559	28,313,365
Demand deposits		
Murabahah	**38,688,322**	37,422,903
Qard	**497,776**	1,381,375
	39,186,098	38,804,278
Term deposits		
Murabahah	**142,778,570**	142,073,732
Qard	**298,752**	592,088
	143,077,322	142,665,820
	210,698,979	209,783,463

(i) The maturity profile of term deposits are as follows:

	2023 RM'000	2022 RM'000
Within six months	**130,681,313**	131,862,405
Six months to one year	**12,265,164**	10,616,600
One year to three years	**118,555**	166,746
Three years to five years	**12,290**	20,069
	143,077,322	142,665,820

(ii) The deposits are sourced from the following type of customers:

	2023 RM'000	2022 RM'000
Business enterprises	**88,595,093**	76,896,558
Individuals	**62,192,971**	59,602,414
Government and statutory bodies	**32,383,000**	38,164,258
Others	**27,527,915**	35,120,233
	210,698,979	209,783,463

16. Investment accounts

	2023 RM'000	2022 RM'000
Investment accounts of customers		
- Unrestricted investment accounts	**27,354,337**	25,637,702
Restricted investment accounts managed by the Bank[1]	**42,884,778**	30,552,966

(i) Movements in the investment accounts are as follows:

	Unrestricted investment accounts			Restricted investment accounts managed by the Bank[1]
2023	**Mudharabah[2] RM'000**	**Wakalah RM'000**	**Total RM'000**	**Mudharabah RM'000**
Funding inflows/(outflows)				
At 1 January	**25,637,702**	**-**	**25,637,702**	**30,552,966**
New placements during the financial year	**61,539,566**	**250,000**	**61,789,566**	**23,493,865**
Redemptions during the financial year	**(60,071,737)**	**-**	**(60,071,737)**	**(11,329,348)**
Changes in profit payable	**(1,748)**	**554**	**(1,194)**	**167,295**
At 31 December	**27,103,783**	**250,554**	**27,354,337**	**42,884,778**
2022				
Funding inflows/(outflows)				
At 1 January	28,720,799	-	28,720,799	30,147,795
New placements during the financial year	49,620,821	-	49,620,821	9,223,147
Redemptions during the financial year	(52,706,322)	-	(52,706,322)	(8,935,976)
Changes in profit payable	2,404	-	2,404	118,000
At 31 December	25,637,702	-	25,637,702	30,552,966

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16. Investment accounts (cont'd.)

(ii) Investment accounts are sourced from the following type of customers:

	Unrestricted investment accounts			Restricted investment accounts managed by the Bank[1]
	Mudharabah[2]	Wakalah	Total	Mudharabah
2023	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Business enterprises	**14,795,428**	**-**	**14,795,428**	**-**
Individuals	**10,344,687**	**-**	**10,344,687**	**-**
Government and statutory bodies	**322,997**	**-**	**322,997**	**-**
Licensed banks	**-**	**-**	**-**	**42,226,738**
Others	**1,640,671**	**250,554**	**1,891,225**	**658,040**
	27,103,783	**250,554**	**27,354,337**	**42,884,778**
2022				
Business enterprises	13,389,602	-	13,389,602	-
Individuals	10,342,032	-	10,342,032	-
Government and statutory bodies	246,938	-	246,938	-
Licensed banks	-	-	-	30,123,166
Others	1,659,130	-	1,659,130	429,800
	25,637,702	-	25,637,702	30,552,966

16. Investment accounts (cont'd.)

(iii) Maturity structure of investment accounts are as follows:

	Unrestricted investment accounts			Restricted investment accounts managed by the Bank[1]
2023	**Mudharabah[2] RM'000**	**Wakalah RM'000**	**Total RM'000**	**Mudharabah RM'000**
- without maturity	**23,437,559**	**-**	**23,437,559**	**-**
- with maturity	**3,666,224**	**250,554**	**3,916,778**	**42,884,778**
Within six months	**2,558,744**	**190,510**	**2,749,254**	**12,974,987**
Six months to one year	**1,073,409**	**60,044**	**1,133,453**	**163,298**
One year to three years	**30,557**	**-**	**30,557**	**6,470,699**
Three years to five years	**3,514**	**-**	**3,514**	**23,275,794**
	27,103,783	**250,554**	**27,354,337**	**42,884,778**
2022				
- without maturity	21,160,119	-	21,160,119	-
- with maturity	4,477,583	-	4,477,583	30,552,966
Within six months	3,055,394	-	3,055,394	10,280,098
Six months to one year	1,403,496	-	1,403,496	30,109
One year to three years	13,924	-	13,924	3,995,512
Three years to five years	4,769	-	4,769	16,247,247
	25,637,702	-	25,637,702	30,552,966

16. Investment accounts (cont'd.)

(iv) The allocation of investment asset are as follows:

	Unrestricted investment accounts			Restricted investment accounts managed by the Bank[1]
2023	**Mudharabah[2] RM'000**	**Wakalah RM'000**	**Total RM'000**	**Mudharabah RM'000**
Retail financing	**26,103,783**	**250,554**	**26,354,337**	**-**
Non-retail financing	**1,000,000**	**-**	**1,000,000**	**34,496,355**
Corporate Sukuk	**-**	**-**	**-**	**8,388,423**
	27,103,783	**250,554**	**27,354,337**	**42,884,778**
2022				
Retail financing	23,987,702	-	23,987,702	-
Non-retail financing	1,650,000	-	1,650,000	25,955,010
Corporate Sukuk	-	-	-	4,597,956
	25,637,702	-	25,637,702	30,552,966

16. Investment accounts (cont'd.)

(v) Profit sharing ratio and rate of return are as follows:

	Investment account holder ("IAH")	
	Average profit sharing ratio	Average rate of return
2023	**(%)**	**(%)**
Investment accounts of customers		
Unrestricted investment accounts		
- Mudharabah[2]	**38.18**	**1.61**
- Wakalah	**-**	**4.11**
Restricted investment accounts managed by the Bank[1]	**79.41**	**4.17**
2022		
Investment accounts of customers		
Unrestricted investment accounts		
- Mudharabah[2]	32.04	2.58
- Wakalah	-	-
Restricted investment accounts managed by the Bank[1]	76.29	4.60

[1] Included in restricted investment accounts managed by the Bank is an arrangement between the Bank with the holding company and with the third party where the Bank acts as an investment agent to manage and administer the restricted investment accounts amounting to RM42,226.7 million and RM658.0 million (2022: RM30,123.2 million and RM429.8 million) respectively. The amount of restricted investment accounts managed by the Bank are disclosed net of any impairment allowances required on the underlying financial assets funded by the restricted investment accounts.

[2] The total funds invested in Multi-Asset Investment Account-i ("MAIA") product was RM121.1 million (2022: RM122.7 million) of which RM0.7 million (2022: RM59.6 million) are the funds managed by the Bank. The remaining are managed by a related entity, Maybank Islamic Asset Management Sdn Bhd ("MIAM") where the funds are invested in marketable securities with net asset value of RM120.4 million as at 31 December 2023 (2022: RM63.1 million). The funds managed by MIAM are excluded from the asset and liability of the Bank.

17. Deposits and placements of banks and other financial institutions

	2023 RM'000	2022 RM'000
Non-Mudharabah fund		
Licensed banks	**16,296,503**	22,046,315
Licensed Islamic banks	**399,757**	99,226
Licensed investment banks	**82,885**	304,736
Other financial institutions	**732,476**	1,147,229
	17,511,621	23,597,506

18. Other liabilities

	Note	2023 RM'000	2022 RM'000
Sundry creditors		**1,020,216**	2,228,273
Deposit on trade financing		**82,782**	55,786
Provisions and accruals		**53,940**	86,692
Margin deposit from holding company		**-**	117,100
Allowances for impairment losses on financing commitments and financial guarantee contracts	(i)	**107,173**	137,937
Lease liabilities	(ii)	**3,539**	6,622
Structured deposits		**11,008**	14,448
Amount due to related company		**26,438**	8,090
		1,305,096	2,654,948

18. Other liabilities (cont'd.)

(i) Movements in the allowances for impairment losses on financing commitments and financial guarantee contracts are as follows:

As at 31 December 2023

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2023	33,241	11,552	93,144	137,937
Transferred to Stage 1	679	(679)	-	-
Transferred to Stage 2	(941)	1,156	(215)	-
Transferred to Stage 3	(8)	-	8	-
Net remeasurement of allowances	(2,404)	(1,366)	67,382	63,612
New credit exposures originated or purchased	25,568	5,533	-	31,101
Credit exposures derecognised	(25,658)	(7,478)	(91,587)	(124,723)
Changes in models/risk parameters	(802)	-	-	(802)
Exchange differences	38	10	-	48
At 31 December 2023	29,713	8,728	68,732	107,173

18. Other liabilities (cont'd.)

(i) Movements in the allowances for impairment losses on financing commitments and financial guarantee contracts are as follows (cont'd.):

As at 31 December 2022

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2022	31,665	17,433	1,622	50,720
Transferred to Stage 1	1,450	(1,447)	(3)	-
Transferred to Stage 2	(547)	547	-	-
Transferred to Stage 3	(2)	(6,652)	6,654	-
Net remeasurement of allowances	(77)	234	86,120	86,277
New credit exposures originated or purchased	25,654	12,435	-	38,089
Credit exposures derecognised	(25,235)	(11,004)	(1,249)	(37,488)
Changes in models/risk parameters	(2)	-	-	(2)
Exchange differences	335	6	-	341
At 31 December 2022	33,241	11,552	93,144	137,937

(ii) Lease liabilities

The movements in lease liabilities are as follows:

	2023 RM'000	2022 RM'000
At 1 January	**6,622**	5,957
New lease contracts	**232**	3,336
Modification	**-**	91
Termination	**(354)**	-
Finance cost on lease liabilities	**162**	239
Lease obligation reduction	**(3,227)**	(3,002)
Exchange differences	**104**	1
At 31 December	**3,539**	6,622

18. Other liabilities (cont'd.)

(ii) Lease liabilities (cont'd.)

The undiscounted maturity analysis of lease liabilities are as follows:

	2023 RM'000	2022 RM'000
Less than one year	**2,892**	2,892
Between one and five years	**1,308**	4,291
	4,200	7,183

19. Provision for taxation and zakat

	2023 RM'000	2022 RM'000
Taxation	**-**	105,940
Zakat	**63,590**	32,267
	63,590	138,207

20. Deferred tax

	2023 RM'000	2022 RM'000
At 1 January	**(288,433)**	(190,616)
Recognised in income statement (Note 36)	**(37,244)**	(18,725)
Relating to origination and reversal of temporary differences	**(37,244)**	(18,725)
Recognised in statement of other comprehensive income	**246,029**	(79,092)
At 31 December	**(79,648)**	(288,433)

20. Deferred tax (cont'd.)

Presented after appropriate offsetting as follows:

	2023 RM'000	2022 RM'000
Deferred tax assets	**(269,142)**	(288,465)
Deferred tax liabilities	**189,494**	32
	(79,648)	(288,433)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The component and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Bank:

2023	Unutilised ICBU bussiness losses RM'000	Impairment losses on financing, financial investments and other financial assets RM'000	FVOCI reserve RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2023	**-**	**(207,372)**	**(56,566)**	**(24,527)**	**(288,465)**
Recognised in income statement:					
Relating to origination and reversal of temporary differences	**(11,859)**	**(34,534)**	**-**	**9,150**	**(37,243)**
Recognised in statement of other comprehensive income	**-**	**-**	**56,566**	**-**	**56,566**
At 31 December 2023	**(11,859)**	**(241,906)**	**-**	**(15,377)**	**(269,142)**

20. Deferred tax (cont'd.)

The component and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (cont'd.):

Deferred tax assets of the Bank (cont'd.):

2022	Impairment losses on financing, financial investments and other financial assets RM'000	FVOCI reserve RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2022	(205,475)	-	(7,681)	(213,156)
Recognised in income statement:				
Relating to origination and reversal of temporary differences	(1,897)	-	(16,846)	(18,743)
Recognised in statement of other comprehensive income	-	(56,566)	-	(56,566)
At 31 December 2022	(207,372)	(56,566)	(24,527)	(288,465)

Deferred tax liabilities of the Bank:

2023	FVOCI reserve RM'000	Unabsorbed capital allowance RM'000	Total RM'000
At 1 January 2023	**-**	**32**	**32**
Recognised in income statement:			
Relating to origination and reversal of temporary differences	**-**	**(1)**	**(1)**
Recognised in statement of other comprehensive income	**189,463**	**-**	**189,463**
At 31 December 2023	**189,463**	**31**	**189,494**

20. Deferred tax (cont'd.)

The component and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (cont'd.):

Deferred tax liabilities of the Bank (cont'd.):

2022	**FVOCI reserve RM'000**	**Unabsorbed capital allowance RM'000**	**Total RM'000**
At 1 January 2022	22,526	14	22,540
Recognised in income statement:			
Relating to origination and reversal of temporary differences	-	18	18
Recognised in statement of other comprehensive income	(22,526)	-	(22,526)
At 31 December 2022	-	32	32

The Bank has recognised deferred tax assets in respect of unused tax losses from International Currency Business Unit ("ICBU") as it is probable that future taxable profits will be available against which they can be utilised.

Pursuant to Finance Bill 2021, the tax losses can be utilised up to a maximum of ten consecutive years effective retrospectively from year of assessment 2019.

21. Term funding

	2023 RM'000	2022 RM'000
Unsecured term funding:		
(i) Commercial Papers		
- Less than one year	**7,894,346**	6,413,953
(ii) Medium Term Notes		
- More than one year	**2,003,322**	2,003,796
(iii) Term funding		
- More than one year (note(a))	**1,034,559**	1,003,453
Total term funding	**10,932,227**	9,421,202

Note(a): Term funding relates to amounts received by the Bank under government financing scheme as part of the government support measure in response to COVID-19 pandemic for the purpose of SME financing at a below market rate with a six-year maturity to be repaid on 17 June 2026. The financing under the government scheme is for financing at concession rates to SMEs and for COVID-19 related relief measures.

Included in the unsecured term funding issued by the Bank are as follows:

RM20.0 billion Islamic Medium Term Note Programme

On 29 November 2022, the Bank established a RM20.0 billion Islamic Medium Term Note Programme, pursuant to which the Bank may issue, from time to time, Ringgit Malaysia Islamic Medium Term Notes ("RM IMTNs") of up to RM20.0 billion in nominal value under the Shariah principle of Wakalah Bi Al-Istithmar.

The IMTN Programme will give the Bank flexibility to raise funds via the issuance of Islamic medium term notes from time to time which can be utilised, amongst others, to fund the Bank's working capital, general banking and other Shariah compliant corporate purposes, including the refinancing of any existing financing or debt instruments issued by the Bank.

21. Term funding (cont'd.)

Included in the unsecured term funding issued by the Bank are as follows (cont'd.):

RM20.0 billion Islamic Commercial Paper Programme

On 22 November 2022, the Bank established a RM20.0 billion Islamic Commercial Paper Programme, pursuant to which the Bank may issue, from time to time, Ringgit Malaysia Islamic Commercial Papers ("RM ICPs") of up to RM20.0 billion in nominal value under the Shariah principle of Wakalah Bi Al-Istithmar.

The ICP Programme will give the Bank flexibility to raise funds via the issuance of Islamic commercial papers from time to time which can be utilised, amongst others, to fund the Bank's working capital, general banking and other Shariah compliant corporate purposes, including the refinancing of any existing financing or debt instruments issued by the Bank.

RM10.0 billion Islamic Commercial Paper/Islamic Medium Term Note Programme

On 21 February 2017, the Bank established a RM10.0 billion Islamic Commercial Paper/Islamic Medium Term Note Programme, pursuant to which the Bank may issue, from time to time, Ringgit Malaysia Islamic Commercial Papers ("RM ICPs") and/or Ringgit Malaysia Islamic Medium Term Notes ("RM IMTNs") of up to RM10.0 billion in nominal value under the Shariah principle of Wakalah Bi Al-Istithmar.

The ICP/IMTN Programme will give the Bank flexibility to raise funds via the issuance of Islamic commercial papers and/or Islamic medium term notes from time to time which can be utilised, amongst others, to fund the Bank's working capital, general banking and other Shariah compliant corporate purposes, including the refinancing of any existing financing or debt instruments issued by the Bank.

The following are the changes in the term funding that include the commercial papers/medium term notes/sukuk issued/redeemed by the Bank during the financial year ended 31 December 2023:

Issuance of Commercial Papers

The aggregate nominal value of the commercial papers issued by the Bank and outstanding as at 31 December 2023 are as follows:

Currency	Description	Aggregate Nominal Value (RM' million)
RM	Zero Profit ICP	8,000.0

22. Subordinated sukuk

	Note	2023 RM'000	2022 RM'000
RM1,000 million subordinated sukuk due in 2029	(i)	**1,010,849**	1,010,849
RM1,000 million subordinated sukuk due in 2031	(ii)	**1,011,044**	1,011,044
		2,021,893	2,021,893

The details of the issued subordinated sukuk are as follows:

Note	Description	Issue date	First call date	Maturity date	Profit rate (% p.a.)	Nominal Value (RM' million)
	RM10.0 billion Subordinated Sukuk Murabahah Programme					
(i)	Subordinated Sukuk Murabahah[1]	5-Apr-19	5-Apr-24	5-Apr-29	4.50	1,000.0
(ii)	Subordinated Sukuk Murabahah[1]	15-Feb-21	16-Feb-26	14-Feb-31	2.90	1,000.0

[1] The Bank may, subject to the prior consent of BNM, redeem these subordinated sukuk, in whole or in part, on the first call date and on each semi-annual profit payment date thereafter.

23. Capital securities

Description	Issue date	First call date	Maturity date	2023 RM'000	2022 RM'000
RM10.0 billion Additional Tier 1 Sukuk Wakalah Programme					
RM1,000.0 million 4.76% Additional Tier 1 Sukuk Wakalah[1]	14-Dec-22	14-Dec-27	Perpetual	**1,002,347**	1,002,347

[1] The Bank, may redeem these capital securities, in whole or in part on the first call date and on every Periodic Distribution Date thereafter.

On 14 December 2022, the Bank issued RM1.0 billion of Additional Tier 1 Sukuk Wakalah ("the AT1 Sukuk Wakalah") in nominal value with a tenure of Perpetual Non-Callable five (5) years pursuant to AT1 Sukuk Wakalah Programme of up to RM10.0 billion nominal value established on 23 November 2017. The proceeds from the issuance will be utilised for general banking, working capital and other Shariah compliant corporate purposes, as well as to refinance any existing financing or sukuk of the Bank.

24. Share capital

	2023 '000	2022 '000	2023 RM'000	2022 RM'000
Issued and fully paid:				
At 1 January	**456,116**	432,110	**11,029,955**	10,322,374
Issued during the year	**24,006**	24,006	**646,955**	707,581
At 31 December	**480,122**	456,116	**11,676,910**	11,029,955

During the current financial year ended 31 December 2023, the Bank increased its share capital from RM11,029,954,534 to RM11,676,910,001 via issuance of 24,006,125 new ordinary shares at issue price per share of RM26.9496 to Maybank on the basis of one new share for every nineteen existing ordinary shares held at 22 March 2023.

25. Reserves

	Note	2023 RM'000	2022 RM'000
Non-distributable:			
Equity contribution from the holding company		**1,697**	1,697
FVOCI reserve*		**620,148**	(169,846)
Exchange fluctuation reserve		**(2,757)**	(188)
Regulatory reserve	(a)	**629,580**	904,654
		1,248,668	736,317
Distributable:			
Retained profits	(b)	**2,524,541**	2,655,423
Total reserves		**3,773,209**	3,391,740

(a) Regulatory reserve

Regulatory reserve is maintained in aggregate, loss allowance for non-credit impaired exposures (commonly known as Stage 1 and Stage 2 provisions) that has been assessed and recognised in accordance with MFRS and which has been transferred to/from retained profits, in accordance with BNM's Financial Reporting Policy document.

25. Reserves (cont'd.)

(b) Retained profits

The retained profits of the Bank as at 31 December 2023 and 31 December 2022 are distributable profits and may be distributed as dividends under the single-tier system.

* Included net gain through other comprehensive income of RM487.8 million for the Bank respectively arising from implementation of GIMF in stages as disclosed in Note 41(a).

26. Income derived from investment of depositors' funds

	2023 RM'000	2022 RM'000
Income derived from investment of:		
(i) General investment deposits	**8,067,732**	6,484,204
(ii) Other deposits	**3,813,000**	3,050,519
	11,880,732	9,534,723

(i) Income derived from investment of general investment deposits

	2023 RM'000	2022 RM'000
Finance income and hibah		
Financing and advances	**6,001,781**	4,816,156
Money at call and deposits with financial institutions	**257,597**	158,993
Financial assets purchased under resale agreements	**43,779**	87,640
Financial investments at FVTPL	**6,178**	2,660
Financial investments at FVOCI	**488,556**	404,981
Financial investments at amortised cost	**596,002**	674,970
	7,393,893	6,145,400
Amortisation of premiums, net	**(36,493)**	(51,670)
Total finance income and hibah	**7,357,400**	6,093,730

26. Income derived from investment of depositors' funds (cont'd.)

(i) Income derived from investment of general investment deposits (cont'd.)

	2023 RM'000	2022 RM'000
Other operating income		
Fee income:		
- Processing fees	**36,506**	25,287
- Commissions	**162,687**	142,454
- Service charges and other fees	**168,234**	136,247
Gains on disposal of financial investments at FVTPL	**12,521**	3,027
Gains on disposal of financial investments at FVOCI	**94,485**	14,989
Unrealised gains/(losses) on revaluation of:		
- Financial investments at FVTPL	**445**	(843)
- Derivatives	**25,099**	694
Gains/(losses) on foreign exchange:		
- Realised	**255,575**	474,870
- Unrealised	**(29,791)**	(408,727)
Realised (losses)/gains on derivatives	**(17,322)**	716
Others	**1,893**	1,760
Total other operating income	**710,332**	390,474
Total	**8,067,732**	6,484,204

Included in finance income are income on impaired assets amounting to RM53.9 million (2022: RM39.9 million).

(ii) Income derived from investment of other deposits

	2023 RM'000	2022 RM'000
Finance income and hibah		
Financing and advances	**2,836,581**	2,265,778
Money at call and deposits with financial institutions	**121,746**	74,799
Financial assets purchased under resale agreements	**20,691**	41,231
Financial investments at FVTPL	**2,920**	1,251
Financial investments at FVOCI	**230,903**	190,525
Financial investments at amortised cost	**281,685**	317,542
	3,494,526	2,891,126
Amortisation of premiums, net	**(17,247)**	(24,308)
Total finance income and hibah	**3,477,279**	2,866,818

26. Income derived from investment of depositors' funds (cont'd.)

(ii) Income derived from investment of other deposits (cont'd.)

	2023 RM'000	2022 RM'000
Other operating income		
Fee income:		
- Processing fees	**17,253**	11,896
- Commissions	**76,890**	67,018
- Service charges and other fees	**79,511**	64,098
Gains on disposal of financial investments at FVTPL	**5,918**	1,424
Gains on disposal of financial investments at FVOCI	**44,656**	7,052
Unrealised gains/(losses) on revaluation of:		
- Financial investments at FVTPL	**211**	(397)
- Derivatives	**11,863**	327
Gains/(losses) on foreign exchange:		
- Realised	**120,791**	223,404
- Unrealised	**(14,080)**	(192,287)
Realised (losses)/gains on derivatives	**(8,187)**	337
Others	**895**	829
Total other operating income	**335,721**	183,701
Total	**3,813,000**	3,050,519

Included in finance income are income on impaired assets amounting to RM25.5 million (2022: RM18.8 million).

27. Income derived from investment of investment account funds

	2023 RM'000	2022 RM'000
Finance income and hibah		
Financing and advances	**1,159,512**	1,088,386
Total finance income and hibah	**1,159,512**	1,088,386
Other operating income		
Fee income:		
- Commissions	**3,253**	3,684
- Service charges and other fees	**541**	540
Total other operating income	**3,794**	4,224
Total	**1,163,306**	1,092,610

28. Income derived from investment of shareholder's funds

	2023 RM'000	2022 RM'000
Finance income and hibah		
Financing and advances	**489,821**	372,353
Money at call and deposits with financial institutions	**21,023**	12,292
Financial assets purchased under resale agreements	**3,573**	6,776
Financial investments at FVTPL	**504**	206
Financial investments at FVOCI	**39,872**	31,310
Financial investments at amortised cost	**48,641**	52,184
	603,434	475,121
Amortisation of premiums, net	**(2,978)**	(3,995)
Total finance income and hibah	**600,456**	471,126
Other operating income		
Fee income		
- Processing fees	**2,979**	1,955
- Commissions	**13,277**	11,014
- Service charges and other fees	**13,730**	10,534
Gains on disposal of financial investments at FVTPL	**1,022**	234
Gains on disposal of financial investments at FVOCI	**7,711**	1,159
Unrealised gains/(losses) on revaluation of:		
- Financial investments at FVTPL	**36**	(65)
- Derivatives	**2,048**	54
Gains/(losses) on foreign exchange:		
- Realised	**20,858**	36,714
- Unrealised	**(2,431)**	(31,600)
Realised (losses)/gains on derivatives	**(1,414)**	55
Others	**155**	136
Total other operating income	**57,971**	30,190
Total	**658,427**	501,316

Included in finance income are income on impaired assets amounting to RM4.4 million (2022: RM3.1 million).

29. Allowances for impairment losses on financing and advances, net

	2023 RM'000	2022 RM'000
Allowances for/(writeback of) impairment losses on financing and advances:		
- Stage 1 - 12-month ECL, net	**30,358**	(254,168)
- Stage 2 - Lifetime ECL not credit impaired, net	**282,030**	(2,534)
- Stage 3 - Lifetime ECL credit impaired, net	**793,400**	736,946
Impaired financing and advances		
- Written-off	**6,568**	14,560
- Recovered	**(183,506)**	(115,116)
Allowances for/(writeback of) impairment losses on other debts	**337**	(206)
	929,187	379,482

30. (Writeback of)/allowances for impairment losses on financial investments, net

	2023 RM'000	2022 RM'000
Financial investments at FVOCI		
- Stage 1 - 12-month ECL, net	**(228)**	(2,715)
- Stage 2 - Lifetime ECL not credit impaired, net	**(1,414)**	835
	(1,642)	(1,880)
Financial investments at amortised cost		
- Stage 1 - 12-month ECL, net	**(28,188)**	2,297
- Stage 2 - Lifetime ECL not credit impaired, net	**-**	464
- Stage 3 - Lifetime ECL credit impaired, net	**15,891**	-
	(12,297)	2,761
	(13,939)	881

31. Writeback of impairment losses on other financial assets, net

	2023 RM'000	2022 RM'000
Financial assets purchased under resale agreements		
- Stage 1 - 12-month ECL, net	**(716)**	(6,285)
	(716)	(6,285)

32. Profit distributed to depositors

	2023 RM'000	2022 RM'000
Deposits from customers		
- Non-mudharabah fund	**5,351,294**	3,048,371
Deposits and placements of banks and other financial institutions		
- Non-mudharabah fund	**811,093**	477,795
Structured deposits		
- Non-mudharabah fund	**502**	588
Total	**6,162,889**	3,526,754

33. Overhead expenses

	2023 RM'000	2022 RM'000
Personnel expenses:		
- Salaries, allowances and bonuses	**46,317**	51,529
- Social security cost	**227**	208
- Retirement cost	**6,866**	7,807
- ESGP expenses	**2,070**	2,703
- Other staff related expenses	**6,110**	5,987
	61,590	68,234
Establishment costs:		
- Depreciation right-of-use assets (Note 14)	**3,228**	3,150
- Depreciation property, plant and equipment (Note 13)	**147**	277
- Repairs, servicing and maintenance	**157**	98
- Information technology expenses	**4,989**	4,374
- Finance cost on lease liabilities	**162**	239
- Others	**9**	5
	8,692	8,143
Marketing costs:		
- Advertisement and publicity	**13,930**	7,555
- Others	**3,201**	3,236
	17,131	10,791

33. Overhead expenses (cont'd.)

	2023 RM'000	2022 RM'000
Administration and general expenses:		
- Fees and brokerage	**129,868**	80,925
- Administrative expenses	**16,630**	16,321
- General expenses:	**29,908**	28,000
- Auditors' remuneration		
Statutory audit:		
- Ernst & Young PLT	**622**	613
Assurance and compliance related services:		
- Review engagements and regulatory-related services	**193**	188
Non-audit services:		
- Other services	**150**	36
- Directors' fees and other remunerations (Note 34)	**1,731**	1,803
- Shared service costs paid/payable to Maybank and related company[1]	**2,392,005**	1,888,862
	2,571,107	2,016,748
Total	**2,658,520**	2,103,916

[1] Included in shared service costs paid/payable to Maybank and related company are fees paid to Maybank Ventures Sdn. Bhd. ("MVSB") in relation to Rent-to-own ("RTO") products managed by MVSB on behalf of the Bank.

34. Chief executive officer, directors and Shariah Committee members' remuneration

	2023 RM'000	2022 RM'000
Chief executive officer:		
Salary and other remuneration, including meeting allowance	**3,684**	4,054
ESGP expenses	**421**	537
Estimated monetary value of benefit-in-kind	**36**	51
Retirement cost	**590**	649
	4,731	5,291

34. Chief executive officer, directors and Shariah Committee members' remuneration (cont'd.)

	2023 RM'000	2022 RM'000
Non-executive directors:		
Fees	**1,469**	1,529
Other remunerations	**212**	206
Estimated monetary value of benefit-in-kind	**50**	68
	1,731	1,803
Shariah Committee members	**1,218**	1,171
Total	**7,680**	8,265
Total (excluding benefit-in-kind)	**7,594**	8,146

The total remuneration of the directors are as follows:

2023	**Fees RM'000**	**Meeting allowances RM'000**	**Benefits-in-kind RM'000**	**Total RM'000**
Non-executive directors:				
Dato' Zulkiflee Abbas bin Abdul Hamid	**331**	**32**	**31**	**394**
Encik Dali bin Sardar[1]	**118**	**20**	**10**	**148**
Datuk Mohd Anwar bin Yahya[2]	**64**	**14**	**-**	**78**
Professor Dr. Aznan bin Hasan	**238**	**36**	**2**	**276**
Encik Shariffuddin bin Khalid	**216**	**30**	**-**	**246**
Dato' Azmi bin Mohd Ali[3]	**220**	**36**	**5**	**261**
Puan Natasha binti Kamaluddin	**247**	**38**	**2**	**287**
Datuk Zainal Izlan bin Zainal Abidin[4]	**35**	**6**	**-**	**41**
Total directors' remuneration	**1,469**	**212**	**50**	**1,731**

1 Resigned on 13 June 2023
2 Resigned on 27 March 2023
3 Resigned on 7 November 2023
4 Appointed on 10 November 2023

34. Chief executive officer, directors and Shariah Committee members' remuneration (cont'd.)

The total remuneration of the directors are as follows (cont'd.):

2022	Fees RM'000	Meeting allowances RM'000	Benefits-in-kind RM'000	Total RM'000
Non-executive directors:				
Dato' Zulkiflee Abbas bin Abdul Hamid	306	28	31	365
Encik Dali bin Sardar	243	36	10	289
Datuk Mohd Anwar bin Yahya	236	36	17	289
Professor Dr. Aznan bin Hasan	200	28	2	230
Encik Shariffuddin bin Khalid	200	28	-	228
Dato' Azmi bin Mohd Ali	236	36	6	278
Puan Natasha binti Kamaluddin	108	14	2	124
Total directors' remuneration	1,529	206	68	1,803

The total remuneration of the Shariah Committee members are as follows:

2023	Fees RM'000	Meeting allowances RM'000	Total RM'000
Professor Dr. Aznan bin Hasan	**170**	**58**	**228**
Ustaz Mohd Kamal bin Mokhtar	**140**	**58**	**198**
Dr. Akhtarzaite binti Abdul Aziz	**140**	**58**	**198**
Dr. Nik Abdul Rahim bin Nik Abdul Ghani	**140**	**58**	**198**
Associate Professor Dr. Sharifah Faigah Syed Alwi	**140**	**58**	**198**
Ustaz Muhammad Ali Jinnah Ahmad	**140**	**58**	**198**
Total Shariah Committee remuneration	**870**	**348**	**1,218**

34. Chief executive officer, directors and Shariah Committee members' remuneration (cont'd.)

The total remuneration of the Shariah Committee members are as follows (cont'd.):

2022	Fees RM'000	Meeting allowances RM'000	Total RM'000
Professor Dr. Aznan bin Hasan	158	56	214
Ustaz Mohd Kamal bin Mokhtar	130	56	186
Dr. Akhtarzaite binti Abdul Aziz	130	56	186
Dr. Azrul Azlan bin Iskandar Mirza	17	10	27
Dr. Nik Abdul Rahim bin Nik Abdul Ghani	130	56	186
Associate Professor Dr. Sharifah Faigah Syed Alwi	130	56	186
Ustaz Muhammad Ali Jinnah Ahmad	130	56	186
Total Shariah Committee remuneration	825	346	1,171

35. Finance cost

	2023 RM'000	2022 RM'000
Subordinated sukuk	**74,000**	74,000
Capital securities	**47,600**	49,406
Term funding	**439,963**	305,354
	561,563	428,760

36. Taxation

	2023 RM'000	2022 RM'000
Malaysian income tax	**766,455**	1,495,784
Over provision in prior year:		
Malaysian income tax	**(11,987)**	(2,240)
	754,468	1,493,544
Deferred tax (Note 20):		
Relating to origination and reversal of temporary differences	**(37,244)**	(18,725)
	717,224	1,474,819

36. Taxation (cont'd.)

Domestic current income tax is calculated at the statutory tax rate of 24% of the estimated chargeable profit for the financial year (2022: 24%).

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 Bank is as follows:

	2023 RM'000	2022 RM'000
Profit before taxation	**3,160,961**	4,534,069
Taxation at Malaysian statutory tax rate of 24% (2022: 24%)	**758,631**	24,000
Taxation at Malaysian statutory tax rate of 33%	**-**	1,463,243
Utilisation of previously unused tax losses	**(17,293)**	(13,674)
Expenses not deductible for tax purposes	**1,543**	6,521
Effect of zakat deduction	**(1,811)**	(3,031)
Over provision of income tax in prior years	**(11,987)**	(2,240)
Deferred tax assets recognised on utilised ICBU business losses	**(11,859)**	-
Tax expense for the financial year	**717,224**	1,474,819

37. Earnings per share ("EPS")

The basic and diluted EPS of the Bank are calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	2023	2022
Net profit for the financial year attributable to equity holder of the Bank (RM'000)	**2,392,534**	3,032,921
Weighted average number of ordinary shares in issue ('000)	**474,861**	438,490
Basic/diluted EPS (sen)	**503.8**	691.7

38. Dividends

	2023 RM'000	2022 RM'000
Single-tier first interim dividend of RM2.46, on 480,122,500 ordinary shares in respect of the financial year ended 31 December 2023	**1,181,101**	-
Single-tier second interim dividend of RM3.546, on 456,116,375 ordinary shares in respect of the financial year ended 31 December 2022	**1,617,389**	-
Single-tier first interim dividend of RM3.275, on 432,110,250 ordinary shares in respect of the financial year ended 31 December 2022	**-**	1,415,161
Single-tier second interim dividend of RM3.30, on 432,110,250 ordinary shares in respect of the financial year ended 31 December 2021	**-**	1,425,964
	2,798,490	2,841,125

Subsequent to the financial year end, on 28 February 2024, the Board of Directors declared a single-tier second interim dividend in respect of the current financial year ended 31 December 2023 of RM2.523 per share on 480,122,500 ordinary shares, amounting to a dividend payable of RM1,211,349,068.

The financial statements for the current financial year do not reflect this declared single-tier second interim dividend. Such dividend will be accounted for in the statement of changes in equity as an appropriation of retained profits in the next financial year ending 31 December 2024.

39. Significant related party transactions and balances

(a) The Bank's significant transactions with related parties are as follows:

	2023 RM'000	2022 RM'000
Holding company		
Income:		
Money at call and deposits with financial institutions	**110,694**	52,096
Financial assets purchased under resale agreements	**68,043**	135,647
	178,737	187,743
Expenditure:		
Profit distributed to depositors	**662,266**	384,296
Finance cost	**561,563**	428,760
Shared service cost paid/payable to Maybank	**2,397,947**	1,888,018
	3,621,776	2,701,074

39. Significant related party transactions and balances (cont'd.)

(a) The Bank's significant transactions with related parties are as follows (cont'd.):

	2023 RM'000	2022 RM'000
Related companies		
Income:		
Commission	**100,153**	86,295
Service charges and other fees	**315**	275
	100,468	86,570
Expenditure:		
Profit distributed to depositors	**60,986**	43,714
Information technology expenses*	**4,956**	4,359
Fees and brokerage*	**511**	725
General expenses	**10,708**	5,789
Shared service cost paid/payable to related company	**14,686**	844
	91,847	55,431

* Included in these expenses are services rendered in Malaysia.

(b) Included in the statement of financial position of the Bank are balances with holding company and related companies represented by the following:

	2023 RM'000	2022 RM'000
Holding company		
Amount due from:		
Current accounts and deposits	**5,617,059**	11,496,260
Financial assets purchased under resale agreements	**-**	2,122,491
Derivative assets	**79,604**	239,359
Margin account	**118,860**	-
Others	**2,723,755**	4,170,395
	8,539,278	18,028,505
Amount due to:		
Current accounts and deposits	**15,698,640**	18,638,544
Derivative liabilities	**210,625**	114,410
Subordinated sukuk	**2,021,893**	2,021,893
Capital securities	**1,002,347**	1,002,347
Term funding	**10,932,227**	9,421,202
Margin account	**-**	117,100
Other liabilities	**2,368**	1,500,396
	29,868,100	32,815,892
Others:		
Restricted investment accounts managed by the Bank	**42,226,738**	30,123,166

39. Significant related party transactions and balances (cont'd.)

(b) Included in the statement of financial position of the Bank are balances with holding company and related companies represented by the following (cont'd.):

	2023 RM'000	2022 RM'000
Related companies		
Amount due to:		
Fixed return investment deposits	**673,651**	309,164
Investment accounts of customers	**878,941**	1,136,721
Others	**26,438**	8,090
	1,579,030	1,453,975

The above transactions have been entered into in the normal course of business and have been established under terms and conditions that are no less favourable than those arranged with independent parties.

(c) Key management personnel compensation

The number of shares awarded for ESGP shares to key management personnel is as follows:

	2023 '000	2022 '000
At 1 January	**312**	312
Awarded	**195**	104
Vested	**(52)**	(55)
Forfeited	**(52)**	(49)
At 31 December	**403**	312

Name	Year	Award date	Number of ESGP shares awarded '000
Dato' Mohamed Rafique Merican bin Mohd Wahiduddin Merican	2023	20.09.2023	195
	2022	30.09.2022	104
	2021	30.09.2021	104
	2020	30.09.2020	104
	2019	30.09.2019	104
	2018	14.12.2018	104

39. Significant related party transactions and balances (cont'd.)

(d) Government-related entities

Permodalan Nasional Berhad ("PNB"), a government-linked entity and a shareholder with significant influence on Maybank, with direct shareholding of 6.76% (2022: 6.87%) and indirect shareholding of 30.12% (2022: 32.63%) via Amanah Raya Trustee Berhad (Skim Amanah Saham Bumiputera) as at 31 December 2023. PNB and entities directly controlled by PNB are collectively referred to as government-related entities to the Maybank Group and the Bank.

All the transactions entered into by the Bank with the government-related entities are conducted in the ordinary course of the Bank's business on terms comparable to those with other entities that are not government-related. The Bank has established credit policies, pricing strategy and approval process for financing and advances, which are independent of whether the counterparties are government-related entities or not.

(i) Individually significant transactions and balances with PNB due to its size of transactions:

	2023 RM'000	2022 RM'000
Transactions during the financial year:		
Financing income	**253,738**	182,854
Balances as at reporting dates:		
Financing and advances	**3,901,210**	3,151,210
Restricted investment accounts managed by the Bank	**658,040**	429,800

(ii) Collectively, but not individually, significant transactions

There was no collectively significant transactions with other government-related entities during the financial year ended 31 December 2023 and 31 December 2022.

39. Significant related party transactions and balances (cont'd.)

(e) Credit exposure arising from credit transactions with connected parties

	2023	2022
Outstanding credit exposure with connected parties (RM'000)	**2,771,237**	8,017,112
Percentage of outstanding credit exposure to connected parties as a proportion of total credit exposure	**1.0%**	2.8%
Percentage of outstanding credit exposure to connected parties which are non-performing or in default	**-**	-

The credit exposure above are derived based on paragraph 9.1 of the Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

Based on these guidelines, a connected party refers to the following:

(i) Directors of the Bank and their close relatives;

(ii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling activities of the Bank and his close relatives;

(iii) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually and their close relatives;

(iv) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iii) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(v) Any person for whom the persons listed in (i) to (iii) above is a guarantor; and

(vi) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and financing commitments.

40. Commitments and contingencies

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

The risk-weighted exposures of the Bank as at 31 December are as follows:

	2023			2022		
	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Contingent liabilities						
Direct credit substitutes	**3,347,374**	**3,182,771**	**1,809,347**	3,051,481	2,801,221	1,964,993
Certain transaction-related contingent items	**4,239,635**	**2,090,400**	**1,284,447**	3,626,371	1,773,332	1,077,872
Short-term self-liquidating trade-related contingencies	**527,091**	**106,965**	**30,600**	460,706	94,078	28,023
	8,114,100	**5,380,136**	**3,124,394**	7,138,558	4,668,631	3,070,888
Commitments						
Irrevocable commitments to extend credit:						
- maturity within one year	**41,374,483**	**2,010,363**	**380,901**	35,592,554	1,819,903	356,347
- maturity more than one year	**14,719,870**	**28,371,689**	**9,710,537**	11,097,267	21,934,391	7,719,692
	56,094,353	**30,382,052**	**10,091,438**	46,689,821	23,754,294	8,076,039
Miscellaneous commitments and contingencies	**86,637**	**-**	**-**	1,599,299	42,903	-
Total credit-related commitments and contingencies	**64,295,090**	**35,762,188**	**13,215,832**	55,427,678	28,465,828	11,146,927

40. Commitments and contingencies (cont'd.)

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions (cont'd.).

The risk-weighted exposures of the Bank as at 31 December are as follows (cont'd.):

	2023			2022		
	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000	Full commitment RM'000	Credit equivalent amount* RM'000	Risk weighted amount* RM'000
Derivative financial instruments						
Foreign exchange related contracts:						
- less than one year	**32,256,958**	**188,190**	**63,509**	16,581,360	258,326	70,977
- one year to less than five years	**3,102,341**	**210,071**	**111,072**	3,013,711	242,332	96,492
- more than five years	**749,465**	**56,175**	**21,610**	541,594	54,166	15,526
Profit rate related contracts:						
- less than one year	**-**	**-**	**-**	3,012,000	16,109	5,270
- one year to less than five years	**37,321**	**261**	**95**	1,700,437	48,024	10,057
- more than five years	**220,000**	**12,320**	**4,698**	220,000	17,937	5,949
Total treasury-related commitments and contingencies	**36,366,085**	**467,017**	**200,984**	25,069,102	636,894	204,271
Total commitments and contingencies	**100,661,175**	**36,229,205**	**13,416,816**	80,496,780	29,102,722	11,351,198

* The credit equivalent amount and risk-weighted amount are arrived at using the credit conversion factors and risk-weights respectively as specified by Bank Negara Malaysia for regulatory capital adequacy purposes.

41. Financial risk management policies

(a) Financial risk management overview

Risk management has evolved into an important driver for strategic decisions in support of business strategies while balancing the appropriate levels of risk taken to the desired levels of returns.

During the financial year ended 31 December 2023, Maybank Group implemented the GIMF in stages for certain entities and business units which constitutes a change in business model for managing financial assets under MFRS 9 *Financial Instruments*. Consequently, all affected financial assets have been reclassified in accordance with MFRS 9 requirements.

Maybank's Board of Directors is the Group's ultimate governing body, which has overall responsibility for establishing a sound risk management and internal control system, as well as for reviewing its adequacy and effectiveness in identifying, assessing and responding to risks that may hinder the Group from achieving its objectives. To effectively carry out its risk and control oversight responsibilities, Maybank's Board of Directors has established the Risk Management Committee ("RMC"), the Compliance Committee of the Board ("CCB"), and the Audit Committee of the Board ("ACB") to oversee matters relating to risk, compliance and controls, respectively.

The Group has established various Executive Level Management Committees ("ELCs") to assist and support the Maybank's Board of Directors committees in overseeing core areas of business operations and controls. These ELCs include the Group Executive Committee, Group Client Onboarding and Review Committee, Group Management Credit Committee, Group Executive Risk Committee, Group Asset and Liability Management Committee, EXCO Sustainability Committee and Group Non-Financial Risk Committee, among others.

The Maybank Group Enterprise Risk Management Framework was established to institutionalise vigilance and awareness of the most significant risks to the achievement of the Group's mission, namely Humanising Financial Services, by putting customers and the wider community at the heart of everything that the Group does. The framework is underpinned by a set of building blocks that serve as the foundation in driving a strong risk management culture, encompassing practices and processes:

(i) *Risk Culture*: Risk culture is a vital component in strengthening risk governance and forms a fundamental principle of strong risk management.

(ii) *Risk Coverage*: The Bank must determine its business strategy and assess the risks to ensure the appropriate risk strategies are put in place to give a greater level of assurance on achieving its business strategy.

41. Financial risk management policies (cont'd.)

(a) Financial risk management overview (cont'd.)

The Maybank Group Enterprise Risk Management Framework was established to institutionalise vigilance and awareness of the most significant risks to the achievement of the Group’s mission, namely Humanising Financial Services, by putting customers and the wider community at the heart of everything that the Group does. The framework is underpinned by a set of building blocks that serve as the foundation in driving a strong risk management culture, encompassing practices and processes (cont'd.):

(iii) *Risk Appetite* : The risk appetite defines the types and levels of risk that the Bank is willing to accept in pursuit of its business and strategic goals.

(iv) *Risk Response* : Selection of the appropriate risk response is imperative to align the risks with the Bank’s risk tolerance and risk appetite.

(v) *Governance and Risk Oversight* : There is a clear, effective and robust governance structure with well-defined, transparent and consistent lines of responsibility.

(vi) *Risk Management Practices and Processes* : Robust risk management processes are in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Bank.

(vii) *Stress Test* : Stress testing is used to test the resilience of the Bank’s exposure against future financial scenarios and gauge the resulting risk and adequacy of capital.

(viii) *Resources and System Infrastructure* : Ensure sufficient resources, infrastructure and techniques are established to enable effective risk management.

(b) Impairment assessment

The references below show where the Bank's impairment assessment and measurement approach is set out in this financial statements. It should be read in conjunction with the summary of significant accounting policies.

- The Bank’s definition and assessment of default and cure (Note 41(b)(i)).
- An explanation of the Bank's internal grading system (Note 41(e)(5)).
- How the Bank defines, calculates and monitors the probability of default, exposure at default and loss given default (Note 41(e)(1)).
- When the Bank considers there has been a significant increase in credit risk of an exposure (Note 41(b)(ii)).

41. Financial risk management policies (cont'd.)

(b) Impairment assessment (cont'd.)

The references below show where the Bank's impairment assessment and measurement approach is set out in this financial statements. It should be read in conjunction with the summary of significant accounting policies (cont'd.).

- The Bank’s policy of segmenting financial assets where ECL is assessed on a collective basis (Note 41(b)(iii)).
- The details of the ECL calculations for Stage 1, Stage 2 and Stage 3 assets (Note 2.2(i)(d)(i)).

(i) Definition of default and cure

The Bank considers financial instruments defaulted and therefore Stage 3 (credit-impaired) for ECL calculations when:

- Principal or profit or both of the credit facility are past due for more than 90 days or 3 months; or
- In the case of revolving credit facilities (e.g. cashline), where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months; or
- Account less than 90 days or 3 months past due which exhibit indications of significant increase in credit risk; or
- Impaired financing and advances have been rescheduled and restructured, the financing and advances will continue to be classified as impaired until repayments based on rescheduled or restructured terms have been observed continuously for a period of at least six (6) months or longer as determined by the approving authority of the rescheduled or restructured credit; or
- Default occurs for repayments scheduled on intervals of three (3) months or longer.

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. The following non-exhaustive events will be assessed:

- Significant deterioration in credit rating from initial recognition or last reviewed date;
- Breach of covenant not waived by the Bank;

41. Financial risk management policies (cont'd.)

(b) Impairment assessment (cont'd.)

(i) Definition of default and cure (cont'd.)

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. The following non-exhaustive events will be assessed (cont'd.):

- Insolvent status;
- Highly probable to enter bankruptcy;
- Listed debt or equity suspended at the primary exchange because of rumours or facts about financial difficulties; or
- Multiple requests of rescheduling and restructuring.

It is the Bank's policy to consider a financial instrument to be re-classified out of Stage 3 when none of the default criteria is present. The decision whether to classify an asset as Stage 2 or Stage 1 depends on prudent credit judgement at the time of the assessment, and that the asset no longer shows significant increase in credit risk with stringent governance from relevant approving authority.

(ii) Significant increase in credit risk

The Bank implements impairment assessment based on ECL model from MFRS 9 impairment requirements. Robust models and credit risk assessment are in place to assess significant increase in credit risk since initial recognition in determining the appropriate ECL approach (12-month ECL or lifetime ECL).

The Bank also applies a secondary qualitative method for triggering significant increase in credit risk for an asset, such as moving a customer/facility to watch list, or forborne upon observing credit risk grade deterioration since inception and payment are more than 30 days past due. The Bank's credit review process considers events explained in Note 41(b)(i) are significant increase in credit risk on top of default criteria.

When estimating ECL on a collective basis for a group of similar assets (as set out in Note 41(b)(iii)), the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

(iii) Grouping financial assets measured on a collective basis

As explained in Note 2.2(i)(d)(ii), depending on the factors below, the Bank calculates ECL either on a collective or an individual basis.

41. Financial risk management policies (cont'd.)

(b) Impairment assessment (cont'd.)

(iii) Grouping financial assets measured on a collective basis (cont'd.)

Financial assets subject to ECL that have been assessed individually but for which no impairment is required and all individually insignificant exposure are then assessed collectively, in groups of assets with similar credit risk characteristics.

The Bank groups these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the financial assets.

(c) Analysis of inputs to the ECL models under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.2 Summary of significant accounting policies and in Note 3 Significant accounting judgements, estimates and assumptions; in which the macroeconomic factors are regularly monitored as part of the normal credit risk management of the Bank, including emerging risk consideration arising from adverse industry outlook. To ensure completeness and accuracy, the Bank obtain the data used from independant research parties (Maybank IBG Research and independant research organisation), including determining the weights attributable to the multiple scenarios as at every year end to apply on next financial year's ECL computation.

The following table shows the forecast of the key forward-looking macroeconomic variables used in each of the economic scenarios for the ECL calculations for financial year ended 31 December 2023 and 31 December 2022. The figures for "Subsequent years" represent a long-term average and the same are applied for each scenario.

31 December 2023

Key Variables	ECL Scenario	Assigned Probabilities	2023	2024	2025	2026	2027	Subsequent years
Real GDP (%)	Base case	**65**	**4.0**	**4.8**	**5.0**	**5.0**	**5.0**	**5.0**
	Upside	**10**	**4.5**	**5.5**	**5.5**	**5.5**	**5.5**	**5.5**
	Downside	**25**	**3.5**	**4.4**	**4.5**	**4.5**	**4.5**	**4.5**
Property Price Index (%)	Base case	**65**	**1.5**	**2.0**	**2.0**	**2.0**	**2.0**	**2.0**
	Upside	**10**	**2.0**	**2.5**	**2.5**	**2.5**	**2.5**	**2.5**
	Downside	**25**	**0.6**	**1.5**	**1.5**	**1.5**	**1.5**	**1.5**
Overnight Policy Rate (%)	Base case	**65**	**3.0**	**3.0**	**3.3**	**3.3**	**3.3**	**3.3**
	Upside	**10**	**2.8**	**2.8**	**3.0**	**3.0**	**3.0**	**3.0**
	Downside	**25**	**3.3**	**3.3**	**3.5**	**3.5**	**3.5**	**3.5**
Unemployment Rate (%)	Base case	**65**	**3.5**	**3.3**	**3.3**	**3.3**	**3.3**	**3.3**
	Upside	**10**	**3.3**	**3.0**	**3.0**	**3.0**	**3.0**	**3.0**
	Downside	**25**	**4.0**	**3.8**	**3.8**	**3.8**	**3.8**	**3.8**

41. Financial risk management policies (cont'd.)

(c) Analysis of inputs to the ECL models under multiple economic scenarios (cont'd.)

The following table shows the forecast of the key forward-looking macroeconomic variables used in each of the economic scenarios for the ECL calculations for financial year ended 31 December 2023 and 31 December 2022. The figures for "Subsequent years" represent a long-term average and the same are applied for each scenario (cont'd.).

31 December 2022

Key Variables	ECL Scenario	Assigned Probabilities	2022	2023	2024	2025	2026	Subsequent years
Real GDP (%)	Base case	65	8.0	4.0	4.8	5.0	5.0	5.0
	Upside	10	8.5	4.5	5.5	5.5	5.5	5.5
	Downside	25	7.5	3.5	4.4	4.5	4.5	4.5
Property Price Index (%)	Base case	65	1.5	1.5	2.0	2.0	2.0	2.0
	Upside	10	1.7	2.0	2.5	2.5	2.5	2.5
	Downside	25	1.0	0.6	1.5	1.5	1.5	1.5
Overnight Policy Rate (%)	Base case	65	2.8	3.0	3.0	3.3	3.3	3.3
	Upside	10	2.8	2.8	2.8	3.0	3.0	3.0
	Downside	25	2.8	3.3	3.3	3.5	3.5	3.5
Unemployment Rate (%)	Base case	65	3.8	3.5	3.3	3.3	3.3	3.3
	Upside	10	3.7	3.3	3.0	3.0	3.0	3.0
	Downside	25	3.9	4.0	3.8	3.8	3.8	3.8

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41. Financial risk management policies (cont'd.)

(d) Financial instruments by category

2023	Fair value through profit or loss RM'000	Fair value through other comprehensive income RM'000	At amortised costs RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
Assets						
Cash and short-term funds	-	-	7,811,508	7,811,508	-	7,811,508
Deposits and placements with banks and other financial institutions	-	-	2,801,850	2,801,850	-	2,801,850
Financial assets purchased under resale agreements	-	-	58,118	58,118	-	58,118
Financial investments portfolio	1,331,059	24,342,546	13,759,189	39,432,794	-	39,432,794
Financing and advances	-	1,491,790	227,315,365	228,807,155	-	228,807,155
Derivative assets	160,619	-	-	160,619	-	160,619
Other assets	-	-	3,347,492	3,347,492	605,078	3,952,570
Statutory deposit with Bank Negara Malaysia	-	-	3,621,143	3,621,143	-	3,621,143
Property, plant and equipment	-	-	-	-	199	199
Right-of-use assets	-	-	-	-	4,494	4,494
Deferred tax assets	-	-	-	-	79,648	79,648
TOTAL ASSETS	1,491,678	25,834,336	258,714,665	286,040,679	689,419	286,730,098

41. Financial risk management policies (cont'd.)

(d) Financial instruments by category (cont'd.)

2023	Fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Liabilities					
Customers' funding:					
- Deposits from customers	-	210,698,979	210,698,979	-	210,698,979
- Investment accounts of customers	-	27,354,337	27,354,337	-	27,354,337
Deposits and placements of banks and other financial institutions	-	17,511,621	17,511,621	-	17,511,621
Bills and acceptances payable	-	80,796	80,796	-	80,796
Derivative liabilities	309,093	-	309,093	-	309,093
Other liabilities	-	1,271,371	1,271,371	33,725	1,305,096
Provision for taxation and zakat	-	-	-	63,590	63,590
Term funding	-	10,932,227	10,932,227	-	10,932,227
Subordinated sukuk	-	2,021,893	2,021,893	-	2,021,893
Capital securities	-	1,002,347	1,002,347	-	1,002,347
TOTAL LIABILITIES	309,093	270,873,571	271,182,664	97,315	271,279,979

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41. Financial risk management policies (cont'd.)

(d) Financial instruments by category (cont'd.)

2022	Fair value through profit or loss RM'000	Fair value through other comprehensive income RM'000	At amortised costs RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
Assets						
Cash and short-term funds	-	-	15,092,586	15,092,586	-	15,092,586
Deposits and placements with banks and other financial institutions	-	-	5,329,880	5,329,880	-	5,329,880
Financial assets purchased under resale agreements	-	-	2,121,695	2,121,695	-	2,121,695
Financial investments portfolio	309,504	15,645,983	27,461,699	43,417,186	-	43,417,186
Financing and advances	-	3,141,460	211,238,163	214,379,623	-	214,379,623
Derivative assets	263,763	-	-	263,763	-	263,763
Other assets	-	-	4,917,613	4,917,613	233,152	5,150,765
Statutory deposit with Bank Negara Malaysia	-	-	3,505,736	3,505,736	-	3,505,736
Property, plant and equipment	-	-	-	-	341	341
Right-of-use assets	-	-	-	-	7,279	7,279
Deferred tax assets	-	-	-	-	288,433	288,433
TOTAL ASSETS	573,267	18,787,443	269,667,372	289,028,082	529,205	289,557,287

41. Financial risk management policies (cont'd.)

(d) Financial instruments by category (cont'd.)

2022	Fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Liabilities					
Customers' funding:					
- Deposits from customers	-	209,783,463	209,783,463	-	209,783,463
- Investment accounts of customers	-	25,637,702	25,637,702	-	25,637,702
Deposits and placements of banks and other financial institutions	-	23,597,506	23,597,506	-	23,597,506
Obligations on financial assets sold under repurchase agreements	-	461,081	461,081	-	461,081
Bills and acceptances payable	-	32,569	32,569	-	32,569
Derivative liabilities	384,674	-	384,674	-	384,674
Other liabilities	-	2,595,196	2,595,196	59,752	2,654,948
Provision for taxation and zakat	-	-	-	138,207	138,207
Term funding	-	9,421,202	9,421,202	-	9,421,202
Subordinated sukuk	-	2,021,893	2,021,893	-	2,021,893
Capital securities	-	1,002,347	1,002,347	-	1,002,347
TOTAL LIABILITIES	384,674	274,552,959	274,937,633	197,959	275,135,592

41. Financial risk management policies (cont'd.)

(e) Credit risk management

1. Credit risk definition

Credit risk is the risk that a counterparty fails to meet its obligations in accordance with the agreed terms of a credit facility. The exposures to credit risk are unilateral and only the lending bank faces the risk of loss upon observing substance over form.

Management of credit risk

The Bank's policy on credit classification and impairment on customer’s account is in accordance to MFRS 9, with relevant guiding principles in assessing the observed credit behaviour and base upon unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes considering future economic outlook.

Non-retail credits are assessed jointly by business and credit units where each counterparty is assigned a credit rating based on the assessment of relevant qualitative and quantitative factors, including the counterparty’s financial position, future cash flows, types of facilities and collateral offered and overall business viability.

Reviews for non-retail credits are conducted at least once a year with updated information on the counterparty’s financial position, market position, industry and economic condition as well as account conduct. These counterparties are subject to periodic credit classification and impairment assessment to determine if any early intervention is required. Appropriate corrective actions are taken when the counterparties show signs of credit deterioration.

Retail credits are predicated on data analytics and are programme-driven which are governed by the Product Development Assessment (“PDA”) or Universal Product Development Assessment (“UPDA”). Credit programmes are assessed jointly by the business and credit units. Reviews for retail credits are generally conducted at the portfolio level, where the PDAs or UPDAs of each retail product are reviewed at a minimum, on an annual basis.

Counterparty credit risk is the risk arising from the possibility that a counterparty may default on current and future payments as required by contract for treasury-related activities. Counterparty credit risk originates from the Bank’s lending business, investment and treasury activities that impact the Bank’s trading and banking books through dealings in foreign exchange, money market instruments, fixed income securities, commodities, equities and over-the-counter derivatives. The primary distinguishing feature of counterparty credit risk compared to other forms of credit risk is that the future value of the underlying contract is uncertain, and may be either positive or negative depending on the value of all future cash flows.

41. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

1. Credit risk management overview (cont'd.)

Management of credit risk (cont'd.)

Counterparty credit risk exposures are managed via counterparty limits on a single counterparty basis or counterparty group basis predicated on BNM's Single Counterparty Exposure Limits. The Bank actively monitors and manages its exposures to ensure that exposures to a single counterparty group are within prudent limits at all times.

For on- and off-balance sheet exposures, the Bank employs risk treatments in accordance with BNM Guidelines and Basel requirements. For derivatives and foreign exchange exposures, the Bank measures the credit risk using Credit Risk Equivalent via the Current Exposure Method. This method calculates the Bank’s credit risk exposure after considering both the mark-to-market exposures and the appropriate add-on factors for potential future exposures. The add-on factors employed are in accordance with BNM Guidelines and Basel II requirements.

In managing large exposures and to avoid undue concentration of credit risk in its credit portfolio, the Bank has emplaced, amongst others, limits and related financing guidelines, for:

- Countries;
- Economic sectors;
- Single counterparty groups;
- Collaterals;
- Connected parties; and
- Product or facility types.

Reviews of the aforesaid limits and related financing guidelines are undertaken on a periodic basis, whereupon any emerging concentration risks are addressed accordingly. Any breach of limits are escalated for approvals, and any deviations to the lending guidelines are to be justified with strong mitigations.

The Bank has dedicated teams at Head Office and Regional Offices to effectively manage vulnerable non-retail and retail credits. Special attention is given to these vulnerable credits where more frequent and intensive reviews are performed in order to prevent further deterioration or to accelerate remedial action.

41. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

1. Credit risk management overview (cont'd.)

Management of credit risk (cont'd.)

As part of enhancing the Bank's ESG practices, the Bank takes a proactive approach to incorporate ESG considerations into business processes by developing ESG Risk Acceptance Criteria for high ESG risk industries. As such, Group Climate Risk Policy ("CRP") had been established in managing climate risk exposure of the Group's business activities and operations with orderly transition pathway idenfied. This principle-based polciy sets out standards/requirements to operationalize ESG Risk Management Framework. CRP stand guided by government policies in managing climate risk that may arise from impact of physical risk, transition risk and liability risk.

While observing ESG risk and MFRS 9 impairment requirements, the Bank adopts reasonable and supportable information that is available without undue cost of effort in addressing climate risks impact on ECL assessment as part of the forward-looking consideration.

The Bank’s credit process encompasses assessment, approval and post-approval credit review. Maybank Group Risk is responsible for developing, enhancing and communicating effective and consistent credit risk management policies, tools and methodologies across the Bank to ensure that appropriate standards are in place to identify, measure, control, monitor and report such risks.

The Bank’s credit approving structure is based on joint approvals by Business and Credit, with complex credits of higher risk approved by the GMCC. The authority limits are based on the Expected Loss ("EL") principle, and are directly related to the counterparty’s rating and credit exposure.

Credit risk measurement

The Bank’s retail portfolios are under Basel II Advanced Internal Ratings-Based ("AIRB") Approach. This approach calls for more extensive reliance on the Bank’s own internal experience whereby estimations for all the three components of Risk-Weighted Assets ("RWA") calculation namely Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") are based on its own historical data. Separate PD, EAD and LGD statistical models were developed at the respective retail portfolio level; each model covering customer with fundamentally similar risk profiles in a portfolio. The estimates derived from the models are used as input for RWA calculations.

41. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

1. Credit risk management overview (cont'd.)

Credit risk measurement (cont'd.)

For non-retail portfolios, the Bank uses internal credit models to evaluate the majority of its credit risk exposures. For corporate and bank portfolios, the Bank has adopted the Foundation Internal Ratings-Based ("FIRB") approach, which allows the Bank to use its internal PD estimates to determine an asset risk weighting and apply supervisory estimates for LGD and EAD.

Credit Risk Rating System ("CRRS") is developed to allow the Bank to identify, assess and measure corporate, commercial and small business customers' credit risk. CRRS is a statistical default prediction model. The model was developed and recalibrated to suit the Bank's banking environment using internal data. The model development process was conducted and documented in line with specific criteria for model development in accordance to Basel II. The EL principles employed in the Bank enables the calculation of EL using PD estimates (facilitated by the CRRS), LGD and EAD.

To account for differences in risk due to industry and size, CRRS is designed to rate all corporate and commercial customers by their respective industry segments (i.e. manufacturing, services, trading, contractors, property developers (single project) and property investors (single property)).

2. Maximum exposure to credit risk

The following analysis represents the Bank's maximum exposure to credit risk from on-balance sheet financial assets and off-balance sheet exposure, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposure, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers.

41. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

2. Maximum exposure to credit risk (cont'd.)

	Maximum Exposure 2023 RM'000	2022 RM'000
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	**7,811,508**	15,092,586
Deposits and placements with banks and other financial institutions	**2,801,850**	5,329,880
Financial assets purchased under resale agreements	**58,118**	2,121,695
Financial investments portfolio*	**39,431,544**	43,415,936
Financing and advances	**228,807,155**	214,379,623
Derivative assets	**160,619**	263,763
Other assets	**3,347,492**	4,917,613
Statutory deposit with Bank Negara Malaysia	**3,621,143**	3,505,736
	286,039,429	289,026,832
Credit exposure for off-balance sheet items:		
Direct credit substitutes	**3,347,374**	3,051,481
Certain transaction-related contingent items	**4,239,635**	3,626,371
Short-term self-liquidating trade-related contingencies	**527,091**	460,706
Irrevocable commitments to extend credit	**56,094,353**	46,689,821
Miscellaneous	**86,637**	1,599,299
	64,295,090	55,427,678
Total maximum credit risk exposure	**350,334,519**	344,454,510

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost. The portfolio excludes unquoted shares.

Credit exposure for on-balance sheet financial assets that are not subject to impairment:

	2023 RM'000	2022 RM'000
Financial assets at fair value through profit & loss		
Investments	**1,331,059**	309,504
Derivatives	**160,619**	263,763
	1,491,678	573,267

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing and advances as at 31 December 2023 for the Bank is at 107% (2022: 94%). The financial effect of collateral held for other financial assets is not significant.

41. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

3. Credit risk concentration profile

Concentration risk is the risk that can materialise from excessive exposures to single counterparty and persons connected to it, a particular instrument or a particular market segment/sector. The Bank analyses the concentration credit risk by geographic purpose and industry segment as follows:

(a) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by geographic purpose are as follows:

2023	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Financing and advances RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposit with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Malaysia	**7,811,508**	**2,801,850**	**58,118**	**39,431,544**	**228,807,155**	**160,619**	**3,346,363**	**3,621,143**	**286,038,300**	**64,295,090**
Dubai	**-**	**-**	**-**	**-**	**-**	**-**	**1,129**	**-**	**1,129**	**-**
	7,811,508	**2,801,850**	**58,118**	**39,431,544**	**228,807,155**	**160,619**	**3,347,492**	**3,621,143**	**286,039,429**	**64,295,090**
2022										
Malaysia	15,092,586	5,329,880	2,121,695	43,415,936	214,379,623	263,763	4,916,679	3,505,736	289,025,898	55,427,678
Dubai	-	-	-	-	-	-	934	-	934	-
	15,092,586	5,329,880	2,121,695	43,415,936	214,379,623	263,763	4,917,613	3,505,736	289,026,832	55,427,678

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost. The portfolio excludes unquoted shares.

41. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

3. Credit risk concentration profile (cont'd.)

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows:

2023	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Financing and advances RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposit with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	42,066	2,454,819	146	-	-	2,497,031	2,005,483
Mining and quarrying	-	-	-	-	792,361	-	-	-	792,361	550,043
Manufacturing	-	-	-	-	11,465,367	59,710	-	-	11,525,077	3,794,060
Construction	-	-	-	978,875	6,977,401	48	-	-	7,956,324	3,901,017
Electricity, gas and water supply	-	-	-	30,674	1,747,122	1,351	-	-	1,779,147	1,185,003
Wholesale, retail trade, restaurants and hotels	-	-	-	-	19,537,626	618	-	-	19,538,244	2,103,245
Finance, insurance, real estate and business	7,811,508	2,801,850	58,118	11,192,293	17,236,645	98,607	3,347,492	3,621,143	46,167,656	34,568,991
Transport, storage and communication	-	-	-	1,202,817	3,352,536	27	-	-	4,555,380	878,498
Education, health and others	-	-	-	25,984,819	2,382,080	-	-	-	28,366,899	198,995
Household	-	-	-	-	162,784,723	-	-	-	162,784,723	11,909,384
Others	-	-	-	-	76,475	112	-	-	76,587	3,200,371
	7,811,508	2,801,850	58,118	39,431,544	228,807,155	160,619	3,347,492	3,621,143	286,039,429	64,295,090

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost. The portfolio excludes unquoted shares.

41. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

3. Credit risk concentration profile (cont'd.)

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows (cont'd.):

2022	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Financing and advances RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposit with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	40,478	2,655,823	1,223	-	-	2,697,524	1,351,679
Mining and quarrying	-	-	-	117,445	710,044	-	-	-	827,489	521,506
Manufacturing	-	-	-	135,578	10,745,478	10,681	-	-	10,891,737	3,084,122
Construction	-	-	-	1,176,321	6,680,153	-	-	-	7,856,474	3,216,357
Electricity, gas and water supply	-	-	-	-	1,159,375	3,310	-	-	1,162,685	388,663
Wholesale, retail trade, restaurants and hotels	-	-	-	647,205	15,597,747	731	-	-	16,245,683	1,911,446
Finance, insurance, real estate and business	15,092,586	5,329,880	2,121,695	10,585,453	20,513,785	247,533	4,917,613	3,505,736	62,314,281	30,088,590
Transport, storage and communication	-	-	-	2,818,163	3,727,702	178	-	-	6,546,043	1,113,005
Education, health and others	-	-	-	27,895,293	2,912,915	-	-	-	30,808,208	211,122
Household	-	-	-	-	149,609,124	-	-	-	149,609,124	10,530,605
Others	-	-	-	-	67,477	107	-	-	67,584	3,010,583
	15,092,586	5,329,880	2,121,695	43,415,936	214,379,623	263,763	4,917,613	3,505,736	289,026,832	55,427,678

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost. The portfolio excludes unquoted shares.

41. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

4. Collateral

Th Bank established acceptence criteria for collateral with broad range of considerations from collateral requirements, acceptable types of collaterals and collateral concentration. The main types of collateral obtained by the Bank to mitigate credit risk are as follows:

- For house financing - charges over residential properties;
- For auto financing - ownership claims over the vehicle financed;
- For share margin financing - pledges over securities from listed exchange;
- For commercial property financing - charges over the properties financed;
- For other financing - charges over business assets such as premises, inventories, trade receivable or deposits; and
- For derivatives - cash and securities collateral for over-the-counter ("OTC") traded derivatives.

5. Credit quality of financial assets

Credit classification for financial assets

The four (4) risks categories are set out and defined below, from very low to high, apart from impaired, describe the credit quality of the Bank's financing. These classifications encompass a range of more granular, internal gradings assigned to financing and advances whilst external gradings are applied to financial investments. There is no direct correlation between the internal and external ratings at a granular level, except to the extent that each falls within a single credit quality band.

Risk Category	Probability of default ("PD") grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 - 5	AAA to BBB+	AAA to AA1
Low	6 - 10	BBB+ to BB+	AA1 to A3
Medium	11 - 15	BB+ to B+	A3 to BB1
High	16 - 21	B+ to C	BB1 to C

41. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

Credit classification for financial assets (cont'd.)

Risk categories are as described below:

Very low: Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.

Low: Obligors rated in this category have a good capacity to meet financial commitments with very low credit risk.

Medium: Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.

High: Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

Impaired/ default: Obligors with objective evidence of impairment as a result of one or more events that has an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.2(i)(d).

Unrated: Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of rating's models.

Sovereign: Refer to obligors which are governments.

41. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts.

Financial investments - at FVOCI

2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Low	**24,341,296**	**-**	**-**	**24,341,296**
Carrying amount - fair value	**24,341,296**	**-**	**-**	**24,341,296**
ECL	**(380)**	**-**	**-**	**(380)**

2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	36,228	-	-	36,228
Low	15,514,167	-	-	15,514,167
Medium	34,993	59,345	-	94,338
Carrying amount - fair value	15,585,388	59,345	-	15,644,733
ECL	(607)	(1,414)	-	(2,021)

41. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Financial investments - at amortised cost

2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	**226,095**	**-**	**-**	**226,095**
Low	**13,376,749**	**-**	**-**	**13,376,749**
High	**132,757**	**-**	**-**	**132,757**
Unrated	**-**	**-**	**42,407**	**42,407**
	13,735,601	**-**	**42,407**	**13,778,008**
Less:				
ECL	**(2,078)**	**-**	**(16,741)**	**(18,819)**
Net carrying amount	**13,733,523**	**-**	**25,666**	**13,759,189**

2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Low	26,177,158	-	-	26,177,158
Medium	1,153,005	41,038	-	1,194,043
High	121,614	-	-	121,614
	27,451,777	41,038	-	27,492,815
Less:				
ECL	(30,266)	(850)	-	(31,116)
Net carrying amount	27,421,511	40,188	-	27,461,699

41. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Financing and advances - at FVOCI

2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	**4,108**	**-**	**-**	**4,108**
Low	**23,471**	**-**	**-**	**23,471**
Medium	**1,085,349**	**378,862**	**-**	**1,464,211**
Carrying amount - fair value	**1,112,928**	**378,862**	**-**	**1,491,790**
ECL	**(6,424)**	**(13,389)**	**-**	**(19,813)**

2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	1,727,061	-	-	1,727,061
Low	150,366	-	-	150,366
Medium	1,264,033	-	-	1,264,033
Carrying amount - fair value	3,141,460	-	-	3,141,460
ECL	(7,269)	-	-	(7,269)

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41. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Financing and advances - at amortised cost

2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	**98,494,470**	**81,461**	**-**	**98,575,931**
Low	**87,484,404**	**2,049,996**	**-**	**89,534,400**
Medium	**21,987,235**	**9,295,617**	**-**	**31,282,852**
High	**1,237,580**	**3,823,439**	**-**	**5,061,019**
Unrated	**3,275,090**	**210,499**	**-**	**3,485,589**
Impaired	**-**	**-**	**2,450,297**	**2,450,297**
	212,478,779	**15,461,012**	**2,450,297**	**230,390,088**
Less:				
ECL	**(548,816)**	**(1,423,854)**	**(1,102,053)**	**(3,074,723)**
Net carrying amount	**211,929,963**	**14,037,158**	**1,348,244**	**227,315,365**

2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	90,749,589	99,050	-	90,848,639
Low	82,670,089	1,706,321	-	84,376,410
Medium	20,756,842	8,318,139	-	29,074,981
High	1,372,617	3,244,420	-	4,617,037
Unrated	2,852,822	396,775	-	3,249,597
Impaired	-	-	2,061,080	2,061,080
	198,401,959	13,764,705	2,061,080	214,227,744
Less:				
ECL	(442,735)	(1,309,534)	(1,237,312)	(2,989,581)
Net carrying amount	197,959,224	12,455,171	823,768	211,238,163

41. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Cash and short-term funds

2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Sovereign	**4,996,299**	**-**	**-**	**4,996,299**
Low	**2,815,209**	**-**	**-**	**2,815,209**
Net carrying amount	**7,811,508**	**-**	**-**	**7,811,508**

2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Sovereign	7,596,984	-	-	7,596,984
Low	7,495,602	-	-	7,495,602
Net carrying amount	15,092,586	-	-	15,092,586

Deposits and placements with banks and other financial institutions

2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Low	**2,801,850**	**-**	**-**	**2,801,850**
Net carrying amount	**2,801,850**	**-**	**-**	**2,801,850**

41. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Deposits and placements with banks and other financial institutions (cont'd.)

2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Sovereign	1,329,223	-	-	1,329,223
Low	4,000,657	-	-	4,000,657
Net carrying amount	5,329,880	-	-	5,329,880

Financial assets purchased under resale agreements

2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Low	**58,198**	**-**	**-**	**58,198**
	58,198	**-**	**-**	**58,198**
Less:				
ECL	**(80)**	**-**	**-**	**(80)**
Net carrying amount	**58,118**	**-**	**-**	**58,118**

2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Low	2,122,491	-	-	2,122,491
	2,122,491	-	-	2,122,491
Less:				
ECL	(796)	-	-	(796)
Net carrying amount	2,121,695	-	-	2,121,695

41. Financial risk management (cont'd.)

(e) Credit risk management (cont’d.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Statutory deposit with Bank Negara Malaysia

2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Sovereign	**3,621,143**	**-**	**-**	**3,621,143**
Net carrying amount	**3,621,143**	**-**	**-**	**3,621,143**

2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Sovereign	3,505,736	-	-	3,505,736
Net carrying amount	3,505,736	-	-	3,505,736

Other assets

2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Unrated	**3,347,492**	**-**	**-**	**3,347,492**
Net carrying amount	**3,347,492**	**-**	**-**	**3,347,492**

41. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Other assets (cont'd.)

2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Unrated	4,917,613	-	-	4,917,613
Net carrying amount	4,917,613	-	-	4,917,613

Financing commitments

2023	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	**998,542**	**-**	**-**	**998,542**
Low	**1,760,268**	**59,984**	**-**	**1,820,252**
Medium	**331,531**	**181,301**	**-**	**512,832**
High	**27,228**	**32,232**	**-**	**59,460**
Unrated	**58,124**	**83**	**-**	**58,207**
Impaired	**-**	**-**	**616,429**	**616,429**
	3,175,693	**273,600**	**616,429**	**4,065,722**
Less:				
ECL	**(29,713)**	**(8,728)**	**(68,732)**	**(107,173)**
Net carrying amount	**3,145,980**	**264,872**	**547,697**	**3,958,549**

41. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Financing commitments (cont'd.)

2022	Stage 1 12-month ECL RM'000	Stage 2 Lifetime ECL not credit impaired RM'000	Stage 3 Lifetime ECL credit impaired RM'000	Total RM'000
Very Low	487,469	785	-	488,254
Low	1,863,692	27,141	-	1,890,833
Medium	381,588	195,192	-	576,780
High	32,143	31,962	-	64,105
Unrated	56,263	-	-	56,263
Impaired	-	-	575,981	575,981
	2,821,155	255,080	575,981	3,652,216
Less:				
ECL	(33,241)	(11,552)	(93,144)	(137,937)
Net carrying amount	2,787,914	243,528	482,837	3,514,279

The following table sets out information about the credit quality of financial assets measured at FVTPL:

Financial investments at FVTPL

	2023 RM'000	2022 RM'000
Very Low	**82,979**	-
Low	**1,248,080**	-
Medium	**-**	309,504
Carrying amount - fair value	**1,331,059**	309,504

41. Financial risk management (cont'd.)

(e) Credit risk management (cont'd.)

6. Credit quality of impaired financial assets

(i) Impaired financial assets analysed by geography are as follows:

2023	Financial investments portfolio* RM'000	Financing and advances RM'000
Malaysia	**42,407**	**2,450,297**
2022		
Malaysia	-	2,061,080

(ii) Impaired financial assets analysed by industry sectors are as follows:

2023	Financial investments portfolio* RM'000	Financing and advances RM'000
Agriculture	**-**	**25,909**
Mining and quarrying	**-**	**13,490**
Manufacturing	**-**	**135,291**
Construction	**-**	**473,610**
Electricity, gas and water supply	**-**	**12,066**
Wholesale, retail trade, restaurants and hotels	**-**	**437,808**
Finance, insurance, real estate and business	**-**	**226,237**
Transport, storage and communication	**-**	**80,949**
Education, health and others	**42,407**	**49,161**
Household	**-**	**995,775**
Others	**-**	**1**
	42,407	**2,450,297**

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost. The

41. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

6. Credit quality of impaired financial assets (cont'd.)

(ii) Impaired financial assets analysed by industry sectors are as follows (cont'd.):

2022	Financial investments portfolio* RM'000	Financing and advances RM'000
Agriculture	-	751,858
Mining and quarrying	-	12,909
Manufacturing	-	114,098
Construction	-	316,301
Electricity, gas and water supply	-	45,195
Wholesale, retail trade, restaurants and hotels	-	162,171
Finance, insurance, real estate and business	-	118,719
Transport, storage and communication	-	68,188
Education, health and others	-	27,427
Household	-	444,213
Others	-	1
	-	2,061,080

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost. The

(f) Market risk management

1. Market risk management overview

Market risk is defined as the risk of loss or adverse impact on earnings or capital arising from fluctuations of market rates or prices such as profit rates, foreign exchange rates, commodity prices and equity prices.

2. Market risk management

Management of trading activities

The Bank’s traded market risk exposures are primarily from proprietary trading, client servicing and market making. The risk measurement techniques employed by the Bank comprise both quantitative and qualitative measures.

41. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

2. Market risk management (cont'd.)

Management of trading activities (cont'd.)

Value at Risk ("VaR") measures the potential loss of value resulting from market movements over a specified period of time within a specified probability of occurrence. The methodology is based on historical simulation, at a 99.2% confidence level using a 1-day holding period. The VaR model is regularly back tested to evaluate its performance and accuracy. The Bank also computes a Stressed VaR based on a selected historical stress period.

Besides VaR, the Bank utilises other non-statistical risk measures, such as exposure to a one basis point increase in yield (“PV01”) for managing portfolio sensitivity to market profit rate movements, net open position ("NOP") limit for managing foreign currency exposure and Greek limits for controlling options risk. These measures provide granular information on the Bank’s market risk exposures and are used for control and monitoring purposes.

Management and measurement of Profit Rate Risk ("PRR")/Rate of Return Risk ("RoR") in the banking book

The Bank emphasises the importance of managing PRR/RoR in the banking book as most of the balance sheet items of the Bank generate profit income and profit distributed to depositors, which are indexed to profit rates. Volatility of earnings can pose a threat to the Bank’s profitability while economic value provides a more comprehensive view of the potential long-term effects on the Bank’s overall capital adequacy.

PRR/RoR in the banking book encompasses repricing risk, yield curve risk and basis risk arising from the movements in profit rates. The objective of the Bank’s PRR/RoR in the banking book framework is to ensure that all PRR/RoR in the banking book is managed within its risk appetite.

PRR/RoR in the banking book is measured and monitored proactively, using the following principal measurement techniques:

- Repricing Gap Analysis;
- Economic VaR; and
- Earnings at Risk.

41. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

3. Profit rate risk

The Bank is exposed to various risk associated with the effects of fluctuations in the prevailing levels of market yield/profit rate on the financial position and cash flows. Yield/profit rate risk is identified, measured, monitored and controlled through limits and procedures set by Maybank Group Asset and Liability Management Committee ("ALCO") to protect total net profit income from changes in market profit rates.

Interbank offered rates ("IBOR"s) reformed

IBOR which has been widely used in the global financial markets, has been discontinued as of financial year ended 31 December 2021 for GBP, EUR, CHF and JPY London Interbank Offered Rate ("LIBOR") settings in all tenures, and USD LIBOR for 1-week and 2-month settings. The USD Overnight LIBOR settings for 1-month, 3-month, 6-month and 12-month tenures will mature by June 2023. Respective rates are replaced by risk-free rates ("RFR"s) as part of the global reform of benchmark profit rate. The transition from IBOR to RFRs have significant impact on the Bank arising from legal implications for existing derivatives and financing contract referenced to IBOR, adjustment to accounting and valuation approaches, and system recalibration and reconfiguration. In June 2019, Maybank Group set up the IBOR transition Project Steering Committee ("PSC") , which consists of senior leaders from various functions across the Group including Legal, Finance, Operations, Technology, Risk and Compliance, to address the Bank's readiness for the IBOR reform.

Since the establishment of the PSC, Maybank Group has been planning and laying the foundations to ensure a smooth IBOR transition within the organisation and for its clients. These efforts include reviewing affected legal contracts, staff training, client engagement and ensuring systems and operational readiness to offer RFR products. Maybank Group actively monitors the developments in the industry in order to align itself to global market practices. The Board is updated on the progress of Maybank Group's IBOR transition on a quarterly basis.

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to affect IBOR reform;

- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses;

41. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

3. Profit rate risk (cont'd.)

Interbank offered rates ("IBOR"s) reformed (cont'd.)

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following (cont'd.):

- Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available;
- Accounting risk if the Bank's hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs; and
- Legal and compliance risk of litigation due to transition value transfer between the Bank and its customers and counterparties.

The following table is exposure that have yet to transition from IBOR to RFRs.

	Non-derivatives financial assets carrying value RM'000	Non-derivatives financial liabilities carrying value RM'000	Derivatives nominal amount RM'000
2023			
USD London Interbank Offered Rate	**222,390**	**-**	**-**
2022			
USD London Interbank Offered Rate	2,973,511	1,078,325	12,798

41. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

3. Profit rate risk (cont'd.)

The tables below summarise the Bank's exposure to yield/profit rate risk. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments either repriced or matured, whichever is earlier.

2023	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Assets									
Cash and short-term funds	**7,811,482**	**-**	**-**	**-**	**-**	**26**	**-**	**7,811,508**	**3.59%**
Deposits and placements with banks and other financial institutions	**-**	**2,801,850**	**-**	**-**	**-**	**-**	**-**	**2,801,850**	**3.51%**
Financial assets purchased under resale agreements	**58,118**	**-**	**-**	**-**	**-**	**-**	**-**	**58,118**	**3.15%**
Financial investments at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**1,331,059**	**1,331,059**	**3.61%**
Financial investments at fair value through other comprehensive income	**619,977**	**-**	**789,483**	**2,007,051**	**20,926,035**	**-**	**-**	**24,342,546**	**4.31%**
Financial investments at amortised cost	**6,395**	**18,881**	**1,376,250**	**3,866,143**	**8,491,520**	**-**	**-**	**13,759,189**	**3.39%**
Financing and advances									
- Non-impaired	**156,042,345**	**4,560,445**	**2,812,831**	**19,537,543**	**46,478,417**	**-**	**-**	**229,431,581**	**4.66%**
- Impaired*	**1,348,244**	**-**	**-**	**-**	**-**	**-**	**-**	**1,348,244**	**-**
- 12-month ECL and lifetime ECL not credit impaired	**-**	**-**	**-**	**-**	**-**	**(1,972,670)**	**-**	**(1,972,670)**	**-**
Derivative assets	**-**	**-**	**-**	**-**	**-**		**160,619**	**160,619**	**-**
Other assets	**-**	**-**	**-**	**-**	**-**	**3,952,570**	**-**	**3,952,570**	**-**
Other non-yield/profit sensitive balances	**-**	**-**	**-**	**-**	**-**	**3,705,484**	**-**	**3,705,484**	**-**
Total assets	**165,886,561**	**7,381,176**	**4,978,564**	**25,410,737**	**75,895,972**	**5,685,410**	**1,491,678**	**286,730,098**	

* This is arrived after deducting the stage 3 - lifetime ECL credit impaired from the gross impaired financing and advances.

41. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

3. Profit rate risk (cont'd.)

The tables below summarise the Bank's exposure to yield/profit rate risk. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments either repriced or matured, whichever is earlier (cont'd.).

2023	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Liabilities and shareholder's equity									
Customers' funding:									
- Deposits from customers	65,550,592	40,128,111	55,427,134	14,244,742	35,348,400	-	-	210,698,979	2.81%
- Investment accounts of customers	3,078,323	2,317,248	5,919,817	4,352,148	11,686,801	-	-	27,354,337	1.49%
Deposits and placements of banks and other financial institutions	2,602,228	11,867,258	2,458,291	321,864	199,141	62,839	-	17,511,621	3.90%
Bills and acceptances payable	-	-	-	-	-	80,796	-	80,796	-
Derivative liabilities	-	-	-	-	-	-	309,093	309,093	-
Term funding	-	2,981,668	4,912,678	3,037,881	-	-	-	10,932,227	3.70%
Subordinated sukuk	-	-	-	2,021,893	-	-	-	2,021,893	3.70%
Capital securities	-	-	-	1,002,347	-	-	-	1,002,347	4.76%
Other liabilities	11,008	-	-	-	-	1,294,088	-	1,305,096	3.48%
Other non-yield/profit sensitive balances	-	-	-	-	-	63,590	-	63,590	-
Total liabilities	71,242,151	57,294,285	68,717,920	24,980,875	47,234,342	1,501,313	309,093	271,279,979	
Shareholder's equity	-	-	-	-	-	15,450,119	-	15,450,119	
Total liabilities and shareholder's equity	71,242,151	57,294,285	68,717,920	24,980,875	47,234,342	16,951,432	309,093	286,730,098	
On-balance sheet yield/profit rate sensitivity gap	94,644,410	(49,913,109)	(63,739,356)	429,862	28,661,630	(11,266,022)	1,182,585		
Off-balance sheet yield/profit rate sensitivity gap	(154)	-	-	44	110	-	-		
Total profit rate sensitivity gap	94,644,256	(49,913,109)	(63,739,356)	429,906	28,661,740	(11,266,022)	1,182,585		
Cumulative yield/profit rate sensitivity gap	94,644,256	44,731,147	(19,008,209)	(18,578,303)	10,083,437	(1,182,585)	-		

41. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

3. Profit rate risk (cont'd.)

The tables below summarise the Bank's exposure to yield/profit rate risk. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments either repriced or matured, whichever is earlier (cont'd.).

2022	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Assets									
Cash and short-term funds	15,092,556	-	-	-	-	30	-	15,092,586	2.73%
Deposits and placements with banks and other financial institutions	-	5,329,880	-	-	-	-	-	5,329,880	3.61%
Financial assets purchased under resale agreements	-	2,121,695	-	-	-	-	-	2,121,695	3.15%
Financial investments at fair value through profit or loss	-	-	-	-	-	-	309,504	309,504	5.14%
Financial investments at fair value through other comprehensive income	-	172,531	3,225,137	2,498,857	9,749,458	-	-	15,645,983	3.98%
Financial investments at amortised cost	-	156,734	826,800	3,974,029	22,504,136	-	-	27,461,699	4.38%
Financing and advances									
- Non-impaired	142,796,759	4,084,582	2,485,035	19,919,570	46,022,178	-	-	215,308,124	4.21%
- Impaired*	823,768	-	-	-	-	-	-	823,768	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	(1,752,269)	-	(1,752,269)	-
Derivative assets	-	-	-	-	-	-	263,763	263,763	-
Other assets	-	-	-	-	-	5,150,765	-	5,150,765	-
Other non-yield/profit sensitive balances	-	-	-	-	-	3,801,789	-	3,801,789	-
Total assets	158,713,083	11,865,422	6,536,972	26,392,456	78,275,772	7,200,315	573,267	289,557,287	

* This is arrived after deducting the stage 3 - lifetime ECL credit impaired from the gross impaired financing and advances.

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41. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

3. Profit rate risk (cont'd.)

The tables below summarise the Bank's exposure to yield/profit rate risk. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments either repriced or matured, whichever is earlier (cont'd.).

2022	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Liabilities and shareholder's equity									
Customers' funding:									
- Deposits from customers	63,587,544	50,154,313	43,648,817	17,442,793	34,949,996	-	-	209,783,463	2.51%
- Investment accounts of customers	2,531,872	1,683,904	5,402,580	6,199,693	9,819,653	-	-	25,637,702	1.29%
Deposits and placements of banks and other financial institutions	5,775,180	8,897,244	7,791,475	553,234	275,476	304,897	-	23,597,506	3.64%
Obligations on financial assets sold under repurchase agreements	461,081	-	-	-	-	-	-	461,081	3.05%
Bills and acceptances payable	-	-	-	-	-	32,569	-	32,569	-
Derivative liabilities	-	-	-	-	-	-	384,674	384,674	-
Term funding	-	1,490,824	4,923,130	3,007,248	-	-	-	9,421,202	3.26%
Subordinated sukuk	-	-	-	2,021,893	-	-	-	2,021,893	3.70%
Capital securities	-	-	-	1,002,347	-	-	-	1,002,347	4.76%
Other liabilities	14,448	-	-	-	-	2,640,500	-	2,654,948	2.30%
Other non-yield/profit sensitive balances	-	-	-	-	-	138,207	-	138,207	-
Total liabilities	72,370,125	62,226,285	61,766,002	30,227,208	45,045,125	3,116,173	384,674	275,135,592	
Shareholder's equity	-	-	-	-	-	14,421,695	-	14,421,695	
Total liabilities and shareholder's equity	72,370,125	62,226,285	61,766,002	30,227,208	45,045,125	17,537,868	384,674	289,557,287	
On-balance sheet yield/profit rate sensitivity gap	86,342,958	(50,360,863)	(55,229,030)	(3,834,752)	33,230,647	(10,337,553)	188,593		
Off-balance sheet yield/profit rate sensitivity gap	(161)	125	1,508	(1,582)	110	-	-		
Total profit rate sensitivity gap	86,342,797	(50,360,738)	(55,227,522)	(3,836,334)	33,230,757	(10,337,553)	188,593		
Cumulative yield/profit rate sensitivity gap	86,342,797	35,982,059	(19,245,463)	(23,081,797)	10,148,960	(188,593)	-		

41. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

4. Sensitivity analysis for profit rate risk

The table below shows the sensitivity of the Bank’s profit after tax to an up and down 100 basis point parallel rate shocks.

	2023			2022		
	Tax rate	RM'000 + 100 basis points	RM'000 - 100 basis points	Tax rate	RM'000 + 100 basis points	RM'000 - 100 basis points
Impact to profit before tax		**263,375**	**(263,375)**		202,483	(202,483)
Impact to profit after tax	**24%**	**200,165**	**(200,165)**	24%	153,887	(153,887)

Impact to profit after tax is measured using Earnings-at-Risk ("EaR") methodology which is simulated based on a set of standardised rate shock on the profit rate gap profile derived from the statement of financial position of the Bank. The profit rate gap is the mismatch of rate sensitive assets and rate sensitive liabilities taking consideration the earlier of repricing or remaining maturity, behavioural assumptions of certain indeterminate maturities products such as current and savings deposits, to reflect the actual sensitivity behaviour of these profit bearing liabilities.

Impact to revaluation reserve is assessed by applying up and down 100 basis points rate shock to the yield curve to model the impact on mark-to-market for financial investments at fair value through of comprehensive income ("FVOCI") portfolio:

	2023		2022	
	RM'000 + 100 basis points	RM'000 - 100 basis points	RM'000 + 100 basis points	RM'000 - 100 basis points
Impact to revaluation reserve for FVOCI	**(2,313,018)**	**2,313,018**	(1,009,936)	1,009,936

5. Foreign exchange risk

Foreign exchange (“FX”) risk arises as a result of movements in relative currencies due to the Bank’s operating business activities, trading activities and structural foreign exchange exposures from foreign investments and capital management activities.

Generally, the Bank is exposed to three types of foreign exchange risk such as translation risk, transactional risk and economic risk which are managed in accordance with the market risk policy and limits. The FX translation risks are mitigated as the assets are funded in the same currency. The Bank controls its FX exposures by transacting in permissible currencies. It has an internal FX NOP to measure, control and monitor its FX risk and implements FX hedging strategies to minimise FX exposures. Stress testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

41. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

5. Foreign exchange risk (cont'd.)

The tables below analyse the net foreign exchange positions of the Bank as at 31 December 2023 and 31 December 2022 by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, the Great Britain Pound, Hong Kong Dollar, United States Dollar, Indonesia Rupiah and Euro. The “others” foreign exchange risk include mainly exposure to Australian Dollar, Japanese Yen, Chinese Renminbi, Philippine Peso, Brunei Dollar and United Arab Emirates Dirham.

2023	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	4,244,108	-	317,312	6,005	2,827,215	-	5,403	411,465	7,811,508
Deposits and placements with banks and other financial institutions	2,801,850	-	-	-	-	-	-	-	2,801,850
Financial assets purchased under resale agreements	58,118	-	-	-	-	-	-	-	58,118
Financial investments portfolio*	39,349,815	-	-	-	82,979	-	-	-	39,432,794
Financing and advances	225,000,402	134,271	505,576	-	3,139,612	-	21,917	5,377	228,807,155
Derivative assets^	(1,078,220)	(66,761)	138,160	-	(1,256,489)	1,154	2,261,929	160,846	160,619
Other assets	4,386,160	9,570	345,227	780	(826,771)	940	(26,312)	62,976	3,952,570
Statutory deposit with Bank Negara Malaysia	3,621,143	-	-	-	-	-	-	-	3,621,143
Property, plant and equipment	-	-	-	-	199	-	-	-	199
Right-of-use assets	2,719	-	-	-	-	-	-	1,775	4,494
Deferred tax assets	79,648	-	-	-	-	-	-	-	79,648
Total assets	278,465,743	77,080	1,306,275	6,785	3,966,745	2,094	2,262,937	642,439	286,730,098

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost.

^ The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Bank's statements of financial position.

41. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

5. Foreign exchange risk (cont'd.)

2023	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	193,810,374	80,205	1,233,422	7,558	13,642,142	-	1,315,440	609,838	210,698,979
Investment accounts of customers	27,354,337	-	-	-	-	-	-	-	27,354,337
Deposits and placements of banks and other financial institutions	14,739,275	3,887	348,676	-	2,245,135	2,825	-	171,823	17,511,621
Bills and acceptances payable	80,796	-	-	-	-	-	-	-	80,796
Derivative liabilities^	12,169,689	(10,406)	(605,701)	-	(12,043,432)	(1,490)	975,117	(174,684)	309,093
Other liabilities	1,298,772	387	(76)	-	1,682	1	38	4,292	1,305,096
Provision for taxation and zakat	63,590	-	-	-	-	-	-	-	63,590
Term funding	10,932,227	-	-	-	-	-	-	-	10,932,227
Subordinated sukuk	2,021,893	-	-	-	-	-	-	-	2,021,893
Capital securities	1,002,347	-	-	-	-	-	-	-	1,002,347
Total liabilities	263,473,300	74,073	976,321	7,558	3,845,527	1,336	2,290,595	611,269	271,279,979
On-balance sheet open position	14,992,443	3,007	329,954	(773)	121,218	758	(27,658)	31,170	15,450,119
Less: Derivative assets	1,078,220	66,761	(138,160)	-	1,256,489	(1,154)	(2,261,929)	(160,846)	(160,619)
Add: Derivative liabilities	12,169,689	(10,406)	(605,701)	-	(12,043,432)	(1,490)	975,117	(174,684)	309,093
Add: Net forward position	(13,247,909)	(56,355)	743,861	-	10,786,943	2,644	1,286,812	335,530	(148,474)
Net open position	14,992,443	3,007	329,954	(773)	121,218	758	(27,658)	31,170	15,450,119

^ The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Bank's statements of financial position.

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41. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

5. Foreign exchange risk (cont'd.)

2022	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	13,002,050	162,279	490,754	5,337	1,103,378	-	128,511	200,277	15,092,586
Deposits and placements with banks and other financial institutions	4,000,657	-	-	-	1,329,223	-	-	-	5,329,880
Financial assets purchased under resale agreements	2,121,695	-	-	-	-	-	-	-	2,121,695
Financial investments portfolio*	43,107,682	-	-	-	309,504	-	-	-	43,417,186
Financing and advances	210,246,345	3,920	638,052	-	3,403,870	-	81,233	6,203	214,379,623
Derivative assets^	3,548,602	(4,424)	140,111	(97)	(3,398,936)	1,928	(8,001)	(15,420)	263,763
Other assets	4,840,952	2,261	288,459	27	(4,184)	893	(22,474)	44,831	5,150,765
Statutory deposit with Bank Negara Malaysia	3,505,736	-	-	-	-	-	-	-	3,505,736
Property, plant and equipment	-	-	-	-	-	-	-	341	341
Right-of-use assets	4,320	-	-	-	-	-	-	2,959	7,279
Deferred tax assets	288,433	-	-	-	-	-	-	-	288,433
Total assets	284,666,472	164,036	1,557,376	5,267	2,742,855	2,821	179,269	239,191	289,557,287

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost.

^ The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Bank's statements of financial position.

41. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

5. Foreign exchange risk (cont'd.)

2022	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	199,142,101	70,392	1,178,602	6,236	9,045,960	-	190,168	150,004	209,783,463
Investment accounts of customers	25,637,702	-	-	-	-	-	-	-	25,637,702
Deposits and placements of banks and other financial institutions	22,767,521	-	480,475	-	342,159	468	-	6,883	23,597,506
Obligations on financial assets sold under repurchase agreements	461,081	-	-	-	-	-	-	-	461,081
Bills and acceptances payable	32,569	-	-	-	-	-	-	-	32,569
Derivative liabilities^	7,434,780	90,113	(383,432)	-	(6,808,231)	1,095	12,973	37,376	384,674
Other liabilities	2,635,795	328	196	-	2,813	-	274	15,542	2,654,948
Provision for zakat	138,207	-	-	-	-	-	-	-	138,207
Term funding	9,421,202	-	-	-	-	-	-	-	9,421,202
Subordinated sukuk	2,021,893	-	-	-	-	-	-	-	2,021,893
Capital securities	1,002,347	-	-	-	-	-	-	-	1,002,347
Total liabilities	270,695,198	160,833	1,275,841	6,236	2,582,701	1,563	203,415	209,805	275,135,592
On-balance sheet open position	13,971,274	3,203	281,535	(969)	160,154	1,258	(24,146)	29,386	14,421,695
Less: Derivative assets	(3,548,602)	4,424	(140,111)	97	3,398,936	(1,928)	8,001	15,420	(263,763)
Add: Derivative liabilities	7,434,780	90,113	(383,432)	-	(6,808,231)	1,095	12,973	37,376	384,674
Add: Net forward position	(3,886,178)	(94,537)	523,543	(97)	3,409,295	833	(20,974)	(52,796)	(120,911)
Net open position	13,971,274	3,203	281,535	(969)	160,154	1,258	(24,146)	29,386	14,421,695

^ The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Bank's statements of financial position.

41. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

6. Sensitivity analysis for foreign exchange risk

Foreign exchange risk

Foreign exchange risk arises from the movements in exchange rates that adversely affect the revaluation of the Bank and the foreign currency positions. Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank on their unhedged position are as follows:

	2023		2022	
	1% appreciation RM'000	1% depreciation RM'000	1% appreciation RM'000	1% depreciation RM'000
Impact to profit after tax	**(4,553)**	**4,553**	(4,504)	4,504

Interpretation of impact

The Bank measures the foreign exchange sensitivity based on the foreign exchange net open positions (excluding foreign exchange structural position) under an adverse movements in all foreign currencies against reporting currency - Ringgit Malaysia ("RM"). The result implies that the Bank may be subject to additional translation (losses)/gains if the RM depreciates/appreciates against other currencies and vice versa.

(g) Liquidity risk management

1. Liquidity risk management overview

Liquidity risk management

Liquidity risk is defined as the risk of an adverse impact to the Bank's financial condition or overall safety and soundness that could arise from its inability (or perceived inability) or unexpected higher cost to meet its obligations.

The Bank has adopted BNM Liquidity Coverage Ratio, Net Stable Funding Ratio and other industry leading practices as a foundation to measure and manage its liquidity risk exposure. The Bank also uses a range of tools to monitor and control liquidity risk exposure such as liquidity gap, early warning signals, liquidity indicators and stress testing. The liquidity positions of the Bank are monitored regularly against the established policies, procedures and limits.

41. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

1. Liquidity risk management overview (cont'd.)

Liquidity risk management (cont'd.)

The Bank has a diversified liability structure to meet its funding requirements. The primary source of funding includes customer deposits, interbank deposits, debt securities, swap market, bank financing syndication and medium term funds. The Bank also initiates and implements strategic fund raising programmes as well as institutes standby lines with external parties on a need basis. Sources of fund providers are regularly reviewed to maintain a wide diversification by currency, provider, product and term thus minimising excessive funding concentration.

Management of liquidity risk

For day-to-day liquidity management, the treasury operations will ensure sufficient funding to meet its intraday payment and settlement obligations on a timely basis. Besides, the process of managing liquidity risk also includes:

- Maintaining a sufficient amount of unencumbered high quality liquidity buffer as a protection against any unforeseen interruption to cash flows;
- Managing short and long-term cash flows via maturity mismatch report and various indicators;
- Monitoring depositor concentration at the Bank levels to avoid undue reliance on large depositors;
- Managing liquidity exposure by domestic and significant foreign currencies;
- Diversifying funding sources to ensure appropriate funding mix;
- Conducting liquidity stress testing under various scenarios as part of prudent liquidity control;
- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communications and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting Recovery Plan ("RCP") testing to examine the effectiveness and robustness of the plans to avert any potential liquidity disasters affecting the Bank's liquidity soundness and financial solvency.

41. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2023 and 31 December 2022.

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM:

2023	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	7,811,508	-	-	-	-	-	-	-	7,811,508
Deposits and placements with banks and other financial institutions	-	2,801,850	-	-	-	-	-	-	2,801,850
Financial assets purchased under resale agreements	-	58,118	-	-	-	-	-	-	58,118
Financial investments portfolio*	1,488,973	299,880	605,838	1,385,744	1,466,869	4,513,262	29,672,228	-	39,432,794
Financing and advances	13,584,545	5,325,232	2,557,684	1,405,330	8,462,852	19,989,882	177,481,630	-	228,807,155
Derivative assets	27,397	61,595	19,727	3,802	17,758	26,229	4,111	-	160,619
Other assets	2,875,835	-	-	1,076,735	-	-	-	-	3,952,570
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	3,621,143	3,621,143
Property, plant and equipment	-	-	-	-	-	-	-	199	199
Right-of-use assets	-	-	-	-	-	-	-	4,494	4,494
Deferred tax assets	-	-	-	-	-	-	-	79,648	79,648
Total assets	25,788,258	8,546,675	3,183,249	3,871,611	9,947,479	24,529,373	207,157,969	3,705,484	286,730,098

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost.

41. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities (cont'd.)

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2023 and 31 December 2022 (cont'd.).

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM (cont'd.):

2023	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities									
Customer funding:									
- Deposits from customers	125,438,172	36,837,596	35,646,969	12,587,012	176,940	12,290	-	-	210,698,979
- Investment accounts of customers	24,457,366	657,370	1,072,077	1,133,453	30,557	3,514	-	-	27,354,337
Deposits and placements of banks and other financial institutions	2,665,067	11,867,258	2,321,224	137,067	121,961	199,903	199,141	-	17,511,621
Bills and acceptances payable	80,796	-	-	-	-	-	-	-	80,796
Derivative liabilities	87,990	135,308	31,663	6,111	17,758	26,228	4,035	-	309,093
Other liabilities	1,031,464	482	723	271,779	648	-	-	-	1,305,096
Provision for taxation and zakat	-	-	-	-	-	-	-	63,590	63,590
Term funding	-	2,981,668	3,446,236	1,466,442	-	3,037,881	-	-	10,932,227
Subordinated sukuk	-	11,044	10,849	-	-	-	2,000,000	-	2,021,893
Capital securities	-	-	2,347	-	-	-	1,000,000	-	1,002,347
Total liabilities	153,760,855	52,490,726	42,532,088	15,601,864	347,864	3,279,816	3,203,176	63,590	271,279,979
Net liquidity gap	(127,972,597)	(43,944,051)	(39,348,839)	(11,730,253)	9,599,615	21,249,557	203,954,793	3,641,894	15,450,119

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41. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities (cont'd.)

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2023 and 31 December 2022 (cont'd.).

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM (cont'd.):

2022	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	15,092,586	-	-	-	-	-	-	-	15,092,586
Deposits and placements with banks and other financial institutions	-	5,329,880	-	-	-	-	-	-	5,329,880
Financial assets purchased under resale agreements	-	2,121,695	-	-	-	-	-	-	2,121,695
Financial investments portfolio*	-	545,841	2,561,707	1,583,158	3,984,517	2,488,369	32,253,594	-	43,417,186
Financing and advances	15,267,418	4,880,600	2,094,669	1,600,514	7,838,374	19,450,939	163,247,109	-	214,379,623
Derivative assets	54,220	139,819	9,278	21,534	2,624	23,499	12,789	-	263,763
Other assets	4,564,813	-	-	585,952	-	-	-	-	5,150,765
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	3,505,736	3,505,736
Property, plant and equipment	-	-	-	-	-	-	-	341	341
Right-of-use assets	-	-	-	-	-	-	-	7,279	7,279
Deferred tax assets	-	-	-	-	-	-	-	288,433	288,433
Total assets	34,979,037	13,017,835	4,665,654	3,791,158	11,825,515	21,962,807	195,513,492	3,801,789	289,557,287

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost.

41. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities (cont'd.)

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2023 and 31 December 2022 (cont'd.).

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM (cont'd.):

2022	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities									
Customer funding:									
- Deposits from customers	123,620,727	47,655,859	27,703,462	10,616,600	166,746	20,069	-	-	209,783,463
- Investment accounts of customers	22,414,425	584,112	1,216,976	1,403,496	13,924	4,769	-	-	25,637,702
Deposits and placements of banks and other financial institutions	6,080,077	8,897,244	7,510,523	280,952	365,625	187,609	275,476	-	23,597,506
Obligations on financial assets sold under repurchase agreements	461,081	-	-	-	-	-	-	-	461,081
Bills and acceptances payable	32,569	-	-	-	-	-	-	-	32,569
Derivative liabilities	39,670	205,616	54,381	23,201	2,624	46,480	12,702	-	384,674
Other liabilities	2,337,461	482	723	312,534	3,748	-	-	-	2,654,948
Provision for taxation and zakat	-	-	-	-	-	-	-	138,207	138,207
Term funding	-	1,490,824	3,456,202	1,466,927	-	3,007,249	-	-	9,421,202
Subordinated sukuk	-	11,044	10,849	-	-	-	2,000,000	-	2,021,893
Capital securities	-	-	2,347	-	-	-	1,000,000	-	1,002,347
Total liabilities	154,986,010	58,845,181	39,955,463	14,103,710	552,667	3,266,176	3,288,178	138,207	275,135,592
Net liquidity gap	(120,006,973)	(45,827,346)	(35,289,809)	(10,312,552)	11,272,848	18,696,631	192,225,314	3,663,582	14,421,695

41. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities as at 31 December 2023 and 31 December 2022. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and profit analysis. The Bank manage inherent liquidity risk based on discounted expected cash flows.

2023	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative liabilities								
Customers' funding:								
- Deposits from customers	125,575,992	37,085,255	36,033,577	12,764,708	181,103	13,482	-	211,654,117
- Investment accounts of customers	24,469,414	664,793	1,087,922	1,154,552	31,370	3,902	-	27,411,953
Deposits and placements of banks and other financial institutions	2,666,686	11,940,358	2,352,360	142,903	122,816	200,722	199,141	17,624,986
Bills and acceptances payable	80,796	-	-	-	-	-	-	80,796
Other liabilities	1,031,464	482	723	271,779	1,308	-	-	1,305,756
Term funding	-	3,000,000	3,543,300	1,543,300	173,200	3,121,159	-	11,380,959
Subordinated sukuk	-	14,500	22,500	37,000	148,000	148,000	2,095,000	2,465,000
Capital securities	-	-	23,800	23,800	95,200	1,047,600	-	1,190,400
	153,824,352	52,705,388	43,064,182	15,938,042	752,997	4,534,865	2,294,141	273,113,967
Commitments and contingencies								
Direct credit substitutes	331,554	140,435	767,672	1,403,771	246,936	105,231	351,775	3,347,374
Certain transaction-related contingent items	264,316	238,477	600,116	808,266	1,573,471	539,914	215,075	4,239,635
Short-term self-liquidating trade-related contingencies	51,535	452,846	19,190	3,520	-	-	-	527,091
Irrevocable commitments to extend credit	-	-	-	41,374,483	14,719,870	-	-	56,094,353
Miscellaneous	-	-	-	86,637	-	-	-	86,637
	647,405	831,758	1,386,978	43,676,677	16,540,277	645,145	566,850	64,295,090

41. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

The tables below present the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities as at 31 December 2023 and 31 December 2022. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and profit analysis. The Bank manage inherent liquidity risk based on discounted expected cash flows (cont'd.).

2022	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative liabilities								
Customers' funding:								
- Deposits from customers	124,082,291	47,766,244	27,834,049	10,726,131	171,069	21,326	-	210,601,110
- Investment accounts of customers	22,428,706	590,498	1,231,357	1,430,919	14,535	5,242	-	25,701,257
Deposits and placements of banks and other financial institutions	6,086,415	8,942,184	7,603,202	288,606	376,343	188,432	275,476	23,760,658
Obligations on financial assets sold under repurchase agreements	462,077	-	-	-	-	-	-	462,077
Bills and acceptances payable	32,569	-	-	-	-	-	-	32,569
Other liabilities	2,337,462	482	723	312,553	4,291	-	-	2,655,511
Term funding	-	1,500,000	3,543,300	1,543,300	173,200	3,176,652	-	9,936,452
Subordinated sukuk	-	14,500	22,500	37,000	148,000	148,000	2,111,000	2,481,000
Capital securities	-	-	23,800	23,800	95,200	1,095,200	-	1,238,000
	155,429,520	58,813,908	40,258,931	14,362,309	982,638	4,634,852	2,386,476	276,868,634
Commitments and contingencies								
Direct credit substitutes	294,168	154,062	519,387	1,255,395	322,429	105,790	400,250	3,051,481
Certain transaction-related contingent items	180,615	152,550	619,000	486,378	1,421,510	707,623	58,695	3,626,371
Short-term self-liquidating trade-related contingencies	112,085	319,586	26,220	2,709	106	-	-	460,706
Irrevocable commitments to extend credit	-	-	-	35,592,554	11,097,267	-	-	46,689,821
Miscellaneous	-	-	-	1,599,299	-	-	-	1,599,299
	586,868	626,198	1,164,607	38,936,335	12,841,312	813,413	458,945	55,427,678

41. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

The tables below analyse the Bank’s derivative financial liabilities that will be settled on a net basis into relevant maturity groupings by remaining contractual maturities as at 31 December 2023 and 31 December 2022. The amounts disclosed in the tables are the contractual undiscounted cash flows.

2023	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange related contracts	(22)	-	-	-	-	-	-	(22)
- Profit rate related contracts	18	(41)	(67)	99	672	119	(1,330)	(530)
	(4)	(41)	(67)	99	672	119	(1,330)	(552)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
- Outflow	(7,056,905)	(11,264,551)	(1,878,775)	(331,380)	(636,038)	(978,053)	(375,144)	(22,520,846)
- Inflow	7,697,911	10,450,987	1,858,597	328,277	607,176	924,279	374,322	22,241,549
	641,006	(813,564)	(20,178)	(3,103)	(28,862)	(53,774)	(822)	(279,297)

41. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

The tables below analyse the Bank’s derivative financial liabilities that will be settled on a net basis into relevant maturity groupings by remaining contractual maturities as at 31 December 2023 and 31 December 2022. The amounts disclosed in the tables are the contractual undiscounted cash flows (cont'd.).

2022	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
- Profit rate related contracts	-	-	3	6	22	22	52	105
Hedging derivatives								
- Profit rate related contracts	-	(2,398)	(382)	(3,011)	(16,369)	(10,550)	-	(32,710)
	-	(2,398)	(379)	(3,005)	(16,347)	(10,528)	52	(32,605)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
- Outflow	(1,990,560)	(5,300,544)	(1,329,368)	(162,209)	(380,902)	(1,169,478)	(259,488)	(10,592,549)
- Inflow	1,914,776	5,142,101	1,310,770	157,019	382,851	1,156,375	255,519	10,319,411
	(75,784)	(158,443)	(18,598)	(5,190)	1,949	(13,103)	(3,969)	(273,138)

41. Financial risk management policies (cont'd.)

(h) Non-financial risk management

Non-financial risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. In Maybank Group, the management of non-financial risk has evolved to encompass a wider range of non-financial risks such as business continuity risk and outsourcing risk.

The Bank's Non-Financial Risk ("NFR") management is premised on the three lines of defence concept. Risk taking units (Strategic Business Unit), as first line of defence are primarily responsible for the day-to-day management of non-financial risks within their respective business operations. They are responsible for establishing and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with the Bank's NFR framework.

The NFR team, as the second line of defence, is responsible for the formulation and implementation of non-financial risk management policy within the Bank, which encompasses the non-financial risk management strategy and governance structure. NFR team is also responsible for the development and implementation of non-financial risk management tools and methodologies to identify, measure, control, report and monitor non-financial risks.

The Bank's Internal Audit plays the third line of defence by providing independent assurance in respect of the overall effectiveness of the non-financial risk management process, which includes performing independent review and periodic validation of the NFR policy and process as well as conducting regular review on implementation of NFR tools by NFR and the respective business units.

(i) Environment, social and governance risk management

Environment, social and governance risks ("ESG risks") are potential losses arising from the failure to address the Bank's environmental, social and corporate governance concerns, which would then adversely impact the sustainability of business operations or the value of assets and liabilities.

Recognising the strategic importance of sustainability, the Bank has put in place the Maybank Group ESG Risk Management Framework ("ESGRMF") which provides guidance on management of ESG risks across the operations and business activities of the Bank. The ESGRMF is applicable to all entities within the Maybank Group, and all activities that the Bank undertakes, including financing, deposit taking, investment and advisory services.

41. Financial risk management policies (cont'd.)

(i) Environment, social and governance risk management (cont'd.)

The Bank conducts impact assessment on ESG risks from the two following perspectives:

(a) Inside-out: the environmental and societal impacts arising from the Bank’s business operations and service delivery; and

(b) Outside-in: the impact of ESG events and conditions to the Bank’s business operations, service delivery as well as business continuity.

Although ESG presents risks, the Bank has introduced various initiatives to help mitigate and adapt to these risks to ensure that the business is resilient and better-positioned to meet stakeholders' needs and expectations over the long term.

In terms of products, services and advice, the Bank intends to capitalise on new areas for business growth while supporting customers in the transition to a low-carbon economy, thus fulfilling the Bank's commitment towards mobilising sustainable finance. On the other hand, in ensuring resource-efficient and climate-resilient operations, the Bank strives towards achieving cost-savings, reducing our direct impact on climate change and protecting our business against the risks of climate change.

42. Fair values measurements

This disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

(a) Valuation principles;
(b) Valuation techniques;
(c) Fair value measurements and classification within the fair value hierarchy;
(d) Transfers between Level 1 and Level 2 in the fair value hierarchy;
(e) Movements of Level 3 instruments;
(f) Sensitivity of fair value measurements to changes in unobservable input assumptions; and
(g) Financial instruments not measured at fair value.

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Bank determines the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs.

42. Fair values measurements (cont'd.)

(a) Valuation principles (cont'd.)

Management's judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Bank established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Bank follow methodologies that consider factors such as bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Bank continuously enhances their design, validation methodologies and processes to ensure the valuations are reflective. The valuation models are validated both internally and externally, with periodic reviews to ensure the model remains suitable for their intended use.

For disclosure purposes, the level in the hierarchy within which the instruments are classified in its entirety is based on the lowest level input that is significant to the position's fair value measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

  Refers to instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, and those prices which represent actual and regularly occurring market transactions at an arm’s length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on exchange.

- Level 2: Valuation techniques for which all significant inputs are, or are based on, observable market data

  Refers to inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Examples of Level 2 financial instruments include over–the–counter ("OTC") derivatives, corporate and other government sukuk, illiquid equities and consumer financing and advances with homogeneous or similar features in the market.

42. Fair values measurements (cont'd.)

(a) Valuation principles (cont'd.)

For disclosure purposes, the level in the hierarchy within which the instruments are classified in its entirety is based on the lowest level input that is significant to the position's fair value measurements (cont'd.):

- Level 3: Valuation techniques for which significant inputs are not based on observable market data

  Refers to instruments where fair value is measured using significant unobservable market inputs. The valuation techniques used are consistent with the Level 2 but incorporate the Bank's own assumptions and data. Examples of Level 3 instruments include corporate sukuk in illiquid markets, private equity investments and financing and advances priced primarily based on internal credit assessment.

(b) Valuation techniques

The valuation techniques used for both the financial instruments and non-financial assets and liabilities that are not determined by reference to quoted prices (Level 1) are described below:

Derivatives

The fair values of the Bank's derivative instruments are derived using discounted cash flows analysis, option pricing and benchmarking models.

Financial investments at fair value through profit or loss and financial investments at fair value through other comprehensive income

The fair values of financial investments are determined by reference to prices quoted by independent data providers and independent brokers.

Financing and advances at fair value through other comprehensive income

The fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new customers with similar credit profiles.

42. Fair values measurements (cont'd.)

(c) Fair value measurements and classification within the fair value hierarchy

The classification in the fair value hierarchy of the Bank's financial and non-financial assets and liabilities measured at fair value is summarised in the table below:

2023	Quoted Market Price Level 1 RM'000	Valuation technique using Observable Inputs Level 2 RM'000	Valuation technique using Unobservable Inputs Level 3 RM'000	Total RM'000
Financial assets measured at fair values:				
Financial investments at FVTPL	**-**	**1,331,059**	**-**	**1,331,059**
Financial investments at FVOCI	**-**	**24,341,296**	**1,250**	**24,342,546**
Financing and advances at FVOCI	**-**	**-**	**1,491,790**	**1,491,790**
Derivative assets	**-**	**160,619**	**-**	**160,619**
	-	**25,832,974**	**1,493,040**	**27,326,014**
Financial liabilities measured at fair values:				
Derivative liabilities	**-**	**309,093**	**-**	**309,093**
	-	**309,093**	**-**	**309,093**

2022	Quoted Market Price Level 1 RM'000	Valuation technique using Observable Inputs Level 2 RM'000	Valuation technique using Unobservable Inputs Level 3 RM'000	Total RM'000
Financial assets measured at fair values:				
Financial investments at FVTPL	-	309,504	-	309,504
Financial investments at FVOCI	-	15,644,733	1,250	15,645,983
Financing and advances at FVOCI	-	-	3,141,460	3,141,460
Derivative assets	-	263,763	-	263,763
	-	16,218,000	3,142,710	19,360,710
Financial liabilities measured at fair values:				
Derivative liabilities	-	384,674	-	384,674
	-	384,674	-	384,674

42. Fair values measurements (cont'd.)

(d) Transfers between Level 1 and Level 2 in the fair value hierarchy

The accounting policy for determining when transfers between levels of the fair value hierarchy occurred is disclosed in Note 2.2(xvi). There were no transfers between Level 1 and Level 2 for the Bank during the financial year ended 31 December 2023.

(e) Movements of Level 3 instruments

The following tables present additional information about Level 3 assets and liabilities measured at fair value on a recurring basis.

	2023		**2022**	
	Financial investments at FVOCI RM'000	**Financing and advances RM'000**	**Financial investments at FVOCI RM'000**	**Financing and advances RM'000**
At 1 January	**1,250**	**3,141,460**	1,250	2,175,615
Unrealised gain recognised in other comprehensive income	**-**	**1,763**	-	42,999
Purchases/additions	**-**	**603,847**	-	1,048,672
Settlements/amount related to RPSIA	**-**	**(2,260,361)**	-	(132,868)
Exchange differences	**-**	**5,081**	-	7,042
At 31 December	**1,250**	**1,491,790**	1,250	3,141,460

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets and financial liabilities in Level 3 of the fair value hierarchy.

42. Fair values measurements (cont'd.)

(g) Financial instruments not measured at fair value

For financing and advances to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Bank's financial instruments, including financing and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Bank could realise in a sale transaction as at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Bank as a going concern.

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the financial assets and liabilities as disclosed below.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount as shown in the statement of financial position:

2023	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets					
Financing and advances at amortised cost	-	**19,507,317**	**222,532,579**	**242,039,896**	**227,315,365**
Financial investments at amortised cost	-	**13,332,508**	**25,830**	**13,358,338**	**13,759,189**
Financial liabilities					
Deposits from customers	-	**210,698,985**	-	**210,698,985**	**210,698,979**
Investment accounts of customers	-	**27,354,378**	-	**27,354,378**	**27,354,337**

42. Fair values measurements (cont'd.)

(g) Financial instruments not measured at fair value (cont'd.)

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount as shown in the statement of financial position (cont'd.):

2023	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial liabilities (cont'd.)					
Deposits and placements of banks and other financial institutions	**-**	**17,476,574**	**-**	**17,476,574**	**17,511,621**
Term funding	**-**	**10,963,127**	**-**	**10,963,127**	**10,932,227**
Subordinated sukuk	**-**	**2,000,283**	**-**	**2,000,283**	**2,021,893**
Capital securities	**-**	**1,020,387**	**-**	**1,020,387**	**1,002,347**

2022	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets					
Financing and advances at amortised cost	-	25,179,198	197,983,123	223,162,321	211,238,163
Financial investments at amortised cost	-	26,862,890	-	26,862,890	27,461,699
Financial liabilities					
Deposits from customers	-	209,783,504	-	209,783,504	209,783,463
Investment accounts of customers	-	25,637,720	-	25,637,720	25,637,702

42. Fair values measurements (cont'd.)

(g) Financial instruments not measured at fair value (cont'd.)

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount as shown in the statement of financial position (cont'd.):

2022	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial liabilities (cont'd.)					
Deposits and placements of banks and other financial institutions	-	23,562,593	-	23,562,593	23,597,506
Term funding	-	9,414,022	-	9,414,022	9,421,202
Subordinated sukuk	-	1,979,783	-	1,979,783	2,021,893
Capital securities	-	998,187	-	998,187	1,002,347

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments.

(i) Financial investments at amortised cost

Fair values of securities that are actively traded are determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including earnings multiples and discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Financing and advances at amortised cost

The fair values of variable rate financing and advances are estimated to approximate their carrying values. For fixed rate financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new customers with similar credit profiles. In respect of impaired financing, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

42. Fair values measurements (cont'd.)

(g) Financial instruments not measured at fair value (cont'd.)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments (cont'd.).

(iii) Deposits from customers, deposits and placements of banks and other financial institutions and investment accounts of customers

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying amount due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities.

(iv) Term funding, subordinated sukuk and capital securities

The fair values of term funding, subordinated sukuk and capital securities are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for similar instruments as at reporting date.

43. Offsetting of financial assets and financial liabilities

Derivative assets and derivative liabilities are offset and the net amounts are reported in the statement of financial position when there is a 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.

Nostro foreign accounts related balances are reclassified and presented net against amount due from holding company included within other assets to better reflect the operationalisation and settlement of Nostro accounts.

Amounts which are not offset in the statement of financial position are related to:
(i) the counterparties' offsetting exposures with the Bank where the right to set-off is only enforceable in the event of default, insolvency or bankruptcy by the counterparties; and
(ii) cash and securities that are received or pledged with counterparties.

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

			Amount not offset in the statement of financial position		
2023	**Gross amount of recognised financial assets/ financial liabilities RM'000**	**Amount presented in the statement of financial position RM'000**	**Financial instruments RM'000**	**Financial collateral received/ pledged RM'000**	**Net amount RM'000**
Financial assets					
Derivative assets	**160,619**	**160,619**	**(106,605)**	**(118,860)**	**(64,846)**
Financial liabilities					
Derivative liabilities	**309,093**	**309,093**	**(106,605)**	**-**	**202,488**

43. Offsetting of financial assets and financial liabilities (cont'd.)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (cont'd.):

			Amount not offset in the statement of financial position		
2022	**Gross amount of recognised financial assets/ financial liabilities RM'000**	**Amount presented in the statement of financial position RM'000**	**Financial instruments RM'000**	**Financial collateral received/ pledged RM'000**	**Net amount RM'000**
Financial assets					
Derivative assets	263,763	263,763	(134,844)	-	128,919
Financial liabilities					
Derivative liabilities	384,674	384,674	(134,844)	(117,100)	132,730

44. Capital management

The Bank’s approach to capital management is driven by its strategic objectives and takes into account all relevant regulatory, economic and commercial environments in which the Bank operates. The Bank regards having a strong capital position as essential to the Bank's business strategy and competitive position. As such, the Board and senior management take into account implications on the Bank’s capital position prior to implementing major business decisions in order to preserve the Bank’s overall capital strength.

Effective capital management is fundamental to the sustainability of the Bank. The Bank proactively manages its capital to meet the expectations of key stakeholders such as regulators, shareholders, investors, rating agencies and analysts whilst ensuring that the returns on capital commensurate with risks undertaken by respective business units. The objectives are to:

- Maintain capital ratios at levels sufficiently above the regulatory minimum requirements;
- Support the Bank's strong credit ratings from local and international rating agencies;
- Deploy capital efficiently to businesses and optimise returns on capital;
- Remain flexible to capitalise on future opportunities; and
- Build and invest in businesses, even in a stressed environment.

The quality and composition of capital are key factors in the Board and senior management’s evaluation of the Bank’s capital adequacy position. The Bank places strong emphasis on the quality of its capital and, accordingly, holds a significant amount of its capital in the form of common equity which is permanent and has the highest loss absorption capability on a going concern basis.

The Bank’s capital management is guided by the Bank Capital Management Framework to ensure that capital is managed on an integrated approach and ensure a strong and flexible financial position to manage through economic cycles.

The Bank's capital management is also supplemented by the Bank Annual Capital and Funding Plan to facilitate efficient capital levels and utilisation across the Bank. The plan is updated on an annual basis covering at least a three years horizon and reviewed and approved by the Board for implementation at the beginning of each financial year in order to keep abreast with the latest development on capital management and also to ensure effective and timely execution of the plans contained therein.

44. Capital management (cont'd.)

Pursuant to Bank Negara Malaysia's ("BNM") Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 15 December 2023, all financial institutions shall hold and maintain at all times, the minimum Common Equity Tier 1 Ratio of 4.5%, Tier 1 Ratio of 6.0%, and Total Capital Ratio of 8.0%. The Framework also provides guidance on additional capital buffer requirements which comprises Capital Conservation Buffer of 2.5% of total RWA and Countercyclical Capital Buffer ranging between 0% - 2.5% of total RWA.

BNM had on 5 February 2020 issued a policy document on Domestic Systemically Important Banks ("D-SIB") Framework and identified Maybank Group as one of the banks categorised as a D-SIB. Maybank Group is categorised under Bucket 2 of the Higher Loss Absorbency ("HLA") requirements wherein Maybank Group is required to maintain an additional Common Equity Tier 1 Ratio of 1.0% on top of the regulatory minimum with effect from 31 January 2021.

45. Capital adequacy

(a) Compliance and application of capital adequacy ratios

The capital adequacy ratio of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 15 December 2023 and 18 December 2023 respectively. The total RWA are computed based on the following approaches:

(i) Credit risk under Internal-Ratings Based Approach and Standardised Approach;
(ii) Market risk under Standardised Approach;
(iii) Operational risk under Basic Indicator Approach, and
(iv) Large exposure risk requirements.

The minimum regulatory capital adequacy requirements for CET1, Tier 1 and Total Capital are 4.5%, 6.0% and 8.0% of total RWA for the current financial year ended 31 December 2023 (2022: 4.5%, 6.0% and 8.0% of total RWA).

(b) The capital adequacy ratios of the Bank

On 28 February 2024, the Board of Directors had declared a single-tier second interim dividend in respect of the current financial year ended 31 December 2023 of RM2.523 per ordinary share on 480,122,500 ordinary shares, amounting to a dividend payable of RM1,211,349,068.

In arriving the capital adequacy ratios for the financial year ended 31 December 2023, the single-tier second interim dividend has not been deducted from the calculation of CET1 Capital.

45. Capital adequacy (cont'd.)

(b) The capital adequacy ratios of the Bank (cont'd.)

The capital adequacy ratios of the Bank as at the reporting dates, are as follows:

	2023	2022
Capital ratios		
CET1 Capital ratio	**14.303%**	14.100%
Tier 1 Capital ratio	**15.300%**	15.171%
Total Capital ratio	**17.824%**	17.844%

(c) Components of Tier 1 and Tier 2 Capital

	2023 RM'000	2022 RM'000
CET1 Capital		
Share capital	**11,676,910**	11,029,955
Retained profits	**2,524,541**	2,655,423
Other reserves	**1,228,475**	727,027
CET1 Capital before regulatory adjustments	**15,429,926**	14,412,405
Less: Regulatory adjustment applied in CET1 Capital	**(1,091,375)**	(1,244,216)
Deferred tax assets	**(79,648)**	(288,433)
Gain of financial instruments classified as 'fair value through other comprehensive income'	**(382,147)**	(51,129)
Regulatory reserve	**(629,580)**	(904,654)
Total CET1 Capital	**14,338,551**	13,168,189
Additional Tier 1 Capital		
Capital securities	**1,000,000**	1,000,000
Total Tier 1 Capital	**15,338,551**	14,168,189
Tier 2 Capital		
Subordinated sukuk	**2,000,000**	2,000,000
General provision[1]	**23,634**	23,001
Surplus of eligible provision over expected loss	**506,354**	473,343
Total Tier 2 Capital	**2,529,988**	2,496,344
Total Capital	**17,868,539**	16,664,533

[1] Refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses and regulatory reserve, to the extent they are ascribed to non-credit impaired exposures, determined under Standardised Approach for credit risk.

45. Capital adequacy (cont'd.)

(d) The breakdown of RWA by each major risk categories for the Bank are as follows:

	2023 RM'000	2022 RM'000
Standardised Approach exposure	**2,654,993**	2,721,390
Internal Ratings-Based Approach exposure after scaling factor	**101,660,571**	89,387,080
Total RWA for credit risk	**104,315,564**	92,108,470
Total RWA for credit risk absorbed by the holding company and Investment Account Holder ("IAH")^	**(17,268,203)**	(10,496,635)
Total RWA for market risk	**1,035,378**	781,233
Total RWA for operational risk	**12,166,196**	10,996,646
Total RWA	**100,248,935**	93,389,714

^ In accordance to the BNM Investment Account policy, the credit risk weighted assets funded by investment accounts (Unrestricted Investment Account and Restricted Investment Account) are excluded from the calculation of capital adequacy ratio of the Bank.

46. Shariah disclosures

(a) Shariah governance

Shariah principles are the foundation of the practice of Islamic Finance through the observance of the tenets, conditions and principles espoused by Shariah to ensure all the operations and activities of the Bank complies with Shariah rules and principles at all times.

The Bank has put in place a sound Shariah governance framework to ensure strict adherence to Shariah requirements in its processes. A dedicated Shariah Committee ("SC") provides Shariah oversight on all material Shariah non-compliant risks across the Bank. Supporting the SC are the Shariah Risk Management and Shariah Review and Compliance ("SRC") functions that respectively identify, measure, monitor and control Shariah non-compliance risks, and provides regular assessment on the compliance of the operations, business, affairs and activities of the Bank with Shariah requirements.

Underpinning the governance framework are the detailed policies and procedures that include the required steps to ensure that each transaction executed by the Bank complies with Shariah requirements. A dedicated internal audit team was also established to provide the required check and balance in ensuring strict compliance with the policies and procedures.

46. Shariah disclosures (cont'd.)

(a) Shariah governance (cont'd.)

Any transaction classified as potential Shariah non-compliant will be escalated to the SC for deliberation and decision whether any Shariah requirements have been breached. Shariah Risk Management will track on the incident and rectification status, and ensure timely reporting to the SC, Board and BNM. For Shariah non-compliant transactions, any related income earned will be purified by channeling the amount to charity or given back to the customer, as determined by the SC.

The nature of transactions deliberated to SC for Shariah non-compliance are as follows:

(i) Shariah non-compliant events

2023	**No. of events**	**RM'000**
Subsequent change in business activities for financing granted to a customer resulting in revenue generated from rental of property used for non-halal activities.	**1**	**216**
Compounding of accrued profit for restructured term financing account.	**1**	**-**
Financing granted to a food and beverage operator with mixture of halal and non-halal business activities*	**-**	**463**
	2	**679**

2022	**No. of events**	**RM'000**
Compounding of profit and Late Payment Charges ("LPC") for Cash Line-i accounts under the Moratorium - Relief Assistance schemes	1	361
Financing granted to a food and beverage operator with mixture of halal and non-halal business activities	1	272
	2	633

Apart from the purification of income from Shariah non-compliant events, the Bank has instituted several rectification measures relating to systems, processes and procedures to enhance control mechanism and minimise recurrence of Shariah non-compliant incidents.

46. Shariah disclosures (cont'd.)

(a) Shariah governance (cont'd.)

(i) Shariah non-compliant events (cont'd.)

The rectification action plans are as follows:

Nature of events	Measures undertaken	Status
Subsequent change in business activities resulting in financing granted to customer with revenue generated from rental of property used for non-halal activities.	Purification of income earned by the Bank.	Purification of income completed. Pending distribution of charity funds.
Financing granted to food and beverage operator with mixture of halal and non-halal business.	Termination of the current Islamic facility and purification of income.	Mitigation action completed. Pending distribution of charity funds.
Compounding of accrued profit for restructured term financing account.	Adjustment of the Bank Selling Price in the system; credit of the overcharged profit into the customer's financing account; and refresher training on Restructuring and Rescheduling for all Commercial Banking Centres and Credit Administration Centres.	Targeted to complete in Q1 2024.

* During the financial year ended 31 December 2023, an additional income of RM463,101 has been purified in relation to financing granted to food and beverage operator with mixture of halal and non-halal business in 2022, as the account was fully closed on 4 September 2023.

46. Shariah disclosures (cont'd.)

(a) Shariah governance (cont'd.)

(ii) Sources and uses of charity funds

	2023 RM'000	2022 RM'000
Sources of charity funds		
Shariah non-compliant/prohibited income	**679**	272
Total sources of charity funds during the year	**679**	272
Uses of charity funds		
Contribution to non-profit organisation[1]	**-**	272
Total uses of charity funds during the year	**-**	272
Undistributed charity funds as at 31 December	**679**	-

[1] Does not include fund refunded to customers of RM360,656 made during the financial year 2022.

(b) Recognition and measurement by main class of Shariah contracts

The recognition and measurement of each main class of Shariah contract are dependent on the nature of the products, either financing or deposit product. The accounting policies for each of these products are disclosed in their respective policies.