



CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
BANK KERJASAMA RAKYAT MALAYSIA BERHAD
FOR THE YEAR ENDED 31 DISEMBER 2023

KETUA AUDIT NEGARA



**CERTIFICATE OF THE AUDITOR GENERAL
ON THE FINANCIAL STATEMENTS OF
BANK KERJASAMA RAKYAT MALAYSIA BERHAD
FOR THE YEAR ENDED 31 DECEMBER 2023**

Certificate on the Audit of the Financial Statements

Opinion

I have authorised a private audit firm pursuant to subsection 7(3) of the Audit Act 1957 [Act 62] to undertake an audit of the Financial Statements of the Bank Kerjasama Rakyat Malaysia Berhad. The financial statements comprise the Statements of Financial Position as at 31 December 2023 of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad and the Statements of Profit or Loss and Other Comprehensive Income, Statements of Changes in Equity and Statement of Cash Flows of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 3 to 226.

In my opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad as at 31 December 2023, and of their financial performance and their cash flows for the year then ended in accordance with the Malaysian Financial Reporting Standards (MFRS) and the Financial Reporting for Development Financial Institutions policy issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 [Act 202], the Co-operative Societies Act 1993 [Act 502] and the Development Financial Institutions Act 2002 [Act 618] requirements.

Basis for Opinion

The audit was conducted in accordance with the Audit Act 1957 and the International Standards of Supreme Audit Institutions. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my certificate. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Independence and Other Ethical Responsibilities

I am independent of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad and I have fulfilled my other ethical responsibilities in accordance with the International Standards of Supreme Audit Institutions.

Information Other than the Financial Statements and Auditor's Certificate Thereon

The Board of Directors of the Bank Kerjasama Rakyat Malaysia Berhad is responsible for the other information in the Annual Report. My opinion on the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad does not cover the other information than the financial statements and Auditor's Certificate thereon and I do not express any form of assurance conclusion thereon.

Responsibilities of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad that give a true and fair view in accordance with the Malaysian Financial Reporting Standards (MFRS) and the Financial Reporting for Development Financial Institutions policy issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 [Act 202], the Co-operative Societies Act 1993 [Act 502] and the Development Financial Institutions Act 2002 [Act 618] requirements. The Board of Directors is also responsible for such internal control as the Board of Directors determines is necessary to enable the preparation of the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad that are free from material misstatement, whether due to fraud or error.

In preparing the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad, the Board of Directors is responsible for assessing the Group's and the Bank Kerjasama Rakyat Malaysia Berhad's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Certificate that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the International Standards of Supreme Audit Institutions will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they

could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the International Standards of Supreme Audit Institutions, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- a. identify and assess the risks of material misstatement of the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad, 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 my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- b. obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank Kerjasama Rakyat Malaysia Berhad's internal control;
- c. evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors;
- d. conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Bank Kerjasama Rakyat Malaysia Berhad's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my Auditor's Certificate to the related disclosures in the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of Auditor's Certificate. However, future events or conditions may cause the Group or the Bank Kerjasama Rakyat Malaysia Berhad to cease to continue as a going concern;
- e. evaluate the overall presentation, structure and content of the Financial Statements of the Group and of the Bank Kerjasama Rakyat Malaysia Berhad, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

- f. obtain sufficient appropriate audit evidence regarding the financial information of the entities and business activities within the Group to express an opinion on the Financial Statements of the Group. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.

The Board of Directors has been informed regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I have identify during the audit.

I have also disclosed to the Board of Directors that I have complied with the ethical requirements regarding independence, and communicated with them all relationships and other matters that may reasonably be thought to bear on my independence, and if applicable, actions taken to eliminate threats or safeguards applied.

Report on Other Legal and Regulatory Requirements

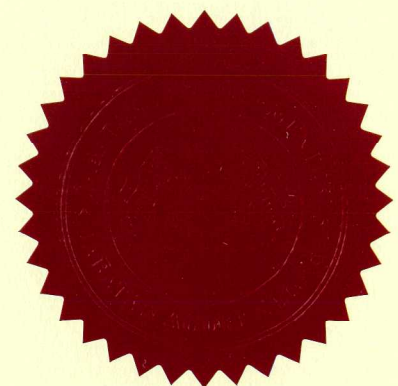
In accordance with the requirements of the Financial Reporting for Development Financial Institutions policy issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 [Act 202], the Co-operative Societies Act 1993 [Act 502] and the Development Financial Institutions Act 2002 [Act 618], I report that the subsidiaries, of which I have not acted as auditor, are disclosed in Note 16 to the financial statements.

Other Matters

This certificate is made solely to the Board of Directors of the Bank Kerjasama Rakyat Malaysia Berhad in accordance with the Financial Reporting for Development Financial Institutions policy issued by Bank Negara Malaysia, Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 [Act 202], the Co-operative Societies Act 1993 [Act 502] and the Development Financial Institutions Act 2002 [Act 618] requirements, and for no other purpose. I do not assume responsibility to any other person for the content of this certificate.


(DATUK WAN SURAYA BINTI WAN MOHD RADZI)
AUDITOR GENERAL
MALAYSIA

PUTRAJAYA
15 MARCH 2024



STATEMENT BY DIRECTORS

We, **DATUK MOHD IRWAN MOHD MUBARAK** and **TUNKU DATO' AHMAD BURHANUDDIN TUNKU DATUK SERI ADNAN**, being two of the Directors of Bank Kerjasama Rakyat Malaysia Berhad, do hereby state that:

- (i) The financial statements of the Bank have been prepared in accordance with the provisions of Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202), the Co-operative Societies Act 1993 (Act 502), Development Financial Institutions Act 2002 (Act 618), applicable Malaysian Financial Reporting Standards ("MFRS"), IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and in compliance with the principles of Shariah.
- (ii) The financial statements of the subsidiaries of the Bank have been prepared in accordance with MFRS, IFRS Accounting Standards and the provisions of the Companies Act, 2016 in Malaysia.

In the opinion of the Directors, the financial statements are drawn up so as to give true and fair view of state of affairs as at 31 December 2023 and of the results of the operations and cash flows for the year ended on that date.

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



DATUK MOHD IRWAN MOHD MUBARAK
Chairman



TUNKU DATO' AHMAD BURHANUDDIN TUNKU DATUK SERI ADNAN
Director

Kuala Lumpur
Date: **11 MAR 2024**

**ANNUAL REPORT OF SHARIAH COMMITTEE OF BANK RAKYAT
FOR THE FINANCIAL YEAR END DECEMBER 2023**



In the name of Allah, the most Beneficent, the most Merciful

In carrying out the roles and responsibilities of the Shariah Committee (SC) of Bank Rakyat, we hereby submit the following report on Shariah compliance of Bank Rakyat's business activities and operations for the financial year ended 31st December 2023.

The Management of Bank Rakyat is responsible for ensuring Bank Rakyat conducts its business in accordance with Shariah principles and it is our responsibility to form an independent opinion based on our review of Bank Rakyat's operation and to report to the Board of Directors of Bank Rakyat. We are responsible for assisting the Board of Directors in ensuring that the operations, business, affairs and activities of the Bank are in compliance with Shariah at all times.

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 locally and globally by the Shariah Advisory Council of the regulatory bodies.

During the financial year ended 31st December 2023, the Shariah Committee convened twelve (12) meetings and approved four (4) Shariah resolutions via circulation to cater for urgent proposals and notifications. All Shariah Committee members have satisfied the attendance requirement under Bank Negara Malaysia's (BNM)'s Shariah Governance Policy Document (SGPD). The Shariah Committee and the Board place importance on ensuring the effective implementation of Shariah governance and working harmonically with best practices of corporate governance. In view of this, two (2) engagement sessions were held between the Shariah Committee and the Board of Directors in the financial year 2023.

To ensure the smoothness of banking operations, we empowered and delegated the approval authority to the Shariah Secretariat & Advisory Department to approve generic Shariah-related matters. Nonetheless, all requests for approvals to the Shariah Secretariat & Advisory Department are duly reported to us on quarterly basis for review and confirmation. Chief Shariah Officer or his representative is also sitting as a member in the following committees to advise the Bank on matters relating to Shariah requirements and principles :

- a) Management Committee
- b) Assets and Liabilities Committee
- c) Digital IT Steering Committee

- d) Financing Recovery Committee
- e) Financing Committee A
- f) Financing Committee B
- g) Crisis Management Team
- h) Management, Audit, Fraud & Integrity Committee
- i) Management Risk Committee
- j) Operational Risk Management Committee
- k) Product Committee
- l) Zakat Management Committee
- m) Surau Al-Barakah Committee
- n) Joint Management Committee Jariah Al Barakah
- o) Evaluation Committee for The Appointment of A Gold Business Partner For Bank Rakyat
- p) Decreasing Term Takaful (DTT) Scheme Evaluation Committee

We planned and performed our review to obtain all information and explanations that we considered necessary to provide us with sufficient evidence to give reasonable assurance that Bank Rakyat has not violated the Shariah principles.

APPROVAL

1. We have endorsed and approved the transactions, applications and dealings entered into by Bank Rakyat through the following processes :
 - i. Shariah advisory and review on development of Bank products including policies, operational guidelines, and procedures.
 - ii. Shariah advisory and review on legal and banking documentation, Product Disclosure Sheets (PDS), notices and marketing materials.
 - iii. Shariah advisory and review on Shariah compliance status of business activities of commercial banking's customers prior to approval of financing.

- iv. Shariah advisory and review on banking operations at the branches level, related departments, and Bank's subsidiaries, which involve reviewing legal documents executed and 'aqad sequences.
- v. Shariah advisory and review on system applications related to banking products.
- vi. Shariah advisory and review on banking activities, asset rental by the Bank and its subsidiaries to third parties as well as sponsorship activities.
- vii. Shariah risk assessment on new products or enhancement to the existing products, processes and procedures, business activities and operations.
- viii. Shariah audit assessment on the quality and effectiveness of the Bank and its subsidiaries' internal control, risk management systems, and governance processes as well as the overall compliance of the Bank and its subsidiaries' operations, business, affairs, and activities with Shariah.

SHARIAH SECRETARIAT & ADVISORY DEPARTMENT, SHARIAH RESEARCH, GOVERNANCE & TRAINING DEPARTMENT, SHARIAH REVIEW DEPARTMENT, SHARIAH AUDIT DEPARTMENT AND SHARIAH RISK UNIT

- 2. Functions of Shariah Secretariat & Advisory Department, Shariah Review Department, Shariah Audit Department and Shariah Risk Unit in Operational Risk Department play a vital role in achieving the objective of ensuring end-to-end Shariah Compliance of the Bank at all times by evaluating and assessing all activities and banking operations.
- 3. We have assessed the function carried out by Shariah Secretariat & Advisory Department, Shariah Review Department, Shariah Audit Department and Shariah Risk Unit, which included examining on a sample basis of each type of transaction, the relevant documentation and procedures adopted by Bank Rakyat.

Shariah Secretariat & Advisory Department

- 4. Shariah Secretariat & Advisory Department provide advisory on product development and day-to-day business operations, which includes:
 - a. issuing of Shariah Compliance Review Certificate
 - b. setting the Shariah parameters
 - c. vetting of legal documentation
 - d. screening business banking financing applications

- e. approving marketing materials and appointment of card merchants
- f. preparing *Takyif Fiqhi* for validation by us on the current issues related to Islamic Banking products and services as a support to the business proposal of the Bank.

Shariah Research, Governance & Training Department

- 5. We also supervised and endorsed any new and revised guidelines issued by Bank Negara Malaysia as presented by Shariah Research, Governance & Training Department.
- 6. We have also endorsed the Shariah research papers under the supervision of Shariah Research, Governance & Training Department addressing current issues related to Islamic Social Finance in support of new developments in banking businesses. Among the Shariah research papers that have been presented and notified to us are as follows:
 - a. Microfinance Impact Study Measurement, Performance and Effectiveness: Case Study of Bank Rakyat
 - b. An Integrated Model of Islamic Social Finance Towards Sustainable Funding
 - c. Sustainable Mechanism of Distributing Financial Assistance to Asnaf and B40 Entrepreneur: Case Study of Bank Rakyat
- 7. Shariah Review Department and Shariah Audit Department have performed their review and audit based on review and audit plan as advised and approved by us. Shariah Review and Shariah Audit Reports were presented and deliberated in our meetings to confirm that the Bank has complied with the rulings issued by the Shariah Advisory Council of Bank Negara Malaysia, Shariah Advisory Council of Securities Commission Malaysia and decisions made by us.
- 8. During the financial year of 2023, Shariah Review Department and Shariah Audit Department presented to us the following reports :

Shariah Review Reports

- a. Shariah Review Report on 71 Bank Rakyat's branches in Malaysia.
- b. Shariah Review Report on 13 Rakyat X'cess / Combo.
- c. Shariah Review Report on 8 Auto Finance Centre (AFC).
- d. Shariah Review Report on Ar-Rahnu Business.
- e. Shariah Review Report on Card Business.
- f. Shariah Review Report on Retail Collection & Recovery.

- g. Shariah Review Report on 254 customer files of business and cooperative banking financing.
- h. Shariah Review Report on 20 customer files of trade finance.
- i. Shariah Review Report on 20 premises of Cooperative (Credit and Ar-Rahnu).
- j. Shariah Review Report on Commercial Hire Purchase-i (CHP-i).
- k. Shariah Review Report on the Cash Management Department.
- l. Shariah Review Report on Trade Finance Department.
- m. Shariah Review Report on Rakyat Management Services Sdn. Bhd.
- n. Shariah Review Report on Money Market, Foreign Exchange, Correspondent Banking and Treasury Sales Departments
- o. Shariah Review Report on Equity Investment and Fixed Income Departments.
- p. Shariah Review Report on Member Services Department.
- q. Shariah Review Report on Marketing & Communication.
- r. Shariah Review Report on Asset Liability & Capital Management.
- s. Shariah Review Report on Marketing Materials of Bank Rakyat Through Social Media.
- t. Shariah Review Report on Payments Networks Malaysia Sdn. Bhd. (PayNet).

Shariah Audit Reports

- a. Shariah Audit Report: Vehicle Financing-i.
- b. Shariah Audit Report: Corporate Banking Team 2 Department.
- c. Shariah Audit Report: Credit Card-i.
- d. Shariah Audit Report: Pawn Broking-i.
- e. Shariah Audit Report: Business Banking Credit Admin Department.
- f. Shariah Audit Report: Credit Admin Documentation & Securities Department.
- g. Audit Report: Follow-up on Unresolved Audit Findings Highlighted by Shariah Audit Department for Quarter 4, 2022.
- h. Audit Report: Follow-up on Unresolved Audit Findings Highlighted by Shariah Audit Department for Quarter 1, 2023.
- i. Shariah Audit Report: Zakat Management, Islamic Development & Surau Affairs.

- j. Shariah Audit Report: Small Medium Enterprise (SME) Financing.
- k. Shariah Audit Report: Cooperatives Financing.
- l. Audit Report: Follow-up on Unresolved Audit Findings Highlighted by Shariah Audit Department for Quarter 2, 2023.
- m. Shariah Audit Report: Staff Financing.
- n. Audit Report: Follow-up on Unresolved Audit Findings and Value-Added Recommendations Highlighted by Shariah Audit Department for Quarter 3, 2023.
- o. Shariah Audit Report: Capital Management.
- p. Shariah Audit Report: Delivery Channel.

Shariah Risk Unit in Operational Risk Department

- 9. Shariah Risk Unit is responsible for systematically identifying, measuring, monitoring and controlling Shariah non-compliance risks. Therefore, to mitigate or minimize the occurrence of Shariah non-compliance, Shariah Risk Unit has consistently put in place the appropriate measures to manage its Shariah Non-Compliance (SNC) risk exposures for the year 2023 through suitable control mechanisms, such as policies, guidelines and procedures on Shariah requirements.
- 10. Shariah Risk Management uses Loss Event Data (LED), Risk-Control Self-Assessment (RCSA), Key Risk Indicators (KRI), and Control Self-Assessment (CSA) as tools to ensure comprehensive and thorough risk profiling, controls, and any Shariah non-compliance are managed and mitigated.
- 11. In managing SNC risk, appointed Embedded Risk Function (ERF) and Risk Agents (RAs) have taken part in a continuous process of identifying and assessing SNC risks, with the ERFs and RAs responsible for identifying and implementing an appropriate control to identify, assess, mitigate, monitor and report any potential SNC events without jeopardizing the business objectives of their respective BUs or exposing the Bank to unacceptable levels of risk.
- 12. All potential and actual SNC events were reported to BNM within the timeframe.
- 13. All reports related to SNC risk have also been tabled to the Operational Risk Management Committee, Management Risk Committee and Board Risk Committee for monitoring and oversight purposes as follows:
 - a. SNC Analysis
 - b. Shariah Risk Profiling
 - c. Risk Control Self-Assessment (RCSA) Profiling

SHARIAH TRAINING AND AWARENESS PROGRAM

14. In 2023, Shariah Sector made a significant effort to inculcate a strong Shariah compliance culture. This dedication was demonstrated by several extensive training and awareness campaigns designed to involve stakeholders at all levels.
15. Recognizing the crucial role of leadership in setting the tone, Bank Rakyat prioritized equipping its top management with comprehensive knowledge and understanding of Islamic finance principles. An exclusive In-house Shariah Training program was organized by Shariah Research Governance and Training Department specifically for the Board of Directors, Shariah Committee, and Management Committee. This intensive program, led by a prominent Shariah scholar in Malaysia, Prof. Dr. Aznan Hasan, covered the key aspects of *muamalat* (Islamic transactions) and contemporary Islamic finance practices. By actively participating in such initiatives, Bank Rakyat's top leadership illustrated their continuous commitment to upholding Shariah principles in all aspects of the Bank's operations.
16. Shariah Sector has additionally pledged to carry out a comprehensive internal program aimed at enhancing the knowledge and comprehension of Shariah principles among its Shariah fellowship. A five-day intensive course on *muamalat* from the perspective of Mazhab Shafi'i was attended by four (4) members of the Shariah Committee and thirty-two (32) Shariah officers. The course was led by Sheikh Dr. Amjad Rashid, a renowned Shariah scholar and the dean of the Al Shafi'i Jurisprudence Faculty at the World Islamic Science & Education University (WISE) of Jordan.
17. A three-series of Training-of-Trainer (TOT) program by Paradigma Ibrah Sdn Bhd was implemented to close the gap of inefficiency and inadequacy of content while conducting a training program. It was presented by a reputable external consultant, Ustaz Syaari Ab Rahman and Ustaz Fakhru Islam to equip all Shariah Sector employees with relevant knowledge and skills in delivering training, briefings, and religious lectures both internally and externally.
18. Additionally, in recognizing the importance of equipping all employees with a sound understanding of Shariah principles and their practical application in Islamic finance, the Shariah Sector proactively partnered with IIUM Institute of Islamic Banking and Finance (IIBF). This strategic collaboration concluded in the enrolment of 63 employees consisting of 33 staff in Cohort 1 and 30 staff in Cohort 2 in the Executive Certificate of Islamic Banking and Finance (E-CIBF) program.

19. To equip new hires with a comprehensive understanding of Shariah principles in Islamic banking, the Centre of Excellence incorporated an extensive session on this topic into its induction program. This session covered fundamental applications of Shariah across both banking and non-banking operations, ensuring new employees are well-prepared to deal with the complexities of Islamic finance.
20. Intending to foster a culture of Shariah conformity, Shariah Sector of Bank Rakyat has conducted two (2) series of Ar-Rahnu training as well as ten (10) series of Control Awareness Tours (CAT) for the Retail Banking Sector inclusive of all levels of the branches manpower. A similar program was also implemented for the Business Banking Sector employees at all Regional-based Business Banking Centres (BBC). Another program, namely Get Ready to Operation at Work (GROW) was held for Senior Executives and Assistant Managers who have been identified to be promoted to a higher position. All those programs that have been participated in by approximately 450 employees aim to share information with the Business & Support Unit (BSU) on the avoidance of Shariah non-compliance events and new updates of Shariah-related guidelines issued by Bank Rakyat or regulators.
21. To complete the picture, the Shariah Sector, through its participation in the Regional Meeting Engagement, has successfully shared key insights on Islamic integrity principles and relevant Shariah guidance with the BSU. This knowledge transfer is vital to equip the BSU to champion Shariah compliance throughout Bank Rakyat, leading to a more deeply embedded culture among employees at all levels.
22. Shariah Review Department had also contributed the support with the implementation of 207 Shariah awareness training sessions by providing the understanding regarding the implementation and operation of Shariah compliant banking products. The following are the list of trainings that have been implemented in 2023:
 - a. Shariah Awareness Training on Branches, Rakyat Xcess & Ar-Rahnu Xchange (RXC) and Auto Finance Centre (AFC)
 - b. Shariah Awareness Training on Rakyat Management Services (RMS)
 - c. Shariah Awareness Training for selected departments at the Headquarters for the year 2023
 - d. Shariah Compliance Briefing on the Cooperatives and entities or premises that have been financed by Bank Rakyat
 - e. Ar-Rahnu Briefing (e-Auction)
 - f. Control Awareness Tour (CAT)
 - g. Branch Development Program: Leadership Excellence and Development (LEAD) Program

23. Besides, Shariah Review Department through the Compliance Sector initiative had held 10 Shariah Compliance briefings for Business Banking Centre (BBC) employees to provide guidance and understanding for them regarding the implementation and operation of Shariah compliant business banking products.
24. Awareness trainings on the Shariah risk management process were also conducted by Operational Risk Department to instil Shariah risk compliance culture and to guide Business Unit in identifying Shariah risk and its control measures within their daily operations. A total of 33 training sessions were held in 2023, with an average of 30 participants per session. The following is the list of the trainings that were completed for the year 2023:
- a. Risk Agent (RA) Branches and Branch Compliance and Governance (BCG)
 - b. Risk Agent (RA) Headquarters
 - c. Control Awareness Tour (CAT)
 - d. Branch Development Program: Skill Enhancement & Employee Development (SEED), Get Ready for Operation at Work (GROW) & Leadership Excellence and Development Program (LEAD)
25. The year 2023 marked a significant advancement in Bank Rakyat's journey to establish a strong Shariah compliance culture. The training and awareness initiatives that were introduced laid a solid basis for continuing learning and growth in this crucial area. Moving forward, Bank Rakyat will keep encouraging an ethical culture and Shariah-compliant practices within its operations to ensure the long-term success and sustainability of its Islamic banking activities.

FINDINGS OF SHARIAH NON-COMPLIANCE ISSUE

26. For the financial year ended 31st December 2023, there were a total of four (4) Shariah Non-Compliance issues recorded and deliberated in the Shariah Committee Meeting as follows:
- a) The Finding of Conventional Insurance Coverage Financed by Vehicle Financing-i (An-Naqlu 2).

Shariah non-compliance involving three (3) Vehicle Financing-i (An-Naqlu) accounts. Profits amounting to RM1,504.32 have been transferred to the GL Shariah Non-Compliant Fund to be purified.
 - b) The Finding of Late Payment from the Successful Bidder During the Gold Auction Transaction.

Incident of extra gold being handed over to the successful bidder, leading to the occurrence of *Riba' An-Nasihah* as the bidder fails to pay on the same day the gold is received. No financial implication is involved.

c) Shariah Non-Compliance on the Redemption Process and New Pawn Broking.

Non-compliance with internal policy and procedures of Pawn Broking-i product which resulted in SNC event due to the transaction performed was not in compliance with the Shariah requirements. No financial implication is involved.

d) Acceptance of *Marhun* (Jewellery) Bearing Non-Islamic Religious Related Symbols.

Acceptance of *marhun* items depicting non-Islamic religious symbols is non-compliance with Shariah Committee Resolution and Financing Operating Guideline No. 215 – Pawn Broking-i. No financial implication is involved.

27. All potential Shariah Non-Compliant events are initially assessed by the Qualified Shariah Officer, and all of the Shariah non-compliance events together with the rectification plans were presented to us and the Board of Directors for confirmation and were subsequently reported to Bank Negara Malaysia in accordance with the Shariah non-compliance reporting process within the required timeframe set by Bank Negara Malaysia.
28. Shariah non-compliance events experienced by the Bank were mostly due to the non-compliance with the operational guidelines based on the report presented by Shariah Review and Shariah Audit. The Bank has taken the corrective as well as preventive measures in order to avoid the same Shariah non-compliance events from occurring in the future, which includes specific Shariah training for all staff.

BANK RAKYAT'S WAQF / SADAQAH INITIATIVE

29. Waqf / *Sadaqah* initiatives in Bank Rakyat which has been approved by us is divided into three (3), namely:

a) Waqf

This waqf initiative involves various types of waqf and the implementation of a wider waqf. The Bank has collaborated with Majlis Agama Islam dan Adat Melayu Terengganu (MAIDAM), and as of 31st December 2023, the total accumulated waqf amounted to **RM1,531,683.60**. Of these, a total of **RM754,508.78** was used for the purpose of renovating and purchasing the medical equipment of the MAIDAM Haemodialysis Centre. A total of 18 asnaf sponsored by MAIDAM have benefited from the Waqf Fund received from the public.

32. In summary, we endorsed that Bank Rakyat has managed to pay Zakat on business for the year of 2022 in total sum of **RM 39,701,521.00**.

Based on the report, **we independently opined that :**

1. The Shariah principles and contracts implemented on products offered by the Bank are in compliance with the Shariah principles and Shariah resolutions issued by the Shariah Advisory Council of Bank Negara Malaysia, as well as Shariah decisions made by us.
2. The transactions, applications and dealings entered into by the Bank that we have reviewed, are in compliance with the Shariah principles and Shariah resolutions issued by the Shariah Advisory Council of Bank Negara Malaysia as well as Shariah decisions made by us, excluding the Shariah Non-compliance events as verified and mentioned above.
3. Rectification plans have been executed on all confirmed Shariah Non-Compliant events.
4. The transactions, applications and dealings that are subjected to further investigation and rectification have been regulated on an on-going basis.
5. All earnings that have been realized from sources or by means of incompliance with the Shariah principles has been transferred to GL Shariah Non-Compliant Fund to be channelled to charitable organizations, in line with the internal policies and Shariah Governance Framework of Bank Rakyat.
6. The distribution of Zakat on Banking Businesses for the year of 2022 is complied with Shariah principles.
7. The collection and management of Waqf funds under Bank Rakyat Waqf Initiative for the year of 2023 is complied with Shariah principles.

We, the members of the Shariah Committee of Bank Rakyat, to the best of our knowledge, do hereby confirm that the operations of Bank Rakyat, to the best of its effort, for the year ended 31st December 2023 have been conducted in conformity with the Shariah principles.

ANNUAL REPORT OF SHARIAH COMMITTEE OF BANK RAKYAT 2023



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PROF. DR. AZMAN MOHD NOOR
Chairman of Shariah Committee



.....
PROF. EMERITUS DATO' DR. MOHD AZMI OMAR
Shariah Committee Member



.....
DR. MOHAMMAD ZAINI YAHAYA
Shariah Committee Member



.....
SS DATO' DR. MOHAMAD SABRI HARON
Shariah Committee Member



.....
ASST. PROF. DR. AKHTARZAITE ABDUL AZIZ
Shariah Committee Member

ANNUAL REPORT OF SHARIAH COMMITTEE OF BANK RAKYAT 2023



.....
DR. TUAN BADRUL HISYAM TUAN SOH
Shariah Committee Member

STATUTORY DECLARATION

I, **AMREN FAISAL FADZIL**, being the officer primarily responsible for the financial management of Bank Kerjasama Rakyat Malaysia Berhad, do solemnly and sincerely declare that the financial statements are, to the best of my knowledge and belief, 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.

Subscribed and solemnly declared by the above named in Kuala Lumpur on **11 MAR 2024**



AMREN FAISAL FADZIL

Before me:



ZULPADLI & ED
NO. 24, JALAN PERUMAH GURNEY
54000 KUALA LUMPUR

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

DIRECTORS' REPORT

The Directors of Bank Kerjasama Rakyat Malaysia Berhad ("the Bank") have pleasure in submitting their report and the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are those of a co-operative that carries out banking activities based on Shariah principles through accepting deposits and providing financial services for retail and commercial needs.

The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

There have been no significant changes in the nature of the principal activities of the Group and the Bank.

RESULTS OF OPERATIONS

	Group RM'000	Bank RM'000
Profit before taxation and zakat	1,760,788	1,773,602
Taxation	(116,674)	(113,169)
Zakat	(44,188)	(41,702)
Profit after taxation and zakat	1,599,926	1,618,731
Statutory appropriations	(483,246)	(483,246)
Profit for the year	1,116,680	1,135,485
Other comprehensive income	323,813	323,813
Total comprehensive income for the year	<u>1,440,493</u>	<u>1,459,298</u>
Total comprehensive income for the year attributable to: Equity holders of the Bank	<u>1,440,493</u>	<u>1,459,298</u>

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

RESERVES AND PROVISION

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

DIVIDENDS

During the financial year ended 31 December 2023, the Bank paid a cash dividend of 15% amounting to RM427 million in regard to the previous financial year ended 31 December 2022.

In respect of the current financial year, the Board of Directors has proposed a cash dividend of up to 15% amounting to approximately RM450 million and a special dividend of 2% amounting to approximately RM60 million. The proposed dividend will be recognised in the subsequent financial year upon approval by the relevant external authorities.

OTHER STATUTORY INFORMATION

In the opinion of the Directors, the financial statements set out on pages 4 to 234 have been drawn up so as to give a true and fair view of the state of affairs of the Group and of the Bank as of 31 December 2023 and of the results of their operations and cash flows for the year ended on that date.

The Directors are satisfied that before the statements of financial position and the statements of profit or loss and other comprehensive income of the Group and of the Bank were made out, reasonable steps have been taken on the following matters:

- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of impairment provisions and allowance for doubtful debts and had satisfied themselves that all known bad financing and bad debts had been written off and that adequate impairment provisions and allowance for impaired financing had been made for doubtful debts; and
- (ii) to ensure that any current assets which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.

At the date of this report, within the knowledge of the Directors, they are not aware of any circumstances that would cause the following:

- (i) the amount written off for bad financing and bad debts or the amount of the impairment provisions and allowance for doubtful debts in the financial statements of the Group and of the Bank inadequate to any substantial extent; or
- (ii) the values attributed to the current assets in the financial statements of the Group and of the Bank misleading; or
- (iii) the amount reported in the financial statements of the Group and of the Bank misleading; and
- (iv) any adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

OTHER STATUTORY INFORMATION (CONTINUED)

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

- (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year which secures the liability of any other person; or
- (ii) any contingent liability of the Group and of the Bank which has arisen since the end of the financial year.

No contingent or other liability which has not been discharged has been undertaken by the Group and the Bank, except as disclosed in Note 41 to the financial statements. No contingent or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Bank to meet their obligations as and when they fall due.

In the opinion of the Directors, no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Bank for the current financial year.

The Directors do solemnly and sincerely declare that there were no other matters, within their knowledge, that are not disclosed in accordance with Section 59, Co-operative Societies Act 1993.

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



Datuk Mohd Irwan Mohd Mubarak



Tunku Dato' Ahmad Burhanuddin
Tunku Datuk Seri Adnan

Kuala Lumpur, Malaysia

11 MAR 2024

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Note	31.12.2023 RM'000	Group 31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Assets				
Cash and short-term funds	6	1,102,099	1,834,420	835,189
Deposits and placements with financial institutions	7	378,718	368,445	672,463
Financial investments at fair value through profit or loss	8	-	255,027	976,032
Financial investments at fair value through other comprehensive income	9	19,394,617	20,466,301	20,781,718
Financial investments at amortised cost	10	12,522,304	12,427,045	10,826,850
Financing and advances	11	81,101,218	77,239,589	76,646,744
Trade receivables	12	2,314	1,228	909
Other assets	13	949,292	975,749	620,169
Right-of-use assets	14	43,917	40,262	49,075
Inventories	15	38,911	43,801	23,393
Property and equipment	17	644,134	613,202	606,186
Intangible assets	18	550,412	544,365	579,046
Investment properties	19	1,543,123	1,490,411	1,388,091
Prepaid lease payments	20	53,719	55,193	59,038
Tax recoverable		189,067	218,713	142,078
Deferred tax assets	21	177,912	290,672	201,484
Total assets		118,691,757	116,864,423	114,408,465
Liabilities				
Deposits from customers	22	83,557,906	86,338,197	86,523,884
Investment accounts of customers	23	202,967	19,983	-
Deposits and placements from banks and financial institutions	24	2,755,505	1,592,461	850,000
Trade payables		1,695	1,735	1,839
Recourse obligations on financing sold to Cagamas	25	1,000,005	500,000	318,311
Debt securities issued	26	5,033,537	4,023,391	3,297,940
Cashline facility	27	701,468	704,122	700,417
Other liabilities	28	1,931,726	1,590,796	1,697,022
Deferred tax liabilities	21	13,584	15,170	13,550
Total liabilities		95,198,393	94,785,855	93,402,963

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023 (CONTINUED)**

	Note	31.12.2023 RM'000	Group 31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Shareholders' fund				
Share capital	29	2,986,030	2,986,030	2,986,030
Share redemption fund		50,000	2,120	5,885
Reserves	30	20,457,334	19,090,418	18,013,587
Total shareholders' fund		<u>23,493,364</u>	<u>22,078,568</u>	<u>21,005,502</u>
Total liabilities and shareholders' fund		<u>118,691,757</u>	<u>116,864,423</u>	<u>114,408,465</u>
Commitments and contingencies	41	<u>2,711,970</u>	<u>2,573,104</u>	<u>2,543,134</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

	Note	31.12.2023 RM'000	Bank 31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Assets				
Cash and short-term funds	6	1,101,504	1,831,709	834,987
Deposits and placements with financial institutions	7	378,716	368,303	672,463
Financial investments at fair value through profit or loss	8	-	255,027	976,032
Financial investments at fair value through other comprehensive income	9	19,394,609	20,466,293	20,781,710
Financial investments at amortised cost	10	12,522,304	12,427,045	10,826,850
Financing and advances	11	81,425,290	77,527,614	76,866,888
Other assets	13	944,926	948,807	596,551
Right-of-use assets	14	57,386	46,954	60,948
Investment in subsidiaries	16	100,744	100,744	100,744
Property and equipment	17	549,012	523,536	514,446
Intangible assets	18	537,227	531,180	565,861
Investment properties	19	981,885	958,370	948,920
Prepaid lease payments	20	53,719	55,193	59,038
Tax recoverable		185,492	215,653	138,747
Deferred tax assets	21	177,000	290,000	201,000
Total assets		118,409,814	116,546,428	114,145,185
Liabilities				
Deposits from customers	22	83,557,906	86,338,197	86,523,884
Investment accounts of customers	23	202,967	19,983	-
Deposits and placements from banks and financial institutions	24	2,755,505	1,592,461	850,000
Recourse obligations on financing sold to Cagamas	25	1,000,005	500,000	318,311
Debt securities issued	26	5,033,537	4,023,391	3,297,940
Cashline facility	27	701,468	704,122	700,417
Other liabilities	28	2,094,289	1,737,738	1,884,260
Total liabilities		95,345,677	94,915,892	93,574,812

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023 (CONTINUED)**

	Note	31.12.2023 RM'000	Bank 31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Shareholders' fund				
Share capital	29	2,986,030	2,986,030	2,986,030
Share redemption fund		50,000	2,120	5,885
Reserves	30	20,028,107	18,642,386	17,578,458
Total shareholders' fund		<u>23,064,137</u>	<u>21,630,536</u>	<u>20,570,373</u>
Total liabilities and shareholders' fund		<u>118,409,814</u>	<u>116,546,428</u>	<u>114,145,185</u>
Commitments and contingencies	41	<u>2,711,970</u>	<u>2,573,104</u>	<u>2,543,134</u>

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Note	Group		Bank	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
			Restated		Restated
Income	31	6,665,609	6,074,708	6,496,327	5,993,280
Expenditure	32	(3,541,807)	(2,427,353)	(3,384,493)	(2,351,517)
Net income		3,123,802	3,647,355	3,111,834	3,641,763
Allowances for impairment	33	(158,884)	(661,193)	(154,474)	(657,897)
Other operating income	34	580,001	440,793	592,953	423,650
Operating expenses	35	(1,784,131)	(1,551,254)	(1,776,711)	(1,549,897)
Profit before taxation and zakat		1,760,788	1,875,701	1,773,602	1,857,619
Taxation	36	(116,674)	158,167	(113,169)	162,271
Zakat	37	(44,188)	(40,926)	(41,702)	(39,851)
Profit after taxation and zakat		1,599,926	1,992,942	1,618,731	1,980,039
Statutory appropriations	38				
Transfer to statutory reserve: 25% (2022: 25%)		(415,108)	(504,972)	(415,108)	(504,972)
Contribution to the Co-operative Education Trust Fund: 2% (2022: 2%)		(35,472)	(37,152)	(35,472)	(37,152)
Contribution to the Co-operative Development Provident Fund: 1% (2022: 1%)		(17,736)	(18,576)	(17,736)	(18,576)
Contribution to Bank Rakyat Foundation		(14,930)	(14,930)	(14,930)	(14,930)
		(483,246)	(575,630)	(483,246)	(575,630)
Profit for the year		1,116,680	1,417,312	1,135,485	1,404,409

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

	Note	Group 2023 RM'000	2022 RM'000 Restated	Bank 2023 RM'000	2022 RM'000 Restated
Other comprehensive income/(loss)					
Items that will not be reclassified to profit or loss:					
Change in fair value reserve (equity instruments)		14,407	14,395	14,407	14,395
Items that may be reclassified subsequently to profit or loss:					
Fair value reserve (debt instruments)					
- Change in fair value		315,285	(429,599)	315,285	(429,599)
- Amount transferred to profit or loss		(5,923)	(1,349)	(5,923)	(1,349)
Change in expected credit loss ("ECL") reserve on debt instruments at FVOCI		44	(51)	44	(51)
Other comprehensive income/(loss) for the year		323,813	(416,604)	323,813	(416,604)
Total comprehensive income for the year		1,440,493	1,000,708	1,459,298	987,805
Earnings per share (RM)					
Basic	39	0.55	0.68	0.55	0.67

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

Group	← Non-distributable →			Distributable	
	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2022, as previously reported	2,986,030	5,885	7,853,902	10,809,378	21,655,195
Prior year adjustments (Note 48)	-	-	-	(649,693)	(649,693)
At 1 January 2022, as restated	2,986,030	5,885	7,853,902	10,159,685	21,005,502
Profit after taxation and zakat	-	-	-	1,992,942	1,992,942
Transfer to statutory reserve	-	-	-	(504,972)	(504,972)
Contribution to the Co-operative Education Trust Fund	-	-	-	(37,152)	(37,152)
Contribution to the Co-operative Development Provident Fund	-	-	-	(18,576)	(18,576)
Contribution to Bank Rakyat Foundation	-	-	-	(14,930)	(14,930)
Profit for the year	-	-	-	1,417,312	1,417,312
Other comprehensive loss	-	-	(416,604)	-	(416,604)
Total comprehensive (loss)/income for the year	-	-	(416,604)	1,417,312	1,000,708
Transfer from retained profits	-	-	504,972	-	504,972
Issuance to new member	22,939	-	-	-	22,939
Share withdrawal	(26,704)	-	-	-	(26,704)
Transfer to share capital	3,765	(3,765)	-	-	-
Dividends (Note 40)	-	-	-	(429,476)	(429,476)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	627	627
At 31 December 2022	2,986,030	2,120	7,942,270	11,148,148	22,078,568
	Note 29		Note 30	Note 30	

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

Group	← Non-distributable →			Distributable	
	Share capital RM'000	Share redemption fund RM'000	Other reserves RM'000	Retained profits RM'000	Total equity RM'000
At 1 January 2023, as previously reported	2,986,030	2,120	7,897,423	11,668,679	22,554,252
Prior year adjustments (Note 48)	-	-	44,847	(520,531)	(475,684)
At 1 January 2023, as restated	2,986,030	2,120	7,942,270	11,148,148	22,078,568
Profit after taxation and zakat	-	-	-	1,599,926	1,599,926
Transfer to statutory reserve	-	-	-	(415,108)	(415,108)
Contribution to the Co-operative Education Trust Fund	-	-	-	(35,472)	(35,472)
Contribution to the Co-operative Development Provident Fund	-	-	-	(17,736)	(17,736)
Contribution to Bank Rakyat Foundation	-	-	-	(14,930)	(14,930)
Profit for the year	-	-	-	1,116,680	1,116,680
Other comprehensive income	-	-	323,813	-	323,813
Total comprehensive income for the year	-	-	323,813	1,116,680	1,440,493
Transfer from retained profits	-	-	415,108	-	415,108
Issuance to new member	27,057	-	-	-	27,057
Share withdrawal	(41,789)	-	-	-	(41,789)
Transfer to share capital	14,732	(14,732)	-	-	-
Transfer to share redemption fund	-	62,612	-	(62,612)	-
Dividends (Note 40)	-	-	-	(426,803)	(426,803)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	730	730
At 31 December 2023	2,986,030	50,000	8,681,191	11,776,143	23,493,364
	Note 29		Note 30	Note 30	

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

	← Non-distributable →			Distributable	
	Share capital	Share redemption fund	Other reserves	Retained profits	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
Bank					
At 1 January 2022, as previously reported	2,986,030	5,885	7,854,643	10,373,508	21,220,066
Prior year adjustments (Note 48)	-	-	-	(649,693)	(649,693)
At 1 January 2022, as restated	2,986,030	5,885	7,854,643	9,723,815	20,570,373
Profit after taxation and zakat	-	-	-	1,980,039	1,980,039
Transfer to statutory reserve	-	-	-	(504,972)	(504,972)
Contribution to the Co-operative Education Trust Fund	-	-	-	(37,152)	(37,152)
Contribution to the Co-operative Development Provident Fund	-	-	-	(18,576)	(18,576)
Contribution to Bank Rakyat Foundation	-	-	-	(14,930)	(14,930)
Profit for the year	-	-	-	1,404,409	1,404,409
Other comprehensive loss	-	-	(416,604)	-	(416,604)
Total comprehensive (loss)/income for the year	-	-	(416,604)	1,404,409	987,805
Transfer from retained profits	-	-	504,972	-	504,972
Issuance to new member	22,939	-	-	-	22,939
Share withdrawal	(26,704)	-	-	-	(26,704)
Transfer to share capital	3,765	(3,765)	-	-	-
Dividends (Note 40)	-	-	-	(429,476)	(429,476)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	627	627
At 31 December 2022	2,986,030	2,120	7,943,011	10,699,375	21,630,536
	Note 29		Note 30	Note 30	

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

	← Non-distributable →			Distributable	
	Share capital	Share redemption fund	Other reserves	Retained profits	Total equity
	RM'000	RM'000	RM'000	RM'000	RM'000
Bank					
At 1 January 2023					
as previously reported	2,986,030	2,120	7,898,164	11,219,906	22,106,220
Prior year adjustments (Note 48)	-	-	44,847	(520,531)	(475,684)
At 1 January 2023, as restated	2,986,030	2,120	7,943,011	10,699,375	21,630,536
Profit after taxation and zakat	-	-	-	1,618,731	1,618,731
Transfer to statutory reserve	-	-	-	(415,108)	(415,108)
Contribution to the Co-operative Education Trust Fund	-	-	-	(35,472)	(35,472)
Contribution to the Co-operative Development Provident Fund	-	-	-	(17,736)	(17,736)
Contribution to Bank Rakyat Foundation	-	-	-	(14,930)	(14,930)
Profit for the year	-	-	-	1,135,485	1,135,485
Other comprehensive income	-	-	323,813	-	323,813
Total comprehensive income for the year	-	-	323,813	1,135,485	1,459,298
Transfer from retained profits	-	-	415,108	-	415,108
Issuance to new member	27,057	-	-	-	27,057
Share withdrawal	(41,789)	-	-	-	(41,789)
Transfer to share capital	14,732	(14,732)	-	-	-
Transfer to share redemption fund	-	62,612	-	(62,612)	-
Dividends (Note 40)	-	-	-	(426,803)	(426,803)
Overprovision in contribution to Bank Rakyat Foundation	-	-	-	730	730
At 31 December 2023	2,986,030	50,000	8,681,932	11,346,175	23,064,137
	Note 29		Note 30	Note 30	

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Cash flows from operating activities				
Profit before taxation and zakat	1,760,788	1,875,701	1,773,602	1,857,619
Adjustment for:				
Profit expense on debt securities issued (Note 32)	174,344	150,551	174,344	150,551
Allowance for impairment on financing and advances (Note 33)	158,842	668,645	154,432	665,349
Allowance/(Writeback) for impairment on financial investments at fair value through other comprehensive income (Note 33)	42	(51)	42	(51)
Writeback for impairment on financial investments at amortised cost (Note 33)	-	(7,401)	-	(7,401)
Depreciation of property and equipment (Note 35(ii))	44,707	39,058	41,983	36,517
Depreciation of right-of-use assets (Note 35(ii))	18,039	18,959	23,865	24,447
Amortisation of prepaid lease payment (Note 35(ii))	1,474	1,550	1,474	1,550
Amortisation of intangible assets (Note 35(ii))	53,459	54,306	53,459	54,306
Finance cost on lease liabilities (Note 35(ii))	2,045	1,913	2,722	2,316
Property and equipment written off (Note 35(ii))	39	37	39	37
Gain on disposal of property and equipment (Note 34(ii))	(4)	-	(4)	-
Loss on financing written off (Note 35(ii))	7,625	6,936	7,625	6,936
Impairment losses of trade and other receivables (Note 35(ii))	5,728	-	5,560	-
Gain on revaluation of investment properties (Note 34(ii))	(43,274)	(26,281)	(34,265)	(9,450)

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Cash flows from operating activities (continued)				
Adjustment for (continued):				
Writeback for impairment on trade receivables (Note 34(ii))	(205)	(149)	-	-
Writeback for impairment on other receivables, deposits and prepayments (Note 34(ii))	-	(1,138)	-	(1,138)
Net loss on disposal of financial investments at fair value through profit or loss (Note 34(ii))	11,312	24,813	11,312	24,813
Net gain on disposal of financial investments at fair value through other comprehensive income (Note 34(ii))	(5,923)	(1,349)	(5,923)	(1,349)
Net loss on revaluation of financial investments at fair value through profit or loss (Note 34(ii))	-	846	-	846
Profit expense on financing sold with recourse to Cagamas (Note 32)	44,252	15,467	44,252	15,467
Profit expense on cashline facility (Note 32)	3,908	8,647	3,908	8,647
Dividend from financial investments at fair value through profit or loss (Note 34(ii))	(13,760)	(15,623)	(13,760)	(15,623)
Operating profit before working capital changes	2,223,438	2,815,437	2,244,667	2,814,389
Decrease/(Increase) in assets:				
Deposits and placements with financial institutions	(10,273)	243,905	(10,413)	244,047
Financing and advances	(4,030,760)	(1,269,975)	(4,062,397)	(1,334,560)
Trade receivables	(881)	(170)	-	-
Other assets	2,841	(354,442)	(32,170)	(351,118)
Inventories	4,890	(20,408)	-	-

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Cash flows from operating activities (continued)				
(Decrease)/Increase in liabilities:				
Deposits from customers	(2,780,291)	(185,687)	(2,780,291)	(185,687)
Investment accounts of customers	182,984	19,983	182,984	19,983
Deposits and placements from banks and financial institutions	1,163,044	742,461	1,163,044	742,461
Trade payables	(40)	(104)	-	-
Recourse obligations on financing sold to Cagamas	455,753	166,222	455,753	166,222
Other liabilities	238,653	(254,735)	260,553	(289,812)
Cash (used in)/ generated from operations activities	(2,550,642)	1,902,487	(2,578,270)	1,825,925
Income tax refunded/(paid)	24,146	(6,036)	29,992	(3,635)
Zakat paid	(38,707)	(37,974)	(36,911)	(36,728)
Net cash (used in)/generated from operating activities	(2,565,203)	1,858,477	(2,585,189)	1,785,562
Cash flows from investing activities				
Purchases of financial investments at fair value through profit or loss	(420,000)	(330,000)	(420,000)	(330,000)
Proceed from disposal and/or maturity of financial investments at fair value through profit or loss	663,715	1,025,346	663,715	1,025,346
Purchases of financial investments at fair value through other comprehensive income	(2,645,000)	(3,855,000)	(2,645,000)	(3,855,000)
Proceed from disposal and/or maturity of financial investments at fair value through other comprehensive income	4,046,378	3,755,213	4,046,378	3,755,213
Purchases of financial investments at amortised cost	(1,895,000)	(3,961,150)	(1,895,000)	(3,961,150)
Proceeds from disposal and/or maturity of financial investments at amortised cost	1,799,741	2,368,356	1,799,741	2,368,356
Purchase of investment properties	(30,388)	(76,039)	-	-
Proceeds from disposal of investment properties	2,300	-	-	-

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)**

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Cash flows from investing activities (continued)				
Purchase of property and equipment	(57,203)	(43,816)	(56,922)	(43,349)
Purchase of intangible assets	(59,506)	(19,625)	(59,506)	(19,625)
Proceeds from disposal of property and equipment	179	-	178	-
Dividend from financial investments at fair value through profit or loss (Note 34(ii))	13,760	15,623	13,760	15,623
Net cash generated from/(used in) investing activities	1,418,976	(1,121,092)	1,447,344	(1,044,586)
Cash flows from financing activities				
Proceeds from re-issuance of shares to members	27,057	22,939	27,057	22,939
Dividend paid	(426,803)	(429,476)	(426,803)	(429,476)
Net increase/(decrease) in government fund	(2,826)	2,529	(2,826)	2,529
Fund received from Bank Negara Malaysia ("BNM")	7,482	56,700	7,482	56,700
Proceeds from debt securities issued	1,000,000	2,000,000	1,000,000	2,000,000
Payment of profit expenses on debt securities issued	-	(145,100)	-	(145,100)
Payment on debt securities issued	(164,198)	(1,280,000)	(164,198)	(1,280,000)
Payment of lease liabilities	(20,244)	(20,917)	(26,510)	(27,017)
Payment of cashline facility	(706,562)	(704,942)	(706,562)	(704,942)
Receipt of cashline facility	700,000	700,000	700,000	700,000
Net cash generated from financing activities	413,906	201,733	407,640	195,633
Net (decrease)/increase in cash and cash equivalents	(732,321)	939,118	(730,205)	936,609
Cash and cash equivalents at beginning of the year	1,834,420	895,302	1,831,709	895,100
Cash and cash equivalents at end of the year	1,102,099	1,834,420	1,101,504	1,831,709

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Cash and cash equivalents comprises:				
Cash and short-term funds (Note 6)	1,102,099	1,834,420	1,101,504	1,831,709
Deposits and placements with financial institutions (Note 7)	378,718	368,445	378,716	368,303
	1,480,817	2,202,865	1,480,220	2,200,012
 Less:				
Cash and short-term funds and deposits and placements with original maturity of more than three months	(378,718)	(368,445)	(378,716)	(368,303)
	1,102,099	1,834,420	1,101,504	1,831,709

Cash flows for leases as a lessee

Included in net cash (used in)/generated from operating activities is payments relating to Group's and Bank's short-term leases amounting to RM966,156 (2022: RM1,755,080) and RM936,604 (2022: RM1,818,445) respectively, as well as Group's leases of low-value assets amounting to RM26,215 (2022: RM26,215).

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

An analysis of changes in liabilities arising from financing activities is as follows:

	Debt securities RM'000	Lease liabilities RM'000	Cashline facility RM'000	Government fund RM'000	BNM fund RM'000	Total RM'000
Group						
At 1 January 2023	4,023,391	42,378	704,122	121,079	182,161	5,073,131
Profit expense during the year	174,344	2,045	3,908	-	-	180,297
Additions	1,000,000	21,694	700,000	-	7,482	1,729,176
Payment	(164,198)	(20,244)	(706,562)	(2,827)	-	(893,831)
Non-cash movement	-	-	-	-	5,495	5,495
At 31 December 2023	<u>5,033,537</u>	<u>45,873</u>	<u>701,468</u>	<u>118,252</u>	<u>195,138</u>	<u>6,094,268</u>
At 1 January 2022	3,297,940	51,236	700,417	198,892	134,840	4,383,325
Profit expense during the year	150,551	1,913	8,647	-	-	161,111
Profit paid during the year	(145,100)	-	-	-	-	(145,100)
Additions	2,000,000	10,146	700,000	-	56,700	2,766,846
Payment	(1,280,000)	(20,917)	(704,942)	(77,813)	-	(2,083,672)
Non-cash movement	-	-	-	-	(9,379)	(9,379)
At 31 December 2022	<u>4,023,391</u>	<u>42,378</u>	<u>704,122</u>	<u>121,079</u>	<u>182,161</u>	<u>5,073,131</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2023 (CONTINUED)

An analysis of changes in liabilities arising from financing activities is as follows (continued):

	Debt securities RM'000	Lease liabilities RM'000	Cashline facility RM'000	Government fund RM'000	BNM fund RM'000	Total RM'000
Bank						
At 1 January 2023	4,023,391	49,457	704,122	121,079	182,161	5,080,210
Profit expense during the year	174,344	2,722	3,908	-	-	180,974
Additions	1,000,000	34,297	700,000	-	7,482	1,741,779
Payment	(164,198)	(26,510)	(706,562)	-	-	(897,270)
Non-cash movement	-	-	-	(2,827)	5,495	2,668
At 31 December 2023	<u>5,033,537</u>	<u>59,966</u>	<u>701,468</u>	<u>118,252</u>	<u>195,138</u>	<u>6,108,361</u>
At 1 January 2022	3,297,940	63,705	700,417	198,892	134,840	4,395,794
Profit expense during the year	150,551	2,316	8,647	-	-	161,514
Profit paid during the year	(145,100)	-	-	-	-	(145,100)
Additions	2,000,000	10,453	700,000	-	56,700	2,767,153
Payment	(1,280,000)	(27,017)	(704,942)	(77,813)	-	(2,089,772)
Non-cash movement	-	-	-	-	(9,379)	(9,379)
At 31 December 2022	<u>4,023,391</u>	<u>49,457</u>	<u>704,122</u>	<u>121,079</u>	<u>182,161</u>	<u>5,080,210</u>

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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

The Bank was established under the Co-operative Societies Act 1993 with the registered office address at 35th Floor, Menara 1, Menara Kembar Bank Rakyat, No. 33, Jalan Rakyat, 50470 Kuala Lumpur.

The principal activities of the Bank are those of a co-operative that carries out banking activities based on Shariah principles through accepting deposits and providing financial services for retail and commercial needs.

The principal activities of the subsidiaries are disclosed in Note 16.

There have been no significant changes in the nature of these principal activities of the Group and the Bank.

The Bank has a total of 148 branches as of 31 December 2023 (2022: 148).

These financial statements have been approved and authorised for issue by the Board of Directors on 11 March 2024.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Bank have been prepared in accordance with the provisions of Bank Kerjasama Rakyat Malaysia Berhad (Special Provisions) Act 1978 (Act 202), the Co-operative Societies Act 1993 (Act 502), Development Financial Institutions Act 2002 (Act 618), applicable Malaysian Financial Reporting Standards ("MFRS"), IFRS Accounting Standards as issued by the International Accounting Standards Board ("IFRS Accounting Standards") and in compliance with the principles of Shariah.

The financial statements of the subsidiaries of the Bank have been prepared in accordance with MFRS, IFRS Accounting Standards and the provisions of the Companies Act, 2016 in Malaysia.

The financial statements are presented in Ringgit Malaysia ("RM") and are rounded to the nearest thousand ("000"), unless otherwise stated.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Bank.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16, *Leases - Lease Liability in a Sale and Leaseback*
- Amendments to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Bank plan to apply the abovementioned accounting standards, amendments or interpretations, where applicable:

- from the annual period beginning on 1 January 2024 for those amendments that are effective for annual periods beginning on or after 1 January 2024
- from the annual period beginning on 1 January 2025 for those amendments that are effective for annual periods beginning on or after 1 January 2025

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and of the Bank.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES

The Group and the Bank adopted amendments to MFRS 101, *Presentation of Financial Statements* and MFRS Practice Statement 2 - *Disclosure of Accounting Policies* from 1 January 2023. The amendments require the disclosures of 'material', rather than 'significant' accounting policies. The amendments also provide guidance on application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that need to understand other information in the financial statement.

Although the amendments did not result in any changes to the Group's accounting policies, it impacted the accounting policy information disclosed in the financial statements. The material accounting policy information is disclosed as follows:

3.1 Basis of preparation

The financial statements of the Group and of the Bank have been prepared on the historical cost basis, except for certain assets and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

3.2 Subsidiaries and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Bank and entities (including structured entities) controlled by the Bank and its subsidiaries.

Investments in subsidiaries are measured in the Bank's statement of financial position at cost less any impairment losses.

3.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. Acquisition-related costs are recognised in profit or loss as incurred.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Business combinations (continued)

At acquisition date, the identifiable assets acquired and liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112, *Income Taxes* and MFRS 119, *Employee Benefits* respectively;
- liabilities or equity instruments related to the share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2, *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified and measured as held-for-sale in accordance with MFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*.

3.4 Goodwill on consolidation

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see 3.3 above) less accumulated impairment losses, if any.

3.5 Financial instruments

Financial assets and financial liabilities are recognised when, and only when the Group and the Bank become a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value.

3.5.1 Financial assets

3.5.1.1 Initial recognition and subsequent measurement

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.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.1 Initial recognition and subsequent measurement (continued)

The Group and the Bank classify all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics, measured at either:

- Amortised cost
- Fair value through other comprehensive income ("FVOCI")
- Fair value through profit or loss ("FVTPL")

Included in financial assets are the following:

(i) Financial assets at amortised cost

The Group and the Bank measure 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 solely payments of principal and profit ("SPPP") on the principal amount outstanding.

The details of these conditions are outlined below:

(a) Business model assessment

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.1 Initial recognition and subsequent measurement (continued)

(i) Financial assets at amortised cost (continued)

(a) Business model assessment (continued)

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

- How the performance of the business model 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); or
- The expected frequency, value and timing of sales are also important aspects of the Group and the Bank's assessment.

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 Group and the Bank's original expectations, the Group and the Bank do not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.1 Initial recognition and subsequent measurement (continued)

(i) Financial assets at amortised cost (continued)

(b) The SPPP test

As a second step of its classification process, the Group and the Bank 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 their fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are payments of principal or amortisation of the premium/discount).

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

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 lending arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

(ii) Fair value through other comprehensive income (“FVOCI”)

The Group and the Bank apply the new category under MFRS 9 of debt instruments measured 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 financial assets; and
- The contractual terms of the financial assets meet the SPPP test.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.1 Initial recognition and subsequent measurement (continued)

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

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"). Profit 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. 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 unquoted equity instruments, with an irrevocable option at inception, the Group and the Bank measure the changes through FVOCI (without recycling profit or loss upon derecognition).

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

Financial assets at FVTPL include financial assets held-for-trading and financial asset designated at FVTPL upon initial recognition. Financial assets are classified as held-for-trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held-for-trading.

Financial assets at FVTPL are those that are not 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. Management 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

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.1 Initial recognition and subsequent measurement (continued)

(iii) Financial assets at fair value through profit or loss (“FVTPL”) (continued)

Such designation is determined on an instrument-by-instrument basis (continued):

- 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.

Subsequent to initial recognition, financial assets held-for-trading and financial assets designated at FVTPL are recorded in the statements of financial position at fair value. Changes in fair value are recognised in profit or loss under the heading of ‘other operating income’.

(iv) Financing and receivables

Financing and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financing and receivables are initially recognised at fair value, including direct and incremental transaction costs, and subsequently measured at amortised cost using the effective profit method, less any impairment.

Profit on financing is recognised in profit or loss by applying the effective profit rate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.1 Initial recognition and subsequent measurement (continued)

(iv) Financing and receivables (continued)

Effective profit method

The effective profit method is a method of calculating the amortised cost of a financial asset or liability and of allocating profit income or expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.5.1.2 Impairment of financial assets

The MFRS 9 impairment requirements are based on an Expected Credit Loss ("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, as well as financial instruments held by the Group and the Bank. The ECL model also applies to contract assets under MFRS 15, *Revenue from Contracts with Customers*.

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

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

The assessment of significant deterioration since initial recognition is the key to determine the point of switching between measuring an allowance based on 12-month ECL, or an allowance based on lifetime ECL. A number of both qualitative and quantitative assessments are used in determining whether there is a significant increase in credit risk as at reporting date when compared with the date of initial recognition.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Impairment of financial assets (continued)

- (i) Determining a significant increase in credit risk since initial recognition (continued)

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

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

- (ii) ECL Measurement

There are three main components to measure ECL which are probability of default ("PD") model, a loss given default ("LGD") model, and the exposure at default model ("EAD").

- a) Probability of default

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Impairment of financial assets (continued)

(ii) ECL Measurement (continued)

b) Loss Given Default

LGD is defined as the percentage of exposure the Bank might lose in case the customer defaults. These losses are usually shown as a percentage of EAD, and depend, amongst others, on the type and amount of collateral as well as the type of customer and the expected proceeds from the work-out of the assets.

c) Exposure at Default

EAD is an estimate of the Bank's exposure to its counterparty at the time of default. For defaulted accounts, EAD is simply the amount outstanding at the point of default.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Group and the Bank have continued to measure impairment on individual assessment basis for financial assets that are deemed to be individually significant. All other remaining financial assets are collectively assessed as per the Group's policy.

(iii) Expected life

Lifetime expected credit losses must be measured over the expected life. This is defined to be the maximum contractual life, including any expected prepayment, extension, call and similar options.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Impairment of financial assets (continued)

(iv) Financial investments at FVOCI

The ECLs of financial investments measured at FVOCI do not reduce the carrying amount of these financial assets, which remains at fair value. Rather, 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 profit or loss upon derecognition of the assets.

(v) Forward-looking information

Expected credit losses are the unbiased probability-weighted credit losses, determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward-looking forward is based on the Group's and the Bank's Economic Research Division.

Where applicable, the Group and the Bank incorporate 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:

- Private Final Consumption ("PFC");
- Gross Domestic Product ("GDP");
- Consumer Sentiment Index ("CSI");
- Unemployment Rate ("Unemployment");
- Overnight Pricing Rate ("OPR");
- Passenger Cars ("Passenger Cars");
- Consumer Price Indices ("CPI");
- House Price Indices ("HPI"); or
- FTSE Bursa Malaysia Small Cap Index ("FTSE").

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.2 Impairment of financial assets (continued)

(v) Forward-looking information (continued)

The Group and Bank apply the following three alternative macro-economic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

- *Base scenario:* This scenario reflects the current macro-economic conditions continue to prevail.
- *Best and Worst scenarios:* These scenarios are set relative to the base scenario; reflecting the best and worst-case macro-economic conditions respectively, based on subject matter expert's best judgement from current economic conditions.

(vi) Valuation for Stage 3 ECL

The Group and the Bank's accounting policy for collateral assigned to it through its lending arrangements under MFRS 9 is the same as it was under MFRS 139.

3.5.1.3 Rescheduled and restructured financing

Where a financing shows evidence of credit weaknesses, the Group and the Bank may seek to renegotiate the financing rather than to take possession of collateral. This may involve an extension of the payment arrangements via rescheduling or the renegotiation of new financing terms and conditions via restructuring. Management monitors the renegotiated financing to ensure that all the revised terms are met and that the payments are made promptly for a continuous period. Where an impaired financing is renegotiated, the customer must adhere to the revised and/or restructured payment terms for a continuous period of six months before the financing is classified as non-impaired. This financing continues to be subjected to ECL individually or collectively assessed.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.4 Modification of financing

The Group and the Bank sometimes renegotiate or otherwise modify the contractual cash flows of financing to customers. When this happens, the Group and the Bank assess whether or not the new terms are substantially different to the original terms. The Group and the Bank do 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 amount the customer is expected to be able to pay;
- Whether any substantial new terms are introduced, such as profit share / equity-based return that substantially affects the risk profile of the financing;
- Significant extension of the financing term when the customer is not in financial difficulty; or
- Significant change in profit rate.

If the terms are substantially different, the Group and the Bank derecognise the original financial asset and recognise a 'new' asset at fair value and recalculate a new effective profit rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for both impairment calculation purposes and in determining whether a significant increase in credit risk has occurred.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition. The Group and the Bank recalculate 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 cashflows at the original effective profit rate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.1 Financial assets (continued)

3.5.1.5 Reclassification of financial assets

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

Subsequent to initial recognition, the Group and the Bank do not reclassify its financial assets.

3.5.2 Derecognition of financial assets

Financial assets are derecognised when the contractual rights to the cash flows from the assets expire, or when the Group and the Bank transfer the financial assets and substantially all the risks and rewards of ownership of the assets to another entity. If the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and continue to control the financial asset, the Group and the Bank recognise their retained interest in the asset and an associated liability for amounts it may have to pay. If the Group and the Bank retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group and the Bank continue to recognise the financial asset and also recognise a collateralised financing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated under the heading of other reserves is recognised in profit or loss.

3.5.3 Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.4 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Group's and of the Bank's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's and of the Bank's own equity instruments.

3.5.5 Financial liabilities

Financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, financial liabilities are measured at amortised cost using the effective profit method. The Group and the Bank do not have any non-derivative financial liabilities designated at fair value through profit or loss. Financial liabilities at amortised cost include deposits from customers, deposits and placements from banks and financial institutions, trade and other payables, recourse obligations on financing sold to Cagamas, debt securities issued and other fund placements.

The effective profit method is a method of calculating the amortised cost of a financial liability and of allocating profit expense over the relevant period. The effective profit rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or where appropriate, a shorter period to the net carrying amount on initial recognition.

3.5.5.1 Investment accounts

Investment accounts are based on the concept of profit sharing. Under this concept, the customer provides capital for the Group and the Bank to invest. The profit earned from the investment will be shared as dividend between the customer and the Group and the Bank according to the predetermined mutually agreed Profit Sharing Ratio ("PSR").

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.5 Financial liabilities (continued)

3.5.5.1 Investment accounts (continued)

An unrestricted investment account ("UA") refers to a type of investment account where the investor provides the Group and the Bank with the mandate to make the ultimate decision without specifying any particular restrictions or conditions. The UA is structured under Mudarabah contracts.

The financial losses associated with the investment are to be borne by the customer whilst the Group and the Bank may suffer losses in term of costs and time.

3.5.6 Derecognition of financial liabilities

The Group and the Bank derecognise financial liabilities when, and only when, the Group's and the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liabilities derecognised and the consideration paid or payable is recognised in profit or loss.

3.5.7 Determination of fair value

For financial instruments traded in active markets, the determination of fair values of financial assets and financial liabilities is based on quoted market prices. This includes listed equity securities and quoted debt instruments on Bursa Malaysia and broker quotes from Bond Pricing Agency.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive. Indications that a market is inactive are when there is a wide bid-offer spread or significant increase in the bid-offer spread or there are few recent transactions.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Financial instruments (continued)

3.5.7 Determination of fair value (continued)

For all other financial instruments, fair value is determined using valuation techniques. Under these techniques, fair values are estimated from observable data in respect of similar financial instruments, using models to estimate the present value of expected future cash flows or other valuation techniques, and using inputs existing at the end of the reporting period.

The fair value for financing and advances as well as liabilities to banks and customers are determined using a present value model on the basis of contractually agreed cash flows, taking into account credit quality, liquidity and costs.

3.6 Cash and cash equivalents

Cash and short term funds in the statements of financial position comprise of cash and bank balances with bank and other financial institutions and short-term deposits maturing within one month. For purpose of the statements of cash flows, cash and cash equivalents consist of cash and short term funds with original maturity of less than three months.

3.7 Leases

At inception of a contract, the Group and the Bank assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Bank use the definition of a lease in MFRS 16.

(a) Group as lessor

The Group and the Bank enter into lease agreements as a lessor with respect to some of its investment properties.

Leases for which the Group and the Bank is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

(a) Group as lessor (continued)

When the Group or the Bank is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group or the Bank applies the exemption described above, then it classifies the sub-lease as an operating lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease as part of 'Other operating income' (Note 34). Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's and the Bank's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's and the Bank's net investment outstanding in respect of the leases.

(b) Group as lessee

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

(i) Right-of-use assets

The right-of-use assets comprise the initial measurement of the corresponding lease liabilities, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses and adjusted for certain remeasurements of the lease liabilities.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

(b) Group as lessee (continued)

(i) Right-of-use assets (continued)

Whenever the Group and the Bank incur an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group and the Bank expect to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease:

Buildings	1 - 10 years
Other equipment	1 - 2 years

The right-of-use assets are presented as a separate line in the statements of financial position.

The Group and the Bank apply MFRS 136, *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 3.20 Impairment of non-financial assets.

If ownership of the leased asset transfers to the Group and the Bank at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

(b) Group as lessee (continued)

(i) Right-of-use assets (continued)

As a practical expedient, MFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group and the Bank has not used this practical expedient. For a contract that contains a lease component and one or more additional lease or non-lease components, the Group and the Bank allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Bank recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Bank and payments of compensation for terminating the lease, if the lease term reflects the Group and the Bank exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs and are included in 'Operating expenses' in profit or loss.

The Group and the Bank present lease liabilities in 'Other liabilities' (Note 28) in the statements of financial position.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.7 Leases (continued)

(b) Group as lessee (continued)

(ii) Lease liabilities (continued)

In calculating the present value of lease payments, the Group and the Bank use finance rate implicit in the lease. If this rate cannot be readily determined, the lessees uses its incremental financing rate. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of finance cost and reduced for the lease payments made. In addition, the carrying amount of lease liabilities are remeasured (and makes a corresponding adjustment to the related right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero) if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group and the Bank do not make any such adjustments during the periods presented.

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

The Group and the Bank apply the short-term lease recognition exemption to its short-term leases of parking space (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

3.8 Financing costs

Financing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the asset. All other financing costs are expensed in the period in which they occur. Financing costs consist of profit expense and other costs that an entity incurs in connection with the financing of funds.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.9 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the entities in the Group and the Bank, are classified as investment properties. Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value, which reflects market conditions at the end of the reporting period.

Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

In determining the amount of consideration from the derecognition of investment property the Group and the Bank consider the effects of variable consideration, existence of a significant financing component, non-cash consideration, and consideration payable to the buyer (if any).

If owner-occupied property becomes an investment property, the Group and the Bank account for such property in accordance with the policy stated under property and equipment up to the date of change in use. Rental income from investment property is recognised as other income on a straight-line basis over the term of the lease.

3.10 Property and equipment

Land and buildings comprise mainly branches and offices. All property and equipment used by the Group and the Bank are stated at historical cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Construction work-in-progress are not depreciated until the assets are ready for their intended use.

Depreciation of other property and equipment are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Buildings	50 years
Leasehold land and buildings	50 years
Renovation	5 - 50 years
Furniture, fittings and office equipment	5 years
Motor vehicles	5 years

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.11 Intangible assets

In addition to goodwill, intangible assets also include computer software and software-in-development.

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Subsequent to initial recognition, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses, except software-in-development which is not subject to amortisation until the development is completed and the asset is available for use.

Amortisation of intangible assets are calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

Computer software	5 - 15 years
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3.12 Prepaid lease payments

Leasehold land that has an indefinite economic life which title is not expected to pass to the Group by end of the lease period is classified as operating lease.

The upfront payments for right to use the leasehold land over a predetermined period are accounted for as prepaid lease payments and are stated at cost less amount amortised. The prepaid lease payments are amortised on a straight-line basis over the remaining lease terms, ranging from 2 to 858 years (2022: 3 to 859 years).

3.13 Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of time value of money is material).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.14 Inventories

Inventories are valued at the lower of cost (determined using the first-in, first out method) and net realisable value.

Completed property units for sale are valued at the lower of cost and net realisable value. Cost is determined using the 'specific identification' method.

3.15 Profit income and expense

For all financial instruments measured at amortised cost and profit-bearing financial assets classified as fair value through profit or loss and fair value through other comprehensive income, income and expense are recognised under "Income" and "Expenditure" respectively using the effective profit method.

The effective profit method is a method of calculating the amortised cost of a financial asset or liability and of allocating the profit income or expense over the relevant period. The effective profit rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

The calculation takes into account all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. Significant fees and transaction costs integral to the effective profit rate, as well as premiums or discounts are also considered.

For impaired assets where the value of the financial assets has been written down as a result of an impairment loss, profit income continues to be recognised using the profit rate used to discount the future cash flows for the purpose of measuring the impairment loss.

3.16 Fee and commission income

Financing arrangement fees are recognised as income based on contractual arrangements. Guarantee fee is recognised as income upon issuance of the guarantee. Fees from advisory and corporate finance activities are recognised net of sales and service tax and discounts on completion of each stage of the assignment.

Fees and commissions are generally recognised on an accrual basis when the service has been provided.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.17 Dividend income

Dividends are recognised in profit or loss as 'dividend income' when the Group's right to receive payment is established.

3.18 Income tax

3.18.1 Current income tax

Current income tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

3.18.2 Deferred income tax

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group and the Bank expect, at the end of the reporting period, to recover or settle the carrying amount of their assets and liabilities.

3.19 Employee benefits

3.19.1 Defined contribution plan

For defined contribution plan, the Group and the Bank pay contributions to Employees Provident Fund ("EPF") on a mandatory basis. The Group and the Bank have no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

3.19.2 Short-term employee benefits

Wages, salaries, paid annual leaves, bonuses and social contributions are recognised in the year in which the associated services are rendered by employees of the Group and of the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by the employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.20 Impairment of non-financial assets

At the end of each reporting period, the Group and the Bank review the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group and the Bank estimate the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

3.21 Zakat

In computing for zakat, the Group and the Bank have been applying the growth capital method based on the rate of 2.5%. This method applies the rate on owners' equity, long term liability, net of fixed assets and non-current assets, and subjected to allowable adjustments.

It is an obligatory amount payable on the business on behalf of the shareholders and/or business entity depending on the ownership characteristics.

Zakat is distributed according to Shariah principle and being extended through Islamic Religious Council of the respective states and other rightful beneficiaries or asnaf.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group's and the Bank's financial statements and financial results are influenced by accounting policies, assumptions, estimates and management judgements, which necessarily have to be made in the course of preparation of the financial statements.

The Group and the Bank make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. All estimates and assumptions required in conformity with MFRS are best estimates undertaken in accordance with the applicable standards.

Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events. Accounting policies and management's judgements for certain items are especially critical for the Group's and the Bank's results and financial situation due to their materiality.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Impairment losses on financing and advances

The Group and the Bank review their financing and advances portfolio to determine whether impairment losses should be recognised in profit or loss.

Financing is considered as impaired when there is objective evidence of impairment as a result of loss event that has affected future estimated cash flows of the financing subsequent to its initial recognition.

Components of impairment allowance are as follows:

(i) ECL individually assessed

Where an account has exceeded certain number of arrears or when the account has fulfilled certain criteria that indicates credit weaknesses, the account is individually assessed for impairment.

Individual allowance is measured as the difference between carrying amount of the financing and present value of estimated future cash flows that are discounted at the effective profit rate.

Expectation on future cash flows is established by applying the best estimate formed on reliable and objective evidence. This process involves significant and reasonable judgement.

(ii) ECL collectively assessed

The Group and the Bank's ECL calculations under MFRS 9 are outputs of complex models with several underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- Criteria for assessing if there has been a significant increase in credit risk, which includes qualitative assessment, to determine whether financial assets should be measures on lifetime ECL basis rather than 12-month ECL basis;
- The segmentation of financial assets, when their ECL is assessed on a collective basis;
- Development of ECL models, including various formulas and the choice of inputs;

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.1 Impairment losses on financing and advances (continued)

Components of impairment allowance are as follows (continued):

(ii) ECL collectively assessed (continued)

The Group and the Bank's ECL calculations under MFRS 9 are outputs of complex models with several underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include (continued):

- Determination of associations between macroeconomic scenarios, and economic inputs, such as unemployment levels and overnight pricing rate, and their effect on PDs, EADs, and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

4.2 Impairment of financial assets portfolio

The Group and the Bank review their financial investments at FVOCI and financial investments at amortised cost under MFRS 9 to recognise the ECL at each reporting date to reflect changes in credit risk of the financial investments not measured through FVTPL. MFRS 9 incorporates forward-looking and historical, current and forecasted information into ECL estimation.

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, among 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, as at the reporting date about past events, current conditions, and forecasts of future economic conditions.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.3 Fair value estimation of financial assets at FVTPL and financial investments at FVOCI

When the fair value of financial assets recorded in the statements of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques. Valuation techniques include the discounted cashflow methods, option pricing 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.

4.4 Deferred tax assets

Deferred tax assets are recognised for deductible temporary differences to the extent that it is probable that sufficient future taxable profit will be available against which the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profit together with future tax planning strategies.

4.5 Determine the lease term of contracts with renewal and termination options - Group as lessee

The Group and the Bank determine 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 Group and the Bank have several lease contracts that include extension and termination options. The Group and the Bank apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group and the Bank reassess 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 or to terminate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

4.5 Determine the lease term of contracts with renewal and termination options - Group as lessee (continued)

The Group and the Bank include the renewal period as part of the lease term for leases of buildings and other equipment with shorter non-cancellable period (i.e., one to three years). The Group and the Bank typically exercise its option to renew for these leases because there will be a significant negative effect on operation if a replacement asset is not readily available. The renewal periods for leases of buildings with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Refer to Note 14 for information on potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term.

5. CHANGES IN REGULATORY REQUIREMENTS

Based on the BNM's revised guideline on Financial Reporting for Development Financial Institutions, the prescribed development financial institutions ("DFIs") can make a one-time election in 2020 to apply revisions to the original effective profit rate in respect of any modifications made to the contractual cash flows of financing. In the event of election, the requirements shall apply for financial years beginning between 1 January 2020 to 31 December 2022 and in respect of financing for which the contractual cash flows are modified, including payments deferred under moratoriums provided by DFIs during these financial years.

The Group and the Bank had elected in 2020 to adopt the abovementioned modified accounting treatment for financial years beginning between 1 January 2020 to 31 December 2022. With effect from 1 January 2023, the Group and the Bank have discontinued the adoption of the modified accounting treatment to comply with MFRS and IFRS accounting standards.

The effect of the discontinuation of the modified accounting treatment has been accounted for retrospectively in the financial statements and prior year adjustments have been made as disclosed in Note 48.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

6. CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Cash and balances with banks and other financial institutions	1,002,064	1,048,826	1,001,469	1,046,115
Money at call and deposit placements maturing within one month	100,035	785,594	100,035	785,594
	1,102,099	1,834,420	1,101,504	1,831,709

Included in the cash and balances with banks and other financial institutions are RM246.86 million (2022: RM239.83 million) pledged as the collateral for the cashline facility (Note 27).

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	1,102,099	1,834,420	1,101,504	1,831,709

7. DEPOSITS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
Licensed banks	378,718	368,445	378,716	368,303

Included in the deposits and placements with financial institutions are RM378.72 million (2022: RM368.30 million) pledged as the collateral for the cashline facility (Note 27).

The maturity structure of the deposits and placements with financial institutions is as follows:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
More than three months	378,718	368,445	378,716	368,303

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

8. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Bank	
	2023	2022
	RM'000	RM'000
Debt instruments at fair value through profit or loss:		
Government investment issues	-	41,827
Islamic redeemable convertible preference shares	-	213,200
	<u>-</u>	<u>255,027</u>
Total financial investments at fair value through profit or loss	<u>-</u>	<u>255,027</u>

9. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
*Debt instruments at fair value through other comprehensive income:				
Islamic debt securities	5,349,954	4,520,183	5,349,954	4,520,183
Government investment issues	4,798,167	6,803,294	4,798,167	6,803,294
Government sukuk	8,678,487	8,403,783	8,678,487	8,403,783
Cagamas sukuk	466,427	651,866	466,427	651,866
	<u>19,293,035</u>	<u>20,379,126</u>	<u>19,293,035</u>	<u>20,379,126</u>
Equity securities at fair value through other comprehensive income:				
Unquoted shares	101,582	87,175	101,574	87,167
	<u>101,582</u>	<u>87,175</u>	<u>101,574</u>	<u>87,167</u>
Total financial investments at fair value through other comprehensive income	<u>19,394,617</u>	<u>20,466,301</u>	<u>19,394,609</u>	<u>20,466,293</u>

* Included financial assets sold under repurchase agreements (see Note 24) amounting to RM403.00 million (2022: RM502.46 million).

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023****9. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)**

Movement of allowance for ECL by stage for debt instruments at fair value through other comprehensive income is as follows:

Group and Bank	12-month ECL Stage 1 RM'000
At 1 January 2022	129
Changes in credit risk (Note 33(ii))	(51)
At 31 December 2022/1 January 2023	<u>78</u>
Changes in credit risk (Note 33(ii))	<u>42</u>
At 31 December 2023	<u>120</u>

The increase in ECL Stage 1 of RM42,000 was due to increase in gross carrying amount of Islamic debt securities during the financial year.

The maturity structure of the debt instruments is as follows:

	Group and Bank	
	2023	2022
	RM'000	RM'000
Maturity within one year	2,224,054	2,667,668
More than one year to five years	8,714,140	9,071,779
More than five years	8,354,841	8,639,679
	<u>19,293,035</u>	<u>20,379,126</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

10. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group and Bank	
	2023	2022
	RM'000	RM'000
At amortised cost		
Islamic debt securities	1,201,287	1,286,778
Government investment issues	7,955,166	7,803,055
Government sukuk	3,047,098	3,184,122
Khazanah sukuk	-	63,354
Cagamas sukuk	229,683	50,451
Negotiable Islamic debt certificates	99,711	49,926
	<u>12,532,945</u>	<u>12,437,686</u>
Less: Allowance for ECL		
Negotiable Islamic debt certificates	(2)	(1)
Islamic debt securities	(10,639)	(10,640)
	<u>12,522,304</u>	<u>12,427,045</u>

Movement of allowance for ECL by stage is as follows:

	12-month ECL Stage 1 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
Group and Bank			
At 1 January 2022	32	18,010	18,042
Changes in credit risk (Note 33(ii))	4	(7,405)	(7,401)
At 31 December 2022/1 January 2023/ 31 December 2023	<u>36</u>	<u>10,605</u>	<u>10,641</u>

The maturity structure of the instruments is as follows:

	Group and Bank	
	2023	2022
	RM'000	RM'000
Maturity within one year	1,143,493	1,001,266
More than one year to five years	4,547,956	3,465,348
More than five years	6,841,496	7,971,072
	<u>12,532,945</u>	<u>12,437,686</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. FINANCING AND ADVANCES

(i) Financing and advances analysed by type and concept

Group	Bai` `Inah	Bai` Bithaman Ajil	Qard	Murabahah	Ijarah Thumma Al-Bai`	Tawarruq	Total
31.12.2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost							
Term financing							
- Personal financing	12,199,280	-	-	-	-	46,039,248	58,238,528
- House financing	-	554,285	-	-	-	9,844,128	10,398,413
- Hire-purchase receivables	-	-	-	-	2,790,811	-	2,790,811
- Syndicated financing	-	-	-	-	-	398,273	398,273
- Bridging financing	-	-	-	-	-	29,956	29,956
- Other term financing	44,926	2,573	5	48,515	-	6,871,123	6,967,142
Pawn broking	-	-	-	-	-	2,882,790	2,882,790
Cashline	-	-	-	-	-	640,018	640,018
Revolving credit	-	-	-	-	-	251,790	251,790
Credit card	-	-	-	-	-	416,733	416,733
Staff financing	-	-	-	-	-	496,277	496,277
	12,244,206	556,858	5	48,515	2,790,811	67,870,336	83,510,731

Allowance for ECL on financing and advances:

Stage 1 - 12-month ECL	(653,488)
Stage 2 - lifetime ECL not credit impaired	(677,545)
Stage 3 - lifetime ECL credit impaired	(1,078,480)

Net financing and advances **81,101,218**

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

Group	Bai` `Inah	Bai` Bithaman Ajil	Qard	Murabahah	Ijarah Thumma Al-Bai`	Tawarruq	Total
31.12.2022 (Restated)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost							
Term financing							
- Personal financing	14,715,712	-	-	-	-	43,152,217	57,867,929
- House financing	-	647,381	-	-	-	8,588,415	9,235,796
- Hire-purchase receivables	-	-	-	-	2,251,046	-	2,251,046
- Syndicated financing	-	-	-	-	-	397,821	397,821
- Bridging financing	-	-	-	-	-	71,320	71,320
- Other term financing	66,160	3,186	6	40,918	-	6,096,717	6,206,987
Pawn broking	-	-	-	-	-	2,336,283	2,336,283
Cashline	-	-	-	-	-	482,496	482,496
Revolving credit	-	-	-	-	-	192,309	192,309
Credit card	-	-	-	-	-	391,826	391,826
Staff financing	-	-	-	-	-	494,799	494,799
	14,781,872	650,567	6	40,918	2,251,046	62,204,203	79,928,612

Allowance for ECL on financing and advances:

Stage 1 - 12-month ECL	(855,270)
Stage 2 - lifetime ECL not credit impaired	(847,837)
Stage 3 - lifetime ECL credit impaired	(985,916)

Net financing and advances

77,239,589

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

Group	Bai` `Inah	Bai` Bithaman Ajil	Rahn	Qard	Murabahah	Ijarah Thumma Al-Bai`	Tawarruq	Total
01.01.2022 (Restated)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost								
Term financing								
- Personal financing	17,160,873	-	-	-	-	-	42,236,023	59,396,896
- House financing	-	745,354	-	-	-	-	7,577,249	8,322,603
- Hire-purchase receivables	-	-	-	-	-	1,872,949	-	1,872,949
- Syndicated financing	-	-	-	-	-	-	346,195	346,195
- Bridging financing	-	-	-	-	-	-	257,291	257,291
- Other term financing	94,589	3,916	-	11	29,700	-	5,223,532	5,351,748
Pawn broking	-	-	437	-	-	-	2,015,366	2,015,803
Cashline	-	-	-	-	-	-	224,006	224,006
Revolving credit	-	-	-	-	-	-	304,539	304,539
Credit card	-	-	-	-	-	-	356,279	356,279
Staff financing	-	-	-	-	-	-	484,852	484,852
	<u>17,255,462</u>	<u>749,270</u>	<u>437</u>	<u>11</u>	<u>29,700</u>	<u>1,872,949</u>	<u>59,025,332</u>	<u>78,933,161</u>

Allowance for ECL on financing and advances:

Stage 1 - 12-month ECL	(930,256)
Stage 2 - lifetime ECL not credit impaired	(587,830)
Stage 3 - lifetime ECL credit impaired	(768,331)

Net financing and advances

76,646,744

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

Bank	Bai` `Inah	Bai` Bithaman Ajil	Qard	Murabahah	Thumma Al-Bai`	Tawarruq	Total
31.12.2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost							
Term financing							
- Personal financing	12,199,280	-	-	-	-	46,039,248	58,238,528
- House financing	-	554,285	-	-	-	10,174,100	10,728,385
- Hire-purchase receivables	-	-	-	-	2,790,811	-	2,790,811
- Syndicated financing	-	-	-	-	-	398,273	398,273
- Bridging financing	-	-	-	-	-	29,956	29,956
- Other term financing	44,926	2,573	5	48,515	-	6,871,123	6,967,142
Pawn broking	-	-	-	-	-	2,882,790	2,882,790
Cashline	-	-	-	-	-	640,018	640,018
Revolving credit	-	-	-	-	-	251,790	251,790
Credit card	-	-	-	-	-	416,733	416,733
Staff financing	-	-	-	-	-	496,277	496,277
	12,244,206	556,858	5	48,515	2,790,811	68,200,308	83,840,703

Allowance for ECL on financing and advances:

Stage 1 - 12-month ECL (659,388)

Stage 2 - lifetime ECL not credit impaired (677,545)

Stage 3 - lifetime ECL credit impaired (1,078,480)

Net financing and advances **81,425,290**

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

Bank	Bai` `Inah	Bai` Bithaman Ajil	Qard	Murabahah	Ijarah Thumma Al-Bai`	Tawarruq	Total
31.12.2022 (Restated)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost							
Term financing							
- Personal financing	14,715,712	-	-	-	-	43,152,217	57,867,929
- House financing	-	647,381	-	-	-	8,886,750	9,534,131
- Hire-purchase receivables	-	-	-	-	2,251,046	-	2,251,046
- Syndicated financing	-	-	-	-	-	397,821	397,821
- Bridging financing	-	-	-	-	-	71,320	71,320
- Other term financing	66,160	3,186	6	40,918	-	6,096,717	6,206,987
Pawn broking	-	-	-	-	-	2,336,283	2,336,283
Cashline	-	-	-	-	-	482,496	482,496
Revolving credit	-	-	-	-	-	192,309	192,309
Credit card	-	-	-	-	-	391,826	391,826
Staff financing	-	-	-	-	-	494,799	494,799
	14,781,872	650,567	6	40,918	2,251,046	62,502,538	80,226,947

Allowance for ECL on financing and advances:

Stage 1 - 12-month ECL	(865,580)
Stage 2 - lifetime ECL not credit impaired	(847,837)
Stage 3 - lifetime ECL credit impaired	(985,916)

Net financing and advances

77,527,614

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. FINANCING AND ADVANCES (CONTINUED)

(i) Financing and advances analysed by type and concept (continued)

Bank	Bai` `Inah	Bai` Bithaman Ajil	Rahn	Qard	Murabahah	Ijarah Thumma Al-Bai`	Tawarruq	Total
01.01.2022 (Restated)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At amortised cost								
Term financing								
- Personal financing	17,160,873	-	-	-	-	-	42,236,023	59,396,896
- House financing	-	745,354	-	-	-	-	7,810,999	8,556,353
- Hire-purchase receivables	-	-	-	-	-	1,872,949	-	1,872,949
- Syndicated financing	-	-	-	-	-	-	346,195	346,195
- Bridging financing	-	-	-	-	-	-	257,291	257,291
- Other term financing	94,589	3,916	-	11	29,700	-	5,223,532	5,351,748
Pawn broking	-	-	437	-	-	-	2,015,366	2,015,803
Cashline	-	-	-	-	-	-	224,006	224,006
Revolving credit	-	-	-	-	-	-	304,539	304,539
Credit card	-	-	-	-	-	-	356,279	356,279
Staff financing	-	-	-	-	-	-	484,852	484,852
	17,255,462	749,270	437	11	29,700	1,872,949	59,259,082	79,166,911

Allowance for ECL on financing and advances:

Stage 1 - 12-month ECL	(943,862)
Stage 2 - lifetime ECL not credit impaired	(587,830)
Stage 3 - lifetime ECL credit impaired	(768,331)

Net financing and advances

76,866,888

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023****11. FINANCING AND ADVANCES (CONTINUED)****(i) Financing and advances analysed by type and concept (continued)**

Assets funded under *Ijarah* financing are owned by the Bank throughout the tenure of the *Ijarah* financing and ownership of the assets will be transferred to customer at the end of financing tenure for a token consideration or other amount as specified in the *Ijarah* financing contract.

Included in the Bank's financing and advances is financing granted to Rakyat Holdings Sdn Bhd, a subsidiary of the Bank, amounting to RM324.07 million (2022: RM288.03 million) net of expected credit losses of RM5.90 million (2022: RM10.31 million), subject to profit rate of 4.51% to 5.25% (2022: 4.14% to 4.45%).

Included in the Group's and the Bank's financing and advances as at 31 December 2023 is BNM financing scheme as part of the government support measures in response to COVID-19 pandemic for the purpose of SME financing amounting to RM168.48 million (2022: RM193.15 million) (Note 28 (v)).

(ii) Financing and advances analysed by geographical distribution

	31.12.2023	31.12.2022	01.01.2022
	RM'000	RM'000	RM'000
		Restated	Restated
Group			
Central Region	33,411,689	31,603,330	31,086,969
Southern Region	12,761,441	12,219,628	12,046,075
Eastern Region	12,735,795	12,282,807	12,082,085
Northern Region	9,696,806	9,368,592	9,277,104
East Malaysia Region	14,905,000	14,454,255	14,440,928
	<u>83,510,731</u>	<u>79,928,612</u>	<u>78,933,161</u>
Bank			
Central Region	33,741,661	31,901,665	31,320,719
Southern Region	12,761,441	12,219,628	12,046,075
Eastern Region	12,735,795	12,282,807	12,082,085
Northern Region	9,696,806	9,368,592	9,277,104
East Malaysia Region	14,905,000	14,454,255	14,440,928
	<u>83,840,703</u>	<u>80,226,947</u>	<u>79,166,911</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

11. FINANCING AND ADVANCES (CONTINUED)

(iii) Financing and advances analysed by economic sector

	31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Group			
Household	76,582,011	73,644,239	73,423,481
Agriculture	96,977	97,809	79,404
Mining and quarrying	50,427	4,450	3,225
Manufacturing	192,999	107,068	69,211
Electricity, gas and water	118,388	163,602	47,628
Construction	757,427	798,926	654,005
Wholesale and retail trade	1,181,966	862,000	544,063
Transportation and communication	1,001,775	923,682	736,135
Financial, takaful and business services	3,233,521	2,414,287	2,874,199
Community, social and personal services	295,240	912,549	501,810
	83,510,731	79,928,612	78,933,161
Bank			
Household	76,582,011	73,644,239	73,423,481
Agriculture	96,977	97,809	79,404
Mining and quarrying	50,427	4,450	3,225
Manufacturing	192,999	107,068	69,211
Electricity, gas and water	118,388	163,602	47,628
Construction	757,427	798,926	654,005
Wholesale and retail trade	1,181,966	862,000	544,063
Transportation and communication	1,001,775	923,682	736,135
Financial, takaful and business services	3,563,493	2,712,622	3,107,949
Community, social and personal services	295,240	912,549	501,810
	83,840,703	80,226,947	79,166,911

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

11. FINANCING AND ADVANCES (CONTINUED)

(iv) Financing and advances analysed by remaining contractual maturity

	31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Group			
Maturity within one year	2,212,486	1,681,931	2,378,842
More than one year to three years	5,413,914	4,380,976	2,852,497
More than three years to five years	5,838,401	6,200,981	6,367,709
More than five years	70,045,930	67,664,724	67,334,113
	83,510,731	79,928,612	78,933,161
Bank			
Maturity within one year	2,212,486	1,681,931	2,378,842
More than one year to three years	5,413,914	4,380,976	2,852,497
More than three years to five years	5,838,401	6,200,981	6,367,709
More than five years	70,375,902	67,963,059	67,567,863
	83,840,703	80,226,947	79,166,911

(v) Financing and advances analysed by customer type

	31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Group			
Individuals	76,579,744	73,650,253	73,421,915
Business enterprises	4,195,906	3,833,689	3,041,922
Non-bank financial institutions			
- Co-operatives	2,580,640	2,277,119	2,214,427
Foreign entities	2,267	1,515	1,566
Other entities	152,174	166,036	253,331
	83,510,731	79,928,612	78,933,161
Bank			
Individuals	76,579,744	73,650,253	73,421,915
Business enterprises	4,525,878	4,132,024	3,275,672
Non-bank financial institutions			
- Co-operatives	2,580,640	2,277,119	2,214,427
Foreign entities	2,267	1,515	1,566
Other entities	152,174	166,036	253,331
	83,840,703	80,226,947	79,166,911

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

11. FINANCING AND ADVANCES (CONTINUED)

(vi) Financing and advances analysed by profit rate sensitivity

	31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Group			
Fixed rate			
Personal financing	13,167,895	15,556,328	18,391,710
House financing	1,336,859	1,381,918	1,436,285
Others	8,178,900	7,089,882	6,238,592
Floating rate			
Personal financing	45,070,632	42,311,601	41,005,185
House financing	9,061,554	7,853,877	6,886,318
Others	6,694,891	5,735,006	4,975,071
	83,510,731	79,928,612	78,933,161
Bank			
Fixed rate			
Personal financing	13,167,895	15,556,328	18,391,710
House financing	1,336,859	1,381,918	1,436,285
Others	8,178,900	7,089,882	6,238,592
Floating rate			
Personal financing	45,070,632	42,311,601	41,005,185
House financing	9,391,526	8,152,212	7,120,068
Others	6,694,891	5,735,006	4,975,071
	83,840,703	80,226,947	79,166,911

(vii) Impaired financing and advances analysed by geographical distribution

	Group and Bank		
	31.12.2023 RM'000	31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Central Region	1,246,703	1,135,498	1,035,174
Southern Region	95,398	99,524	70,532
Eastern Region	112,141	115,091	87,720
Northern Region	84,217	92,432	63,022
East Malaysia Region	157,528	152,430	97,052
	1,695,987	1,594,975	1,353,500

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

11. FINANCING AND ADVANCES (CONTINUED)

(viii) Impaired financing and advances analysed by economic sector

	Group and Bank		
	31.12.2023	31.12.2022	01.01.2022
	RM'000	RM'000	RM'000
		Restated	Restated
Household	853,710	889,764	608,343
Agriculture	5,865	3,965	49,965
Mining and quarrying	19,124	1,301	-
Manufacturing	11,209	5,395	2,010
Electricity, gas and water	4,210	2,634	-
Construction	91,727	116,051	184,089
Wholesale and retail trade	130,133	45,935	8,375
Transportation and communication	126,630	108,280	7,542
Financial, takaful and business services	450,185	374,639	492,542
Community, social and personal services	3,194	47,011	634
	1,695,987	1,594,975	1,353,500

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

	Group and Bank		
	31.12.2023	31.12.2022	01.01.2022
	RM'000	RM'000	RM'000
		Restated	Restated
As of 1 January, as previously reported	1,594,975	1,353,500	1,518,204
Classified as impaired during the year	2,503,697	2,156,229	2,005,755
Amount written back in respect of recoveries	(1,961,669)	(1,647,166)	(1,685,467)
Amount written off during the year	(441,016)	(267,588)	(484,992)
	101,012	241,475	(164,704)
At 31 December	1,695,987	1,594,975	1,353,500

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023****11. FINANCING AND ADVANCES (CONTINUED)**

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

	31.12.2023	31.12.2022	01.01.2022
	RM'000	RM'000	RM'000
		Restated	Restated
Group			
Gross impaired financing and advances as a percentage of gross financing and advances	2.03%	2.00%	1.71%
Bank			
Gross impaired financing and advances as a percentage of gross financing and advances	2.02%	1.99%	1.71%

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. FINANCING AND ADVANCES (CONTINUED)

(x) Movements in allowance for ECL on financing and advances are as follows:

Group 2023	12-month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
ECL allowance				
As of 1 January 2023, as previously reported	860,331	874,052	996,155	2,730,538
Prior year adjustments	(5,061)	(26,215)	(10,239)	(41,515)
As of 1 January 2023, as restated	855,270	847,837	985,916	2,689,023
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	180,394	(139,657)	(40,737)	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	(37,570)	116,748	(79,178)	-
- Transfer to lifetime ECL credit impaired (Stage 3)	(7,319)	(87,777)	95,096	-
New financial assets originated *	118,267	30,174	112,131	260,572
Changes in credit risk	(391,253)	(1,800)	503,906	110,853
Financial assets derecognised	(64,301)	(87,980)	(57,638)	(209,919)
Amount written off	-	-	(441,016)	(441,016)
At 31 December 2023	653,488	677,545	1,078,480	2,409,513

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. FINANCING AND ADVANCES (CONTINUED)

- (x) Movements in allowance for ECL on financing and advances are as follows (continued):

Group 2022 (Restated)	12-month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
ECL allowance				
As of 1 January 2022, as previously reported	934,553	609,842	774,632	2,319,027
Prior year adjustments	(4,297)	(22,012)	(6,301)	(32,610)
As of 1 January 2022, as restated	930,256	587,830	768,331	2,286,417
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	105,094	(74,774)	(30,320)	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	(25,829)	73,357	(47,528)	-
- Transfer to lifetime ECL credit impaired (Stage 3)	(7,381)	(52,308)	59,689	-
New financial assets originated *	145,610	40,564	84,547	270,721
Changes in credit risk	(232,863)	317,215	454,369	538,721
Financial assets derecognised	(59,617)	(44,047)	(35,584)	(139,248)
Amount written off	-	-	(267,588)	(267,588)
At 31 December 2022	<u>855,270</u>	<u>847,837</u>	<u>985,916</u>	<u>2,689,023</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

11. FINANCING AND ADVANCES (CONTINUED)

- (x) Movements in allowance for ECL on financing and advances are as follows (continued):

Bank 2023	12-month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
ECL allowance				
As of 1 January 2023, as previously reported	870,641	874,052	996,155	2,740,848
Prior year adjustments	(5,061)	(26,215)	(10,239)	(41,515)
As of 1 January 2023, as restated	865,580	847,837	985,916	2,699,333
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	180,394	(139,657)	(40,737)	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	(37,570)	116,748	(79,178)	-
- Transfer to lifetime ECL credit impaired (Stage 3)	(7,319)	(87,777)	95,096	-
New financial assets originated *	118,267	30,174	112,131	260,572
Changes in credit risk	(395,663)	(1,800)	503,906	106,443
Financial assets derecognised	(64,301)	(87,980)	(57,638)	(209,919)
Amount written off	-	-	(441,016)	(441,016)
At 31 December 2023	659,388	677,545	1,078,480	2,415,413

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

11. FINANCING AND ADVANCES (CONTINUED)

- (x) Movements in allowance for ECL on financing and advances are as follows (continued):

Bank 2022 (Restated)	12-month ECL Stage 1 RM'000	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
ECL allowance				
As of 1 January 2022, as previously reported	948,159	609,842	774,632	2,332,633
Prior year adjustments	(4,297)	(22,012)	(6,301)	(32,610)
As of 1 January 2022, as restated	943,862	587,830	768,331	2,300,023
Changes due to financing and advances movements:				
- Transfer to 12-month ECL (Stage 1)	105,094	(74,774)	(30,320)	-
- Transfer to lifetime ECL not credit impaired (Stage 2)	(25,829)	73,357	(47,528)	-
- Transfer to lifetime ECL credit impaired (Stage 3)	(7,381)	(52,308)	59,689	-
New financial assets originated *	145,610	40,564	84,547	270,721
Changes in credit risk	(236,159)	317,215	454,369	535,425
Financial assets derecognised	(59,617)	(44,047)	(35,584)	(139,248)
Amount written off	-	-	(267,588)	(267,588)
At 31 December 2022	865,580	847,837	985,916	2,699,333

* New financing and advances originated during the year which were not credit impaired at origination but subsequently the credit quality has deteriorated.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

11. FINANCING AND ADVANCES (CONTINUED)

- (x) Movements in allowance for ECL on financing and advances are as follows (continued):

The following explains how significant changes in the gross carrying amount of financing and advances during the financial year have contributed to the change in the allowance for ECL on financing and advances.

Overall, the total allowance for impairment on financing and advances has increased due to the following:

- a) 12-month ECL (Stage 1) - The decrease by RM201.78 million for the Group and RM206.19 million for the Bank was mainly due to the reversal of management overlays and model re-calibration conducted during the year to reflect more recent data and optimistic economic forecast post recovery from the pandemic which resulted in a release of ECL.
- b) Lifetime ECL (Stage 2) - The decrease by RM170.29 million for the Group and the Bank was mainly due to repayments received from customers, as well as effect of further deterioration of various stage 2 financing customers which now transferred to stage 3.
- c) Lifetime ECL (Stage 3) - The increase by RM92.56 million for the Group and the Bank was mainly due to deterioration in credit quality, offset by write-off of impaired financing during the year.

12. TRADE RECEIVABLES

	Group	
	2023	2022
	RM'000	RM'000
At amortised cost		
Trade receivables	3,294	2,245
Less: Allowance for ECL	(980)	(1,017)
	<u>2,314</u>	<u>1,228</u>

The credit period granted for sale of goods is 30 days (2022: 30 days). No profit is charged on trade receivables.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023****12. TRADE RECEIVABLES (CONTINUED)**

The table below is an analysis of trade receivables at the end of the reporting period:

	Group	
	2023	2022
	RM'000	RM'000
Neither past due nor impaired		
1 day to less than 1 month	<u>809</u>	<u>153</u>
Past due but not impaired		
1 month to less than 2 months	843	850
2 months to less than 3 months	673	265
4 months and above	29	-
	<u>1,545</u>	<u>1,115</u>
Past due and impaired		
	<u>940</u>	<u>977</u>
	<u>3,294</u>	<u>2,245</u>

Movements in the allowance for ECL (credit-impaired) are as follows:

	Group	
	2023	2022
	RM'000	RM'000
At 1 January	1,017	1,166
Impairment losses recognised during the year (Note 35(ii))	168	-
Amount recovered during the year (Note 34(ii))	(205)	(149)
At 31 December	<u>980</u>	<u>1,017</u>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date which credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

13. OTHER ASSETS

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Amount due from subsidiaries (i)	-	-	29,510	7,941
Other receivables, deposits and prepayments (ii)	949,292	975,749	915,416	940,866
	949,292	975,749	944,926	948,807

The Group's and Bank's other assets include financial assets of RM910.87 million (2022: RM946.27 million) and RM906.54 million (2022: RM919.73 million) that are classified as amortised cost.

(i) Amount due from subsidiaries

The amount due from subsidiaries is non-trade in nature, not subject to financing charges and has no fixed terms of payment.

	Bank	
	2023	2022
	RM'000	RM'000
Outstanding balances	31,021	9,452
Less: Allowance for ECL	(1,511)	(1,511)
	29,510	7,941

Movements in the allowance for ECL (12-month ECL Stage 1) of amount due from subsidiaries that are neither past due nor impaired are as follows:

	Bank	
	2023	2022
	RM'000	RM'000
At 1 January	1,511	11,428
Reclassification to other receivables	-	(9,917)
At 31 December	1,511	1,511

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

13. OTHER ASSETS (CONTINUED)

(ii) Other receivables, deposits and prepayments

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Other receivables	686,371	723,365	683,302	720,574
Allowance for ECL	(17,645)	(19,875)	(17,116)	(19,346)
	668,726	703,490	666,186	701,228
Refundable deposits	42,147	42,775	10,842	10,564
Prepayments	38,419	29,484	38,388	29,074
Contribution to Central Liquidity Fund *	200,000	200,000	200,000	200,000
	949,292	975,749	915,416	940,866

Movements in the allowance for ECL (12-month ECL Stage 1) of other receivables that are neither past due nor impaired are as follows:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
At 1 January	19,875	11,096	19,346	10,567
Impairment losses recognised during the year (Note 35(ii))	5,560	-	5,560	-
Amount recovered during the year (Note 34(ii))	-	(1,138)	-	(1,138)
Reclassified from amount due from subsidiaries	-	9,917	-	9,917
Amount written off during the year	(7,790)	-	(7,790)	-
At 31 December	17,645	19,875	17,116	19,346

* This contribution is required under sub-section 42(i) of Malaysia Co-operative Societies Commission Act 2007 (Act 665) either at a rate of 3% on the qualifying liability or RM200 million, whichever is lower, commencing in the financial period beginning on or after 1 January 2012.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

14. RIGHT-OF-USE ASSETS

(i) Group as a lessee

The Group and the Bank have lease contracts for buildings and other equipment used in its operations. Leases of buildings generally have lease terms between 1 to 10 years, with the option to extend for another 1 to 3 years, while other equipment generally have lease terms between 1 to 2 years. The Group's and the Bank's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group and the Bank are restricted from assigning and subleasing the leased assets and some contracts require the Group and the Bank to maintain certain financial ratios. There are several lease contracts that include extension and variable lease payments, which are further discussed below.

The Group and the Bank also have certain leases of motor vehicle with lease terms of 12 months or less and lease of office equipment with low value. The Group and the Bank apply the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Buildings RM'000	Other equipment RM'000	Total RM'000
Group			
At 1 January 2022	42,711	6,364	49,075
Additions	4,589	-	4,589
Termination	(695)	(2)	(697)
Remeasurement	4,067	2,187	6,254
Depreciation (Note 35(ii))	(16,510)	(2,449)	(18,959)
At 31 December 2022/1 January 2023	34,162	6,100	40,262
Additions	3,806	-	3,806
Termination	(4,139)	-	(4,139)
Remeasurement	22,027	-	22,027
Depreciation (Note 35(ii))	(17,419)	(620)	(18,039)
At 31 December 2023	38,437	5,480	43,917

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

14. RIGHT-OF-USE ASSETS (CONTINUED)

(i) Group as a lessee (continued)

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period (continued):

	Buildings RM'000	Other equipment RM'000	Total RM'000
Bank			
At 1 January 2022	54,584	6,364	60,948
Additions	4,589	-	4,589
Termination	(695)	(2)	(697)
Remeasurement	4,374	2,187	6,561
Depreciation (Note 35(ii))	(21,998)	(2,449)	(24,447)
At 31 December 2022/1 January 2023	40,854	6,100	46,954
Additions	3,806	-	3,806
Termination	(4,139)	-	(4,139)
Remeasurement	34,630	-	34,630
Depreciation (Note 35(ii))	(23,245)	(620)	(23,865)
At 31 December 2023	51,906	5,480	57,386

The Group's total cash outflow for leases is RM20,317,000 (2022: RM20,917,000) and for the Bank is RM26,510,000 (2022: RM27,017,000). There are no non-cash additions to right-of-use assets and lease liabilities. The future cash outflows relating to leases that have not yet commenced are disclosed in Note 28.

Some property leases contain extension options exercisable by the Group and the Bank up to three years before the end of the non-cancellable contract period. Where practicable, the Group and the Bank seek to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group and the Bank assess at lease commencement date whether it is reasonably certain to exercise the extension options. The Group and the Bank reassess whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

14. RIGHT-OF-USE ASSETS (CONTINUED)

(i) Group as a lessee (continued)

The following are the amounts recognised in profit or loss:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Depreciation expense of right-of-use assets (Note 35(ii))	18,039	18,959	23,865	24,447
Finance cost on lease liabilities (Note 35(ii))	2,045	1,913	2,722	2,316
Total amount recognised in profit or loss	20,084	20,872	26,587	26,763

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and to align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

(ii) Group as a lessor

The Group and the Bank have entered into operating leases on its investment property portfolio consisting of certain office buildings (Note 19). These leases have terms of between 1 to 4 years. Rental income recognised by the Group and the Bank during the year is RM23,169,007 (2022: RM22,391,025) and RM22,785,980 (2022: RM21,588,967), respectively.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Future rental income within:				
- 1 year	19,857	13,655	18,897	12,807
- 2 years	15,020	8,668	14,027	7,669
- 3 years	8,439	6,874	6,289	4,809
- 4 years	307	-	307	-
	43,623	29,197	39,520	25,285

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

15. INVENTORIES

Inventories consist of the following:

	Group	
	2023	2022
	RM'000	RM'000
Trading inventories, at cost	38,911	43,801
Recognised in profit or loss:		
Inventories recognised as cost of sales	161,840	66,762

16. INVESTMENTS IN SUBSIDIARIES

	Bank	
	2023	2022
	RM'000	RM'000
Unquoted shares, at cost	100,744	100,744

Details of the subsidiaries, all incorporated in Malaysia, are as follows:

Name	Proportion of ownership interest and voting power held by the Group		Principal activities
	2023	2022	
	%	%	
Directly owned			
Rakyat Holdings Sdn Bhd *	100	100	Investment and property management
Rakyat Management Services Sdn Bhd *	100	100	Management of Ar-Rahnu business and franchise
Rakyat Nominees Sdn Bhd *	100	100	Dormant
Rakyat Hartanah Sdn Bhd *	100	100	Dormant
Rakyat Asset Management Sdn Bhd *	100	100	Dormant

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries, all incorporated in Malaysia, are as follows (continued):

Name	Proportion of ownership interest and voting power held by the Group		Principal activities
	2023	2022	
	%	%	
Directly owned			
Rakyat Facility Management Sdn Bhd *	100	100	Dormant
Rakyat Niaga Sdn Bhd *	100	100	Dormant
Indirectly owned through Rakyat Holdings Sdn Bhd			
Rakyat Travel Sdn Bhd *	100	100	Dormant

* The financial statements of these subsidiaries were not audited by the Auditor General of Malaysia.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023****16. INVESTMENTS IN SUBSIDIARIES (CONTINUED)****Composition of the Group**

Information about the composition of the Group at the end of the reporting period is as follows:

Principal activities	Place of Incorporation and Operation	Number of directly owned subsidiaries		Number of indirectly owned subsidiaries	
		2023	2022	2023	2022
Investment and property management	Malaysia	1	1	-	-
Management of Ar-Rahnu business and franchise	Malaysia	1	1	-	-
Dormant	Malaysia	5	5	1	1
		<u>7</u>	<u>7</u>	<u>1</u>	<u>1</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. PROPERTY AND EQUIPMENT

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group									
2023									
At cost									
At 1 January	41,510	474,915	119,060	928	7,539	309,273	450,359	7,772	1,411,356
Additions	-	140	-	-	11,478	1,515	43,028	1,042	57,203
Disposals	-	-	-	-	-	-	(1,150)	(353)	(1,503)
Write-offs	-	-	-	-	-	(924)	(10,367)	-	(11,291)
Reclassifications	-	(140)	-	-	(11,487)	11,487	140	-	-
Transfer from investment properties (Note 19)	4,600	14,050	-	-	-	-	-	-	18,650
At 31 December	46,110	488,965	119,060	928	7,530	321,351	482,010	8,461	1,474,415

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group (continued)									
2023									
Accumulated depreciation									
At 1 January	-	79,950	30,395	928	-	285,819	396,172	4,890	798,154
Charge for the year	-	9,733	2,461	-	-	10,517	21,002	994	44,707
Disposals	-	-	-	-	-	-	(1,087)	(241)	(1,328)
Write-offs	-	-	-	-	-	(924)	(10,328)	-	(11,252)
At 31 December	-	89,683	32,856	928	-	295,412	405,759	5,643	830,281
Net book value									
At 31 December	46,110	399,282	86,204	-	7,530	25,939	76,251	2,818	644,134

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group (continued)									
2022									
At cost									
At 1 January	41,510	474,896	119,060	928	17,196	285,365	439,063	6,696	1,384,714
Additions	-	224	-	-	12,788	1,337	28,391	1,076	43,816
Disposals	-	-	-	-	-	-	(16)	-	(16)
Write-offs	-	-	-	-	-	(79)	(17,079)	-	(17,158)
Reclassifications	-	(205)	-	-	(22,445)	22,650	-	-	-
At 31 December	41,510	474,915	119,060	928	7,539	309,273	450,359	7,772	1,411,356

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Group (continued)									
2022									
Accumulated depreciation									
At 1 January	-	70,456	30,235	920	-	276,535	396,314	4,068	778,528
Charge for the year	-	9,494	2,455	8	-	9,363	16,916	822	39,058
Disposals	-	-	-	-	-	-	(16)	-	(16)
Write-offs	-	-	-	-	-	(79)	(17,042)	-	(17,121)
Transfer to prepaid lease payments (Note 20)	-	-	(2,295)	-	-	-	-	-	(2,295)
At 31 December	-	79,950	30,395	928	-	285,819	396,172	4,890	798,154
Net book value									
At 31 December	41,510	394,965	88,665	-	7,539	23,454	54,187	2,882	613,202

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Bank									
2023									
At cost									
At 1 January	40,122	411,870	80,325	928	7,539	307,333	447,693	7,225	1,303,035
Additions	-	140	-	-	11,478	1,481	42,781	1,042	56,922
Disposals	-	-	-	-	-	-	(719)	(353)	(1,072)
Write-offs	-	-	-	-	-	(924)	(10,359)	-	(11,283)
Reclassifications	-	(140)	-	-	(11,487)	11,487	140	-	-
Transfer from investment properties (Note 19)	4,600	6,150	-	-	-	-	-	-	10,750
At 31 December	44,722	418,020	80,325	928	7,530	319,377	479,536	7,914	1,358,352

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Bank (continued)									
2023									
Accumulated depreciation									
At 1 January	-	72,064	24,047	928	-	283,969	393,789	4,702	779,499
Charge for the year	-	8,158	1,591	-	-	10,456	20,865	913	41,983
Disposals	-	-	-	-	-	-	(657)	(241)	(898)
Write-offs	-	-	-	-	-	(924)	(10,320)	-	(11,244)
At 31 December	-	80,222	25,638	928	-	293,501	403,677	5,374	809,340
Net book value									
At 31 December	44,722	337,798	54,687	-	7,530	25,876	75,859	2,540	549,012

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Bank (continued)									
2022									
At cost									
At 1 January	40,122	411,851	80,325	928	17,196	283,425	436,447	6,554	1,276,848
Additions	-	224	-	-	12,788	1,337	28,329	671	43,349
Disposals	-	-	-	-	-	-	(8)	-	(8)
Write-offs	-	-	-	-	-	(79)	(17,075)	-	(17,154)
Reclassifications	-	(205)	-	-	(22,445)	22,650	-	-	-
At 31 December	40,122	411,870	80,325	928	7,539	307,333	447,693	7,225	1,303,035

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

17. PROPERTY AND EQUIPMENT (CONTINUED)

	Freehold land RM'000	Buildings RM'000	Long-term leasehold land and buildings RM'000	Short-term leasehold land and buildings RM'000	Work-in- progress RM'000	Renovation RM'000	Furniture, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
Bank (continued)									
2022									
Accumulated depreciation									
At 1 January	-	63,987	24,757	920	-	274,750	394,049	3,939	762,402
Charge for the year	-	8,077	1,585	8	-	9,298	16,786	763	36,517
Disposals	-	-	-	-	-	-	(8)	-	(8)
Write-offs	-	-	-	-	-	(79)	(17,038)	-	(17,117)
Transfer to prepaid lease payments (Note 20)	-	-	(2,295)	-	-	-	-	-	(2,295)
At 31 December	-	72,064	24,047	928	-	283,969	393,789	4,702	779,499
Net book value									
At 31 December	40,122	339,806	56,278	-	7,539	23,364	53,904	2,523	523,536

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023****17. PROPERTY AND EQUIPMENT (CONTINUED)**

Land titles of certain freehold land of the Group and the Bank with carrying amount of RM22,529,179 (2022: RM23,012,387) have not yet been issued by the relevant authorities.

18. INTANGIBLE ASSETS

	Goodwill RM'000	Computer software RM'000	Total RM'000
Group			
2023			
At cost			
At 1 January	13,185	908,717	921,902
Additions	-	59,506	59,506
Write-offs	-	(83)	(83)
At 31 December	<u>13,185</u>	<u>968,140</u>	<u>981,325</u>
Accumulated amortisation			
At 1 January	-	377,537	377,537
Charge for the year	-	53,459	53,459
Write-offs	-	(83)	(83)
At 31 December	<u>-</u>	<u>430,913</u>	<u>430,913</u>
Net book value			
At 31 December	<u>13,185</u>	<u>537,227</u>	<u>550,412</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

18. INTANGIBLE ASSETS (CONTINUED)

	Goodwill RM'000	Computer software RM'000	Total RM'000
Group (continued)			
2022			
At cost			
At 1 January	13,185	889,172	902,357
Additions	-	19,625	19,625
Write-offs	-	(80)	(80)
At 31 December	<u>13,185</u>	<u>908,717</u>	<u>921,902</u>
Accumulated amortisation			
At 1 January	-	323,311	323,311
Charge for the year	-	54,306	54,306
Write-offs	-	(80)	(80)
At 31 December	<u>-</u>	<u>377,537</u>	<u>377,537</u>
Net book value			
At 31 December	<u>13,185</u>	<u>531,180</u>	<u>544,365</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

18. INTANGIBLE ASSETS (CONTINUED)

	Computer software RM'000
Bank	
2023	
At cost	
At 1 January	908,717
Additions	59,506
Write-offs	(83)
At 31 December	<u>968,140</u>
Accumulated amortisation	
At 1 January	377,537
Charge for the year	53,459
Write-offs	(83)
At 31 December	<u>430,913</u>
Net book value	
At 31 December	<u>537,227</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

18. INTANGIBLE ASSETS (CONTINUED)

	Computer software RM'000
Bank (continued)	
2022	
At cost	
At 1 January	889,172
Additions	19,625
Write-offs	(80)
At 31 December	<u>908,717</u>
Accumulated amortisation	
At 1 January	323,311
Charge for the year	54,306
Write-offs	(80)
At 31 December	<u>377,537</u>
Net book value	
At 31 December	<u>531,180</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

19. INVESTMENT PROPERTIES

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
At fair value				
At 1 January	1,490,411	1,388,091	958,370	948,920
Additions	30,388	76,039	-	-
Gain on revaluation (Note 34(ii))	43,274	26,281	34,265	9,450
Disposal	(2,300)	-	-	-
Transfer to property and equipment (Note 17)	(18,650)	-	(10,750)	-
At 31 December	<u>1,543,123</u>	<u>1,490,411</u>	<u>981,885</u>	<u>958,370</u>

Investment properties include the following:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Freehold land	151,755	153,055	144,153	145,453
Buildings	1,069,060	1,022,009	545,425	528,010
Long-term leasehold land	322,308	315,347	292,307	284,907
	<u>1,543,123</u>	<u>1,490,411</u>	<u>981,885</u>	<u>958,370</u>

Investment properties of the Group and of the Bank are stated at fair value and are situated in Malaysia.

The fair values of the Group's and of the Bank's investment properties as at 31 December 2023 and 31 December 2022 have been arrived at on the basis of valuation carried out by independent valuers who have appropriate qualification and recent experience in the valuation of properties in the relevant locations. The fair value at level 3 was arrived at by using a variety of approaches such as sales comparison and investment method.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

19. INVESTMENT PROPERTIES (CONTINUED)

Level 3 Fair Value

The following table shows the valuation techniques used in the determination of fair values within Level 3, as well as the significant unobservable inputs used in the valuation models.

Description of valuation technique and inputs used	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Comparison method is an approach which uses the value of recently sold comparable assets to determine the value of a property. In real terms this will mean looking at similar properties within the area and using the sales prices they achieved to guide a valuation decision for the subject property.	Price per square foot.	The estimated fair value would increase if the price per square foot is higher.

The Group and the Bank have assessed that the highest and best use of its properties do not differ from their existing use.

No investment properties were pledged as security for banking facilities at the reporting date.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

19. INVESTMENT PROPERTIES (CONTINUED)

Details of the Group's and the Bank's investment properties and information about the fair value hierarchy are as follows:

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group					
At 31 December 2023	1,543,123	1,543,123	-	-	1,543,123
At 31 December 2022	1,490,411	1,490,411	-	-	1,490,411
Bank					
At 31 December 2023	981,885	981,885	-	-	981,885
At 31 December 2022	958,370	958,370	-	-	958,370

Reconciliation of fair value:

Group	Freehold land RM'000	Buildings RM'000	Long-term leasehold land RM'000	Total RM'000
At 1 January 2022	145,245	931,692	311,154	1,388,091
Additions	-	76,039	-	76,039
Remeasurement recognised in profit or loss	7,810	14,278	4,193	26,281
At 31 December 2022/ 1 January 2023	153,055	1,022,009	315,347	1,490,411
Additions	-	30,388	-	30,388
Remeasurement recognised in profit or loss (Note 34(ii))	2,700	32,363	8,211	43,274
Disposal	-	(2,300)	-	(2,300)
Transfer to property and equipment (Note 17)	(4,000)	(13,400)	(1,250)	(18,650)
At 31 December 2023	151,755	1,069,060	322,308	1,543,123

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

19. INVESTMENT PROPERTIES (CONTINUED)

Reconciliation of fair value (continued):

Bank	Freehold land RM'000	Buildings RM'000	Long-term leasehold land RM'000	Total RM'000
At 1 January 2022	145,203	522,200	281,517	948,920
Remeasurement recognised in profit or loss	250	5,810	3,390	9,450
At 31 December 2022/ 1 January 2023	145,453	528,010	284,907	958,370
Remeasurement recognised in profit or loss (Note 34(ii))	2,700	22,915	8,650	34,265
Transfer to property and equipment (Note 17)	(4,000)	(5,500)	(1,250)	(10,750)
At 31 December 2023	144,153	545,425	292,307	981,885

Land titles for certain freehold land and leasehold land of the Group and the Bank with fair value amounting to RM1,000,000 (2022: RM1,000,000) have not been issued to the Group and the Bank by the relevant authorities.

The investment properties held by the Group and the Bank are let under operating leases to third parties, from which rental income of RM23,169,007 (2022: RM22,391,025) and RM22,785,980 (2022: RM21,588,967) has been earned during the year.

20. PREPAID LEASE PAYMENTS

	Group and Bank	
	2023	2022
	RM'000	RM'000
Cost		
At 1 January/31 December	79,853	79,853

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

20. PREPAID LEASE PAYMENTS (CONTINUED)

	Group and Bank	
	2023	2022
	RM'000	RM'000
Accumulated amortisation		
At 1 January	24,660	20,815
Charge for the year (Note 35(ii))	1,474	1,550
Transfer from property and equipment (Note 17)	-	2,295
At 31 December	<u>26,134</u>	<u>24,660</u>
	<u>53,719</u>	<u>55,193</u>
	Group and Bank	
	2023	2022
	RM'000	RM'000
Prepaid lease payments include:		
Long-term leasehold land	48,556	49,872
Short-term leasehold land	5,163	5,321
	<u>53,719</u>	<u>55,193</u>

The remaining period of the leasehold land of the Group and of the Bank ranges from 2 to 858 years (2022: 3 to 859 years).

The land titles of certain leasehold land of the Group and of the Bank amounting to RM6,175,708 (2022: RM6,347,002) have not yet been issued to the Group and the Bank by the relevant authorities.

21. DEFERRED TAX ASSETS/(LIABILITIES)

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
At 1 January	275,502	187,934	290,000	201,000
Recognised in profit or loss (net) (Note 36)				
- relating to origination and reversal of temporary differences	(111,765)	87,838	(113,000)	89,000
- over/(under)provision of net deferred tax liabilities	591	(270)	-	-
As of 31 December	<u>164,328</u>	<u>275,502</u>	<u>177,000</u>	<u>290,000</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023****21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities in respect of each entity and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets, net	177,912	290,672	177,000	290,000
Deferred tax liabilities, net	(13,584)	(15,170)	-	-
	<u>164,328</u>	<u>275,502</u>	<u>177,000</u>	<u>290,000</u>

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	357,898	394,825	353,000	393,000
Deferred tax liabilities	(193,570)	(119,323)	(176,000)	(103,000)
	<u>164,328</u>	<u>275,502</u>	<u>177,000</u>	<u>290,000</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The components and movement of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Group	Financing allowances for ECL RM'000	Provision of liabilities RM'000	Other temporary differences * RM'000	Total RM'000
Deferred tax assets				
At 1 January 2022	244,000	121,304	20,784	386,088
Recognised in profit or loss				
- relating to origination and reversal of temporary differences	31,000	(16,056)	(5,937)	9,007
- overprovision	-	-	(270)	(270)
At 31 December 2022/ 1 January 2023	275,000	105,248	14,577	394,825
Recognised in profit or loss				
- relating to origination and reversal of temporary differences	(36,000)	(9,759)	8,232	(37,527)
- underprovision	-	-	600	600
At 31 December 2023	239,000	95,489	23,409	357,898

* Mainly consist of temporary differences in respect of allowance for ECL of other receivables and lease liabilities

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The components and movement of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

Group	FVOCI reserve and impairment losses on financial investments RM'000	Other temporary differences ^ RM'000	Total RM'000
Deferred tax liabilities			
At 1 January 2022	33,000	165,154	198,154
Recognised in profit or loss			
- relating to origination and reversal of temporary differences	(103,000)	24,169	(78,831)
At 31 December 2022/ 1 January 2023	(70,000)	189,323	119,323
Recognised in profit or loss			
- relating to origination and reversal of temporary differences	74,000	238	74,238
- underprovision	-	9	9
At 31 December 2023	4,000	189,570	193,570

^ Mainly consist of temporary differences in respect of property and equipment, investment in properties and right-of-use assets

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The components and movement of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

Bank	Financing allowances for ECL RM'000	Provision of liabilities RM'000	Other temporary differences * RM'000	Total RM'000
Deferred tax assets				
At 1 January 2022	244,000	121,000	20,000	385,000
Recognised in profit or loss - relating to origination and reversal of temporary differences	31,000	(17,000)	(6,000)	8,000
At 31 December 2022/ 1 January 2023	275,000	104,000	14,000	393,000
Recognised in profit or loss - relating to origination and reversal of temporary differences	(36,000)	(10,000)	6,000	(40,000)
At 31 December 2023	239,000	94,000	20,000	353,000

* Mainly consist of temporary differences in respect of allowance for ECL of other receivables and lease liabilities

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

21. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The components and movement of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

Bank	FVOCI reserve and impairment losses on financial investments RM'000	Other temporary differences ^ RM'000	Total RM'000
Deferred tax liabilities			
At 1 January 2022	33,000	151,000	184,000
Recognised in profit or loss - relating to origination and reversal of temporary differences	(103,000)	22,000	(81,000)
At 31 December 2022/ 1 January 2023	(70,000)	173,000	103,000
Recognised in profit or loss - relating to origination and reversal of temporary differences	74,000	(1,000)	73,000
At 31 December 2023	4,000	172,000	176,000

^ Mainly consist of temporary differences in respect of property and equipment, investment in properties and right-of-use assets

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

22. DEPOSITS FROM CUSTOMERS

	Group and Bank	
	2023	2022
	RM'000	RM'000
At amortised cost		
Savings deposits		
Qard	6,694,943	6,690,395
Demand deposits		
Qard	3,268,313	2,803,919
Term deposits		
Tawarruq	70,869,650	75,856,383
Negotiable Islamic debt certificates	<u>2,725,000</u>	<u>987,500</u>
	83,557,906	86,338,197

Deposits from customers are sourced from the following type of customers:

	Group and Bank	
	2023	2022
	RM'000	RM'000
Government	40,187,871	41,953,477
Business enterprises	20,330,025	20,689,800
Co-operatives	2,564,886	2,691,533
Individuals	18,379,156	19,042,369
Others	<u>2,095,968</u>	<u>1,961,018</u>
	83,557,906	86,338,197

Maturity structure of deposits from customers are as follows:

	Group and Bank	
	2023	2022
	RM'000	RM'000
Maturity within six months	65,143,781	72,020,090
More than six months to one year	12,974,512	8,484,552
More than one year to five years	<u>5,439,613</u>	<u>5,833,555</u>
	83,557,906	86,338,197

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

23. INVESTMENT ACCOUNTS OF CUSTOMERS

- a) By type and Shariah contract

	Group and Bank	
	2023	2022
	RM'000	RM'000
At amortised cost		
Unrestricted investment accounts		
Without maturity:		
Mudarabah	<u>202,967</u>	<u>19,983</u>

- b) By type of customers

	Group and Bank	
	2023	2022
	RM'000	RM'000
Individuals	<u>202,967</u>	<u>19,983</u>

- c) Movement of unrestricted investment accounts of customers

	Group and Bank	
	2023	2022
	RM'000	RM'000
As at 1 January	19,983	-
Funding inflows/outflows:		
Net movement	182,595	19,972
Bank's share of profit:		
Profit distributed to Mudharib	389	11
As at 31 December	<u>202,967</u>	<u>19,983</u>

	Group and Bank	
	2023	2022
	RM'000	RM'000
Investment portfolio:		
Personal financing	142,077	13,988
Islamic debt securities	<u>60,890</u>	<u>5,995</u>
	<u>202,967</u>	<u>19,983</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

23. INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

- d) By maturity structures, profit sharing ratio and rate of return

Group and Bank	Total amount RM'000	Investment account holders	
		Average profit sharing ratio (%)	Average rate of return (%)
2023			
Unrestricted investment accounts:			
Less than 3 months			
Mudarabah	202,967	7.87	0.19
2022			
Unrestricted investment accounts:			
Less than 3 months			
Mudarabah	19,983	4.80	0.02

24. DEPOSITS AND PLACEMENTS FROM BANKS AND FINANCIAL INSTITUTIONS

	Group and Bank	
	2023 RM'000	2022 RM'000
At amortised cost		
Cash and short-term funds	<u>2,755,505</u>	<u>1,592,461</u>

Included in the cash and short-term funds are obligations on financial assets sold under repurchase agreements of RM403.00 million (2022: RM502.46 million).

25. RECOURSE OBLIGATIONS ON FINANCING SOLD TO CAGAMAS

This represents proceeds received from financing sold directly to Cagamas Berhad with recourse to the Bank. Types of financing involved are personal financing and house financing. Under these agreements, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to replace any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad.

Recourse obligations on financing sold to Cagamas are stated at amortised cost.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

26. DEBT SECURITIES ISSUED

	Note	Group and Bank 2023 RM'000	2022 RM'000
At amortised cost			
Issued under the RM10.0 billion Senior Sukuk Wakalah Programme:			
RM400 million IMTN due in 2025	(ii)(a)	402,524	402,477
RM300 million IMTN due in 2027	(ii)(a)	301,969	301,962
RM300 million IMTN due in 2026	(ii)(b)	302,081	302,052
RM700 million IMTN due in 2028	(ii)(b)	705,312	705,261
RM700 million IMTN due in 2027	(ii)(c)	703,778	703,709
RM800 million IMTN due in 2029	(ii)(c)	804,697	804,627
RM200 million IMTN due in 2025	(ii)(d)	201,297	201,261
RM200 million IMTN due in 2027	(ii)(d)	201,377	201,355
RM100 million IMTN due in 2029	(ii)(d)	100,691	100,682
RM300 million IMTN due in 2026	(i)(e)	302,878	-
RM700 million IMTN due in 2028	(i)(e)	706,878	-
Issued under the RM5.0 billion Tier II Subordinated Programme:			
RM300 million Tier II due in 2031	(iii)(a)	300,055	300,005
		5,033,537	4,023,391

(i) On 10 July 2020, the Bank established a RM10 billion Senior IMTNs Programme to issue Sukuk Wakalah via a SPV, Imtiaz Sukuk II Berhad with a programme tenor of 30 years.

(a) On 7 October 2020, the Bank issued the first and second tranches of RM400 million and RM300 million, respectively. The first tranche bears a profit distribution rate at 2.97% maturing on 7 October 2025. The second tranche bears a profit distribution rate at 3.20% maturing on 7 October 2027. The profit is payable semi-annually each year commencing 7 April 2021.

(b) On 19 April 2021, the Bank issued the third and fourth tranches of RM300 million and RM700 million. The third tranche bears a profit distribution rate at 3.54% maturing on 17 April 2026. The fourth tranche bears a profit distribution rate at 3.90% maturing on 19 April 2028. The profit is payable semi-annually each year commencing 20 October 2021.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

26. DEBT SECURITIES ISSUED (CONTINUED)

- (i) On 10 July 2020, the Bank established a RM10 billion Senior IMTNs Programme to issue Sukuk Wakalah via a SPV, Imtiaz Sukuk II Berhad with a programme tenor of 30 years (continued)
- (c) On 12 May 2022, the Bank issued the fifth and sixth tranches of RM700 million and RM800 million, respectively. The fifth tranche bears a profit distribution rate at 4.38% maturing on 12 May 2027. The sixth tranche bears a profit distribution rate at 4.77% maturing on 11 May 2029. The profit is payable semi-annually each year commencing 14 November 2022.
- (d) On 8 November 2022, the Bank issued the seventh, eighth and ninth tranches of RM200 million, RM200 million and RM100 million, respectively. The seventh tranche bears a profit distribution rate at 4.63% maturing on 7 November 2025. The eighth tranche bears a profit distribution rate at 4.97% maturing on 8 November 2027. The ninth tranche bears a profit distribution rate at 5.00% maturing on 8 November 2029. The profit is payable semi-annually each year commencing 8 May 2023.
- (e) On 2 October 2023, the Bank issued the tenth and eleventh tranches of RM300 million and RM700 million, respectively. The tenth tranche bears a profit distribution rate at 4.05% maturing on 2 October 2026. The eleventh tranche bears a profit distribution rate at 4.15% maturing on 2 October 2028. The profit is payable semi-annually each year commencing 2 April 2024.

The Sukuk Wakalah constitutes direct, unconditional and unsecured obligations of the Issuer and shall at all times rank pari passu without discrimination, preference or priority among themselves and at least pari passu with all other unsecured and unsubordinated obligations of the Issuer, subject to the previous of the Transaction Documents and those preferred by law.

- (ii) On 19 April 2016, the Bank established a Subordinated Sukuk Programme to issue a Basel III compliant Tier II Subordinated Sukuk Murabahah of up to RM5.0 billion in nominal value. The issuance was made via a SPV, Mumtaz Rakyat Sukuk Berhad. The Subordinated Sukuk Programme has a tenor of up to 20 years from the date of the first issuance and shall be issued with a maturity for at least 5 years and up to 20 years.

On 25 June 2021, the Bank issued the second tranche of RM300 million on nominal value of the Tier II Subordinated Sukuk for a tenor of 10 years on a 10 non-callable 5 basis with profit distribution rate at 3.78% and maturing on 25 June 2031. The profit is payable semi-annually each year commencing 27 December 2021.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

26. DEBT SECURITIES ISSUED (CONTINUED)

The Subordinated Sukuk Murabahah will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer ranking pari passu without any preference among themselves and at least pari passu with all other present and future unsecured and subordinated obligations of the Issuer, except those preferred by law and the Transaction Documents.

The proceeds from the issuances were utilised by the Bank for Shariah-compliant working capital and general corporate purposes.

27. CASHLINE FACILITY

The cashline facility is a committed line provided by local banks. It is an interbank arrangement where the facility is collateralised on agreed terms and alternative source of funds.

Cashline facility is stated at amortised cost.

As at the end of the reporting period, the following are the assets that are pledged as the collateral for the cashline facility:

	Group and Bank	
	2023	2022
	RM'000	RM'000
Cash and short-term funds	246,864	239,829
Deposits and placements with financial institutions	378,716	368,303
	<u>625,580</u>	<u>608,132</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

28. OTHER LIABILITIES

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Amount due to subsidiaries (i)	-	-	166,520	148,921
Sundry creditors	347,373	167,601	341,795	172,000
Income payable	601,287	428,136	601,287	428,136
Other liabilities and accruals	563,000	591,455	553,157	579,937
Lease liabilities (ii)	45,873	42,378	59,966	49,457
Allowances for ECL on financial guarantee (iii)	-	2,664	-	2,664
Government funds (iv)	118,252	121,079	118,252	121,079
Amount due to BNM (v)	195,138	182,161	195,138	182,161
Zakat payable	60,803	55,322	58,174	53,383
	1,931,726	1,590,796	2,094,289	1,737,738

Included in the Group's and Bank's other liabilities are financial liabilities of RM1.83 billion (2022: RM1.49 billion) and RM1.98 billion (2022: RM1.63 billion) that are classified as amortised cost.

(i) Amount due to subsidiaries

	Bank	
	2023	2022
	RM'000	RM'000
Term deposits	142,920	121,754
Savings deposits	23,600	27,167
	166,520	148,921

The amount due to subsidiaries represents deposits placed with the Bank at profit rate paid/payable ranging from 1.90% to 2.30% (2022: 1.90% to 2.30%) per annum and have maturity period ranging from 30 days to 365 days (2022: 30 days to 365 days).

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

28. OTHER LIABILITIES (CONTINUED)

(ii) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
At 1 January	42,378	51,236	49,457	63,705
Additions	3,806	4,589	3,806	4,589
Termination	(4,139)	(697)	(4,139)	(697)
Remeasurement	22,027	6,254	34,630	6,561
Lease payments	(20,244)	(20,917)	(26,510)	(27,017)
Finance cost on lease liabilities (Note 35(ii))	2,045	1,913	2,722	2,316
At 31 December	<u>45,873</u>	<u>42,378</u>	<u>59,966</u>	<u>49,457</u>

Future minimum rentals commitment under non-cancellable operating leases as at 31 December are as follows:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Future rental commitment within :				
- 1 year	16,243	23,800	22,168	28,283
- 2 years	10,823	17,610	15,079	20,722
- 3 years	7,732	7,918	10,793	9,275
- 4 years	5,947	1,503	8,891	1,575
- 5 years	3,741	41	6,587	41
- 6 years onwards	449	7,899	1,204	7,899
	<u>44,935</u>	<u>58,771</u>	<u>64,722</u>	<u>67,795</u>

The Group and the Bank do not face a significant liquidity risk with regards to its lease liabilities. Lease liabilities are monitored within the Group's and the Bank's treasury function.

All lease obligations are denominated in Ringgit Malaysia.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

28. OTHER LIABILITIES (CONTINUED)

(iii) Allowances for ECL on financial guarantee

Group and Bank	Lifetime ECL Not Credit Impaired Stage 2 RM'000	Lifetime ECL Credit Impaired Stage 3 RM'000	Total RM'000
At 1 January 2022	1,549	2,664	4,213
Changes in credit risk	(1,549)	-	(1,549)
At 31 December 2022/ 1 January 2023	-	2,664	2,664
Changes in credit risk	-	(2,664)	(2,664)
At 31 December 2023	-	-	-

(iv) Government funds

The Bank has been enrolled as custodian by the Government of Malaysia to channel the funds to the recipients based on the approval granted by respective Government agencies.

As of 31 December 2023, the Bank has channeled a total of 12 (2022: 12) Government-led financing schemes from various Government agencies to over 46,000 (2022: 25,000) individuals and businesses.

The financing channeled out of those funds are categorised as an off-balance sheet item and as of 31 December 2023, the off-balance sheet outstanding financing amounted to RM338.88 million (2022: RM343.60 million).

(v) Amount due to BNM

Amount due to BNM is amount received by the Group and the Bank under various financing facilities established by the BNM to provide relief and support recovery for SME/micro enterprises in response to COVID-19 pandemic at below market rate with a maturity period ranging between 5 to 7 years.

The financing disbursed are categorised as an on-balance sheet item (Note 11(i)).

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

29. SHARE CAPITAL

	Group and Bank	
	2023	2022
	RM'000	RM'000
Issued and fully paid - Ordinary shares		
At 1 January	2,986,030	2,986,030
Net issuance during the year	27,057	22,939
Share withdrawal	(41,789)	(26,704)
Transfer from share redemption fund *	14,732	3,765
At 31 December	<u>2,986,030</u>	<u>2,986,030</u>

Membership as of 31 December is as follows:

	Group and Bank	
	2023	2022
Individual	800,559	815,367
Co-operative	2,264	2,264
	<u>802,823</u>	<u>817,631</u>

- * The share redemption fund is maintained under Paragraph 19(i) of Undang-undang Kecil Bank Kerjasama Rakyat Malaysia Berhad for redemption of shares by members.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RESERVES

Group	←		Non-distributable		→		Distributable	Total
	Capital reserve RM'000	Statutory reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Total other reserve RM'000	Retained profits RM'000	
At 1 January 2023, as previously reported	14,617	7,766,818	78	(213,762)	329,672	7,897,423	11,668,679	19,566,102
Prior year adjustments	-	44,847	-	-	-	44,847	(520,531)	(475,684)
At 1 January 2023, as restated	14,617	7,811,665	78	(213,762)	329,672	7,942,270	11,148,148	19,090,418
Profit after taxation and zakat	-	-	-	-	-	-	1,599,926	1,599,926
Transfer from retained profits	-	415,108	-	-	-	415,108	(477,720)	(62,612)
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	-	(35,472)	(35,472)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	-	(17,736)	(17,736)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	-	(14,200)	(14,200)
Fair value reserve								
- Change in fair value	-	-	-	329,692	-	329,692	-	329,692
- Transferred to profit or loss	-	-	-	(5,923)	-	(5,923)	-	(5,923)
Change in ECL reserve	-	-	44	-	-	44	-	44
Dividends (Note 40)	-	-	-	-	-	-	(426,803)	(426,803)
At 31 December 2023	14,617	8,226,773	122	110,007	329,672	8,681,191	11,776,143	20,457,334

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RESERVES (CONTINUED)

	←		Non-distributable		→		Distributable	Total
	Capital reserve RM'000	Statutory reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Total other reserve RM'000	Retained profits RM'000	
Group (continued)								
At 1 January 2022, as previously reported	14,617	7,306,693	129	202,791	329,672	7,853,902	10,809,378	18,663,280
Prior year adjustments	-	-	-	-	-	-	(649,693)	(649,693)
At 1 January 2022, as restated	14,617	7,306,693	129	202,791	329,672	7,853,902	10,159,685	18,013,587
Profit after taxation and zakat	-	-	-	-	-	-	1,992,942	1,992,942
Transfer from retained profits	-	504,972	-	-	-	504,972	(504,972)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	-	(37,152)	(37,152)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	-	(18,576)	(18,576)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	-	(14,303)	(14,303)
Fair value reserve								
- Change in fair value	-	-	-	(415,204)	-	(415,204)	-	(415,204)
- Transferred to profit or loss	-	-	-	(1,349)	-	(1,349)	-	(1,349)
Change in ECL reserve	-	-	(51)	-	-	(51)	-	(51)
Dividends (Note 40)	-	-	-	-	-	-	(429,476)	(429,476)
At 31 December 2022	14,617	7,811,665	78	(213,762)	329,672	7,942,270	11,148,148	19,090,418

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RESERVES (CONTINUED)

	←		Non-distributable		→		Distributable	
	Capital reserve RM'000	Statutory reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Total other reserve RM'000	Retained profits RM'000	Total RM'000
Bank								
At 1 January 2023, as previously reported	15,358	7,766,818	78	(213,762)	329,672	7,898,164	11,219,906	19,118,070
Prior year adjustments	-	44,847	-	-	-	44,847	(520,531)	(475,684)
At 1 January 2023, as restated	15,358	7,811,665	78	(213,762)	329,672	7,943,011	10,699,375	18,642,386
Profit after taxation and zakat	-	-	-	-	-	-	1,618,731	1,618,731
Transfer from retained profits	-	415,108	-	-	-	415,108	(477,720)	(62,612)
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	-	(35,472)	(35,472)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	-	(17,736)	(17,736)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	-	(14,200)	(14,200)
Fair value reserve								
- Change in fair value	-	-	-	329,692	-	329,692	-	329,692
- Transferred to profit or loss	-	-	-	(5,923)	-	(5,923)	-	(5,923)
Change in ECL reserve	-	-	44	-	-	44	-	44
Dividends (Note 40)	-	-	-	-	-	-	(426,803)	(426,803)
At 31 December 2023	15,358	8,226,773	122	110,007	329,672	8,681,932	11,346,175	20,028,107

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RESERVES (CONTINUED)

	←		Non-distributable		→		Distributable	
	Capital reserve RM'000	Statutory reserve RM'000	ECL reserve RM'000	Fair value reserve RM'000	Regulatory reserve RM'000	Total other reserve RM'000	Retained profits RM'000	Total RM'000
Bank (continued)								
At 1 January 2022, as previously reported	15,358	7,306,693	129	202,791	329,672	7,854,643	10,373,508	18,228,151
Prior year adjustments	-	-	-	-	-	-	(649,693)	(649,693)
At 1 January 2022, as restated	15,358	7,306,693	129	202,791	329,672	7,854,643	9,723,815	17,578,458
Profit after taxation and zakat	-	-	-	-	-	-	1,980,039	1,980,039
Transfer from retained profits	-	504,972	-	-	-	504,972	(504,972)	-
Contribution to the Co-operative Education Trust Fund	-	-	-	-	-	-	(37,152)	(37,152)
Contribution to the Co-operative Development Provident Fund	-	-	-	-	-	-	(18,576)	(18,576)
Contribution to Bank Rakyat Foundation	-	-	-	-	-	-	(14,303)	(14,303)
Fair value reserve								
- Change in fair value	-	-	-	(415,204)	-	(415,204)	-	(415,204)
- Transferred to profit or loss	-	-	-	(1,349)	-	(1,349)	-	(1,349)
Change in ECL reserve	-	-	(51)	-	-	(51)	-	(51)
Dividends (Note 40)	-	-	-	-	-	-	(429,476)	(429,476)
At 31 December 2022	15,358	7,811,665	78	(213,762)	329,672	7,943,011	10,699,375	18,642,386

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

30. RESERVES (CONTINUED)

(i) Statutory reserve

The statutory reserve is maintained in compliance with Development Financial Institutions Act 2002 (Act 618) and is not distributable as dividend.

(ii) Capital reserve

This is a reserve required to be maintained under Co-operative Societies Act 1993 and consists of capital gain from disposal of land or building, or both, under non-current assets.

(iii) ECL reserve

This ECL reserve comprises ECL allowance for financial investments at FVOCI. The ECL allowance will be reversed to profit or loss upon disposal or derecognition of the financial instruments.

(iv) Fair value reserve of financial investments at FVOCI

This reserve relates to unrealised fair value gains and losses on financial investments at fair value through other comprehensive income.

(v) Regulatory reserve

The regulatory reserve is maintained as an additional credit risk buffer to ensure the robustness of the financing impairment assessment methodology. The regulatory reserve is maintained in accordance with Bank Negara Malaysia's policy on Financial Reporting for Development Financial Institutions to maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserve of no less than 1% (2022: no less than 1%) of total credit exposures, net of loss allowance for credit-impaired exposures.

(vi) Retained profits

During the year, the Board of Directors has approved to remove the RM1,340,000,000 which was previously earmarked to improve the Rate of Return Risk (ROR) exposure as part of asset and liability management strategies.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

31. INCOME

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Income derived from investment of depositors' fund (i)	4,834,400	4,564,694	4,846,676	4,573,408
Income derived from investment account funds (ii)	5,270	283	5,270	283
Income derived from investment of shareholders' fund (iii)	1,640,215	1,416,885	1,644,381	1,419,589
Income generated by subsidiaries (iv)	185,724	92,846	-	-
	6,665,609	6,074,708	6,496,327	5,993,280

(i) Income derived from investment of depositors' fund

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Income from financing and advances *	3,865,033	3,590,096	3,877,309	3,598,810
Income from deposits and placements with banks and financial institutions	14,899	12,586	14,899	12,586
Income from financial investments	954,468	962,012	954,468	962,012
	4,834,400	4,564,694	4,846,676	4,573,408

(ii) Income derived from investment account funds

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Income from financing and advances *	4,210	224	4,210	224
Income from financial investments	1,060	59	1,060	59
	5,270	283	5,270	283

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

31. INCOME (CONTINUED)

(iii) Income derived from investment of shareholders' fund

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Income from financing and advances *	1,311,328	1,114,369	1,315,494	1,117,073
Income from deposits and placements with banks and financial institutions	5,055	3,907	5,055	3,907
Income from financial investments	323,832	298,609	323,832	298,609
	1,640,215	1,416,885	1,644,381	1,419,589

* Included in income from financing and advances for the current year is profit accrued on impaired financing of RM85,181,490 (2022: RM64,925,919).

* Included the net effect under government support measures to provide relief and support recovery for SME/micro enterprises in order to sustain their business operations amounting to RM4,373,325 (2022: RM5,902,547) for the Group and the Bank.

* Included the net effect of modification loss under financial assistance measures to provide relief and support recovery for financing customers amounting to RM86,368,926 (2022: RM98,507,846) for the Group and the Bank.

(iv) Income generated by subsidiaries

	Group	
	2023	2022
	RM'000	RM'000
Pawning income	175,417	82,140
Rental income	962	832
Management fee	9,345	9,874
	185,724	92,846

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

32. EXPENDITURE

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Income attributable to depositors (i)	3,157,074	2,173,261	3,161,600	2,176,841
Income attributable to investment account holders (ii)	389	11	389	11
Profit expense on financing sold with recourse to Cagamas	44,252	15,467	44,252	15,467
Profit expense on debt securities issued	174,344	150,551	174,344	150,551
Profit expense on cashline facility	3,908	8,647	3,908	8,647
Cost of sales	161,840	79,416	-	-
	3,541,807	2,427,353	3,384,493	2,351,517

(i) Income attributable to depositors

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Deposits from customers				
Non-Mudarabah	3,103,795	2,146,088	3,108,321	2,149,668
Deposits and placements from banks and other financial institutions				
Non-Mudarabah	53,279	27,173	53,279	27,173
	3,157,074	2,173,261	3,161,600	2,176,841

(ii) Income attributable to investment account holders

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Unrestricted investment accounts				
Mudarabah	389	11	389	11

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

33. ALLOWANCES FOR IMPAIRMENT

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Allowance for impairment on financing and advances (i)	158,842	668,645	154,432	665,349
Allowance for impairment on financial investments (ii)	42	(7,452)	42	(7,452)
	158,884	661,193	154,474	657,897

(i) Allowance for impairment on financing and advances

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Stage 1 - 12-month ECL	(201,782)	(74,986)	(206,192)	(78,282)
Stage 2 - lifetime ECL not credit impaired	(170,292)	258,458	(170,292)	258,458
Stage 3 - lifetime ECL credit impaired	530,916	485,173	530,916	485,173
	158,842	668,645	154,432	665,349

(ii) Allowance for impairment on financial investments

	Group and Bank	
	2023	2022
	RM'000	RM'000
Financial investments at fair value through other comprehensive income (Note 9)	42	(51)
Financial investments at amortised cost (Note 10)	-	(7,401)
	42	(7,452)

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

34. OTHER OPERATING INCOME

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Fees and commission (i)	230,161	115,346	230,161	115,346
Other income (ii)	349,840	325,447	362,792	308,304
	580,001	440,793	592,953	423,650

(i) Fees and commission

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Takaful commission	160,106	64,082	160,106	64,082
ATM service fees	15	4	15	4
Wasiat commission	24,393	9,484	24,393	9,484
Other commission	24,302	22,592	24,302	22,592
Processing fees	7	27	7	27
MEPS fees	15,209	15,167	15,209	15,167
Other fees	6,129	3,990	6,129	3,990
	230,161	115,346	230,161	115,346

(ii) Other income

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Net other income from financial instruments				
Dividend from financial investments at fair value through profit or loss	13,760	15,623	13,760	15,623
Net loss on disposal of financial investments at fair value through profit or loss	(11,312)	(24,813)	(11,312)	(24,813)
Net gain on disposal of financial investments at fair value through other comprehensive income	5,923	1,349	5,923	1,349

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

34. OTHER OPERATING INCOME (CONTINUED)

(ii) Other income (continued)

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Net other income from financial instruments (continued)				
Net loss on revaluation of financial investments at fair value through profit or loss	-	(846)	-	(846)
	8,371	(8,687)	8,371	(8,687)
Others				
Rental income	22,223	21,598	22,802	21,627
Compensation for late payment	6,686	6,450	6,686	6,450
Charges from credit card services	7,259	5,145	7,259	5,145
Other service charges	15,836	13,634	15,836	13,634
Recoveries from financing written off	190,103	187,865	190,103	187,865
Writeback for impairment on trade receivables (Note 12)	205	149	-	-
Writeback for impairment on other receivables, deposits and prepayments (Note 13(ii))	-	1,138	-	1,138
Gain on disposal of property and equipment	4	-	4	-
Other income	55,879	71,874	55,466	71,682
Gain on revaluation of investment properties (Note 19)	43,274	26,281	34,265	9,450
Dividend income from subsidiaries	-	-	22,000	-
	341,469	334,134	354,421	316,991
	349,840	325,447	362,792	308,304

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. OPERATING EXPENSES

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Personnel expenses (i)	1,167,721	1,002,758	1,160,409	997,121
Other overheads and expenditure (ii)	616,410	548,496	616,302	552,776
	1,784,131	1,551,254	1,776,711	1,549,897

(i) Personnel expenses

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	542,903	499,122	538,719	495,449
Allowances and bonuses	350,022	259,230	347,806	257,987
Defined contribution plan - EPF	169,983	159,244	169,549	158,957
Social security contributions				
- SOCSO	6,679	5,763	6,642	5,731
Other staff related costs	98,134	79,399	97,693	78,997
	1,167,721	1,002,758	1,160,409	997,121

Total number of staff (excluding the Board of Directors) for the Group is 6,165 (2022: 6,168) and for the Bank is 6,114 (2022: 6,117).

(ii) Other overheads and expenditures

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Establishment				
Rental	992	1,781	937	1,818
Depreciation of property and equipment (Note 17)	44,707	39,058	41,983	36,517
Depreciation of right-of-use assets (Note 14)	18,039	18,959	23,865	24,447
Amortisation of prepaid lease payments (Note 20)	1,474	1,550	1,474	1,550

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditures (continued)

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Establishment (continued)				
Amortisation of intangible assets (Note 18)	53,459	54,306	53,459	54,306
Finance cost on lease liabilities (Note 28(ii))	2,045	1,913	2,722	2,316
Repair and maintenance	85,793	93,965	85,712	93,887
Takaful	7,901	10,022	7,848	9,967
	214,410	221,554	218,000	224,808
Promotion				
Advertisement and publicity	19,322	27,999	19,229	27,991
General expenses				
Legal and professional fees	11,979	19,482	11,453	19,270
Auditors' remuneration	1,430	1,365	1,260	1,200
Communication expenses	33,085	21,950	33,027	21,907
Utilities expenses	24,691	17,562	24,643	17,522
Printing and stationery	18,391	18,540	18,282	18,461
Postage and courier	19,714	19,574	19,663	19,515
Security expenses	29,771	29,533	29,771	29,533
Service charges	46,556	44,112	49,344	47,072
Loss on financing written off	7,625	6,936	7,625	6,936
Property and equipment written off	39	37	39	37
Commission expenses	117,791	77,334	117,791	77,334
Travelling and transportation	23,208	18,499	23,178	18,475
Others	48,398	24,019	42,997	22,715
	382,678	298,943	379,073	299,977
	616,410	548,496	616,302	552,776

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

The above expenditure includes the following statutory disclosures:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Impairment losses on:				
Trade receivables (Note 12)	168	-	-	-
Other receivables, deposits and prepayments (Note 13(ii))	5,560	-	5,560	-
Auditors' remuneration:				
Current year:				
Statutory audit fees	1,430	1,365	1,260	1,200
Amortisation of prepaid lease payment (Note 20)	1,474	1,550	1,474	1,550
Depreciation of property and equipment (Note 17)	44,707	39,058	41,983	36,517
Amortisation of intangible assets (Note 18)	53,459	54,306	53,459	54,306
Depreciation of right-of-use assets (Note 14)	18,039	18,959	23,865	24,447
Finance cost on lease liabilities (Note 28(ii))	2,045	1,913	2,722	2,316
Property and equipment written off	39	37	39	37
Rental of premises*	966	1,755	937	1,818
Rental of equipment*	26	26	-	-

*These are short-term leases of which the Bank has elected not to recognise the right-of-use assets and lease liabilities for these leases. Instead, they are recognised as expense on straight-line basis over the lease term.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Included in general expenses are the following Chief Executive Officer, Directors and Shariah Committee members' remuneration:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Chief Executive Officer				
Salary and other remuneration	1,282	1,001	1,146	1,001
Bonuses	1,170	624	1,170	624
EPF contributions	441	304	441	304
Other emoluments	7	4	7	4
	2,900	1,933	2,764	1,933
Former Chief Executive Officer				
Salary and other remuneration	-	613	-	613
Bonuses	-	922	-	922
EPF contributions	-	292	-	292
Other emoluments	-	3	-	3
	-	1,830	-	1,830
Non-Executive Directors				
Fees	2,297	2,373	2,129	2,260
Other emoluments	148	92	148	92
	2,445	2,465	2,277	2,352
	5,345	6,228	5,041	6,115
Shariah Committee				
Fees	620	444	620	444
	5,965	6,672	5,661	6,559

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Chief Executive Officer and Directors is as follows:

	Bank			Group		
	Remuneration received from the Bank			Bank	Remuneration received from Subsidiary Companies	
	Salary and bonus RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000	Fees RM'000	Total RM'000
2023						
Chief Executive Officer						
Dato' Dr. Mohammad Hanis Osman	2,757	-	7	2,764	136	136
Non-Executive Directors						
Datuk Mohd Irwan Mohd Mubarak	-	390	-	390	23	23
Tunku Dato' Ahmad Burhanuddin						
Tunku Datuk Seri Adnan	-	241	-	241	-	-
Haji Mohd Jafri Kudus	-	247	-	247	68	68
Dato' Sri Suriani Dato' Ahmad	-	181	-	181	-	-
Dato' Seri Dr. Vaseehar Hassan						
Abdul Razack	-	229	-	229	77	77
Prof. Dr. Raduwan Idar	-	223	-	223	-	-
Idris Abd Hamid	-	240	-	240	-	-
Dato' Haji Amirudin Haji Abdul Halim	-	208	-	208	-	-
Dato' Dr. Amiruddin Bin Muhamed	-	102	-	102	-	-
	-	2,061	-	2,061	168	168

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Chief Executive Officer and Directors is as follows (continued):

2023 (continued)

Former Non-Executive Directors

Datuk Hj. Abd Rani Lebai Jaafar

Datin Norhamizah Mat Tahir

Dato' Shamsul Azri Abu Bakar

Mohamad Rafi Shahzada

Bank			Group			
Remuneration received from the Bank			Bank Total RM'000	Remuneration received from Subsidiary Companies		
Salary and bonus RM'000	Fees RM'000	Other emoluments RM'000		Fees RM'000	Total RM'000	Total RM'000
-	23	10	33	-	-	33
-	24	118	142	-	-	142
-	21	10	31	-	-	31
-	-	10	10	-	-	10
-	68	148	216	-	-	216
2,757	2,129	155	5,041	304	304	5,345

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Chief Executive Officer and Directors is as follows (continued):

	Bank			Group		
	Remuneration received from the Bank			Bank	Remuneration received from Subsidiary Companies	
	Salary and bonus RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000	Fees RM'000	Total RM'000
2022						
Chief Executive Officer						
Dato' Dr. Mohammad Hanis Osman	1,929	-	4	1,933	-	-
Non-Executive Directors						
Datuk Mohd Irwan Mohd Mubarak	-	319	-	319	21	21
Datuk Haji Abd Rani Lebai Jaafar	-	308	31	339	92	92
Dato' Sri Suriani Dato' Ahmad	-	186	-	186	-	-
Dato' Shamsul Azri Abu Bakar	-	202	-	202	-	-
Tunku Dato' Ahmad Burhanuddin						
Tunku Datuk Seri Adnan	-	271	-	271	-	-
Haji Mohd Jafri Kudus	-	231	-	231	-	-
Dato' Seri Dr. Vaseehar Hassan						
Abdul Razack	-	257	-	257	-	-
Prof. Dr. Raduwan Idar	-	114	-	114	-	-
Idris Abd Hamid	-	52	-	52	-	-
Datin Norhamizah Mat Tahir	-	165	-	165	-	-
	-	2,105	31	2,136	113	113

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Chief Executive Officer and Directors is as follows (continued):

	Bank			Group		
	Remuneration received from the Bank			Bank	Remuneration received from Subsidiary Companies	
	Salary and bonus RM'000	Fees RM'000	Other emoluments RM'000	Total RM'000	Fees RM'000	Total RM'000
2022 (continued)						
Former Chief Executive Officer						
Dato' Syed Abdul Aziz Syed Hassan	1,827	-	3	1,830	-	-
Former Non-Executive Directors						
Mohamad Rafi Shahzada	-	155	61	216	-	-
	3,756	2,260	99	6,115	113	113
						6,228

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Shariah Committee is as follows:

2023

Shariah Committees

Prof. Dr. Azman Bin Mohd Noor
Dr. Mohammad Zaini Bin Yahaya
Prof. Emeritus Dato' Dr. Mohd Azmi Bin Omar
Dr. Akhtarzaite Abdul Aziz
Dr. Tuan Badrul Hisyam Bin Tuan Soh
Sahibus Samahah Dr. Mohamad Sabri Haron

Former Shariah Committee

Ustaz Wan Rumaizi Bin Wan Husin

Group and Bank		
Remuneration received from the Bank		
Fees RM'000	Other emoluments RM'000	Total RM'000
146	-	146
99	-	99
86	-	86
91	-	91
90	-	90
88	-	88
600	-	600
20	-	20
620	-	620

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

35. OPERATING EXPENSES (CONTINUED)

(ii) Other overheads and expenditure (continued)

Total remuneration of the Shariah Committee is as follows (continued):

2022

Shariah Committees

Prof. Dr. Azman Mohd Noor

Dr. Mohamad Zaini Yahaya

Ustaz Wan Rumaizi Wan Husin

Prof. Dato' Dr. Mohd Azmi Omar

Dr. Tuan Badrul Hisyam Tuan Soh

Sahibus Samahah Dr. Mohamad Sabri Haron

Group and Bank		
Remuneration received from the Bank		
Fees RM'000	Other emoluments RM'000	Total RM'000
98	-	98
80	-	80
72	-	72
69	-	69
70	-	70
55	-	55
444	-	444

The above disclosure on total remuneration of the Shariah Committee is presented in accordance with para 12.16 as per BNM's policy on Financial Reporting for Development Financial Institutions, which became effective on or after 1 January 2020.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

36. TAXATION

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Malaysian income tax				
Current year	5,358	2,843	-	-
Under/(Over)provision in prior years	142	(73,442)	169	(73,271)
	<u>5,500</u>	<u>(70,599)</u>	<u>169</u>	<u>(73,271)</u>
Deferred tax (Note 21)				
Current year	111,765	(87,838)	113,000	(89,000)
(Over)/Underprovision in prior years	(591)	270	-	-
	<u>111,174</u>	<u>(87,568)</u>	<u>113,000</u>	<u>(89,000)</u>
Total	<u>116,674</u>	<u>(158,167)</u>	<u>113,169</u>	<u>(162,271)</u>

A reconciliation of income tax expense applicable to profit before taxation and zakat at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Profit before taxation and zakat	<u>1,760,788</u>	<u>1,875,701</u>	<u>1,773,602</u>	<u>1,857,619</u>
Tax expense at statutory tax rate of 24% (2022: 24%)*	422,589	407,115	425,664	402,775
Non-taxable income	(227,421)	(230,217)	(239,061)	(231,703)
Non-deductible expenses	285,342	134,149	289,784	135,969
Tax exempt under Section 65(A) of the Income Tax Act 1967	(363,387)	(396,042)	(363,387)	(396,041)
Under/(Over)provision in prior years:				
Income tax	142	(73,442)	169	(73,271)
Deferred tax	(591)	270	-	-
	<u>116,674</u>	<u>(158,167)</u>	<u>113,169</u>	<u>(162,271)</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

36. TAXATION (CONTINUED)

* The Bank, being a co-operative society uses the tax rates under Part IV, Schedule 1 of the Income Tax Act, 1967 as follows:

- On the first RM30,000 of chargeable income: 0% (2022: 0%)
- On the next RM30,000 of chargeable income: 5% (2022: 5%)
- On the next RM40,000 of chargeable income: 10% (2022: 10%)
- On the next RM50,000 of chargeable income: 15% (2022: 15%)
- On the next RM100,000 of chargeable income: 18% (2022: 18%)
- On the next RM250,000 of chargeable income: 21% (2022: 21%)
- On the next RM250,000 of chargeable income: 23% (2022: 23%)
- In excess of RM750,000 of chargeable income: 24% (2022: 24%)

37. ZAKAT

The Group's and the Bank's zakat have been computed by applying the growth capital method based on the rate of 2.5%. This method applies the rate on owners' equity, long term liability, net of fixed assets and non-current assets, and is subject to allowable adjustments.

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Provision for current year	44,486	41,075	42,000	40,000
Overprovision in prior years	(298)	(149)	(298)	(149)
	44,188	40,926	41,702	39,851

38. STATUTORY APPROPRIATIONS

Maintenance of statutory reserve fund is required under the Development Financial Institutions Act 2002 (Act 618), whereas contributions to Co-operative Education Trust Fund and Co-operative Development Provident Fund are made in compliance with the Co-operative Societies Act 1993 (Act 502).

Contribution to Bank Rakyat Foundation is made under paragraph 65(ii) of Undang-Undang Kecil Bank Kerjasama Rakyat Malaysia Berhad, which states that net profit for the year can be utilised towards a fund meant for welfare and benefits of members.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

39. EARNINGS PER SHARE

Basic earnings per ordinary share have been calculated based on the Group's and the Bank's profit after taxation and zakat of RM1,599,926,000 (2022: RM1,992,942,000) and RM1,618,731,000 (2022: RM1,980,039,000) divided by the weighted average number of ordinary shares of 2,928,547,000 (2022: 2,937,247,000) of RM1 each in issue during the financial year.

40. DIVIDENDS

	Group and Bank	
	2023	2022
	RM'000	RM'000
Cash dividend of 15% for the year ended 31 December 2022 (2022: 15%)	426,803	429,476

During the financial year ended 31 December 2023, the Bank paid a cash dividend of 15% amounting to RM427 million in regard to the previous financial year ended 31 December 2022.

In respect of the current financial year, the Board of Directors has proposed a cash dividend of up to 15% amounting to approximately RM450 million and a special dividend of 2% amounting to approximately RM60 million. The proposed dividend will be recognised in the subsequent financial year upon approval by the relevant external authorities.

41. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions.

	Group and Bank	
	2023	2022
	RM'000	RM'000
Contingent liabilities		
Non-financial bank guarantee given in respect of banking facilities granted to customers	193,413	149,847
Claims for damages from litigation taken against the Bank	14,926	15,575
Commitments		
Undrawn financing	2,503,631	2,407,682
	2,711,970	2,573,104

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

41. COMMITMENTS AND CONTINGENCIES (CONTINUED)

A summary of the status of material litigations against the Bank is as follows:

Case 1

The Bank had terminated financing facility and filed a claim against a customer and its corporate guarantors to recover the outstanding financing of approximately RM24 million. The main contractor, the customer and its corporate guarantors had also filed claims against the Bank respectively. The High Court on 24 January 2018 had dismissed the main contractor's claim against the Bank and other defendants. The Court of Appeal has dismissed the suit on 19 August 2022 which is a basis for the Bank to remove RM101.66 million of contingent liabilities during the previous financial year.

However, the counter claim by the Bank against the customer and its corporate guarantors was dismissed by the Court. Meanwhile, the customer's counter claim against the Bank was allowed but no sum has been determined by the Court and is subject to further assessment. The corporate guarantors' counter claim against the Bank was allowed but it was a non-monetary claim. The Learned Judge has fixed the matter for case management on 2 April 2024 to update the Court on the status of the Bank's appeal to the Federal Court.

With regards to Bank's Application for Leave to Appeal to the Federal Court of which the hearing was held on 2 February 2023, the Court has adjourned the Bank's Leave Application as the Ground of Judgment from Court of Appeal is not yet received. The Bank's Notice to Appeal to the Federal Court was filed on 20 October 2023. The next hearing for the appeal is set on 14 March 2024.

42. CAPITAL COMMITMENTS

Capital expenditure approved but not provided for in the financial statements are as follows:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Capital expenditure				
Approved and contracted for	480,924	370,647	440,719	294,982

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

43. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control or jointly control the other party or exercise significant influence over the other party in making financial or operational decisions, or if one other party controls both.

The related parties of the Group and of the Bank are:

43.1 Subsidiaries

Details of the subsidiaries are shown in Note 16.

43.2 Key Management Personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank either directly or indirectly. The key management personnel of the Group and of the Bank includes Executive Director and Non-Executive Directors of the Bank and certain members of senior management of the Bank and heads of major subsidiaries of the Group.

Remuneration of Directors and other members of key management are as follows:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Short-term employee benefits				
Fees	2,541	2,434	2,237	2,321
Salary	9,720	8,524	9,720	8,524
Allowances	1,149	1,058	1,149	1,058
EPF contribution	3,493	2,788	3,493	2,788
Bonuses	7,909	5,827	7,909	5,827
Other emoluments	7	38	7	38
	24,819	20,669	24,515	20,556

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

43. RELATED PARTY TRANSACTIONS (CONTINUED)

43.2 Key Management Personnel (continued)

Included in the total compensation for key management personnel are the following items:

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration				
From the Bank	2,277	2,352	2,277	2,352
From subsidiaries	168	113	-	-
	<u>2,445</u>	<u>2,465</u>	<u>2,277</u>	<u>2,352</u>

43.3 Transactions with subsidiaries

All related party transactions within the Bank Rakyat group are conducted on normal commercial terms which are not more favourable than those generally available to the public.

	Bank	
	2023	2022
	RM'000	RM'000
Income earned		
Income from financing and advances	(16,443)	(11,418)
Rental income	(596)	(44)
Expenditure incurred		
Profit expenses	4,526	3,580
Management fee expenses	2,870	3,019
Rental expenses	6,929	6,650
Allowance for impairment on financing	(4,410)	(3,296)
	<u>(7,124)</u>	<u>(1,509)</u>

Movement of allowance for impairment on financing is as follows:

	12-month ECL Stage 1 RM'000
Bank	
At 1 January 2022	13,606
Changes in credit risk	(3,296)
At 31 December 2022/1 January 2023	<u>10,310</u>
Changes in credit risk	(4,410)
At 31 December 2023	<u>5,900</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

44. FINANCING FACILITIES WITH CONNECTED PARTIES

	Group and Bank	
	2023	2022
	RM'000	RM'000
Outstanding exposures with connected parties	1,529,984	4,453,193
% of outstanding exposures to connected parties as a proportion of total exposure	1.43%	3.94%
% of outstanding exposures financing exposures with connected parties which is non-performing or in default	0.01%	0.01%

The above disclosure on Financing Facilities with Connected Parties is presented in accordance with para 14.1 as per BNM's policy on Financing Facilities with Connected Parties, which became effective on 13 July 2016.

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**NOTES TO THE FINANCIAL STATEMENTS
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45. FINANCIAL INSTRUMENTS

45.1 Net gains and losses arising from financial instruments

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Net gains/(losses) arising on:				
Financial assets measured at fair value through profit or loss				
Income ^	798	15,641	798	15,641
Dividend	13,760	15,623	13,760	15,623
Disposal	(11,312)	(24,813)	(11,312)	(24,813)
Revaluation	-	(846)	-	(846)
	3,246	5,605	3,246	5,605
Financial assets measured at fair value through other comprehensive income				
Income ^	778,468	778,404	778,468	778,404
Disposal	5,923	1,349	5,923	1,349
Revaluation on:				
Equity instruments	14,407	14,395	14,407	14,395
Debt instruments	315,285	(429,599)	315,285	(429,599)
	1,114,083	364,549	1,114,083	364,549
Financial assets measured at amortised cost: ^				
Income from:				
Financing and advances	5,180,570	4,704,689	5,197,012	4,716,107
Deposits and placements with banks and financial institutions	19,954	16,493	19,954	16,493
Financial investments at amortised cost	482,095	466,635	482,095	466,635
	5,682,619	5,187,817	5,699,061	5,199,235

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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45. FINANCIAL INSTRUMENTS (CONTINUED)

45.1 Net gains and losses arising from financial instruments (continued)

	Group		Bank	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Financial liabilities				
measured at amortised				
cost: ^				
Income attributable to				
depositors	(3,103,795)	(2,146,088)	(3,108,321)	(2,149,668)
Income attributable to				
investment account				
holders	(389)	(11)	(389)	(11)
Income attributable to				
deposits and placements				
from banks and other				
financial institutions	(53,279)	(27,173)	(53,279)	(27,173)
Profit expense on financing				
sold with recourse to				
Cagamas	(44,252)	(15,467)	(44,252)	(15,467)
Profit expense on debt				
securities issued	(174,344)	(150,551)	(174,344)	(150,551)
Profit expense on				
cashline facility	(3,908)	(8,647)	(3,908)	(8,647)
	<u>(3,379,967)</u>	<u>(2,347,937)</u>	<u>(3,384,493)</u>	<u>(2,351,517)</u>
	<u>3,419,981</u>	<u>3,210,034</u>	<u>3,431,897</u>	<u>3,217,872</u>
Net gains/(losses) on				
impairments of financial				
instruments:				
Financial assets at:				
Amortised cost	(158,842)	(661,244)	(154,432)	(657,948)
Fair value through other				
comprehensive income	(42)	51	(42)	51
	<u>(158,884)</u>	<u>(661,193)</u>	<u>(154,474)</u>	<u>(657,897)</u>

^ Profit income and expenses for these financial instruments are calculated using the effective profit rate method.

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT

46.1 Overview

The Bank's business activities involve the use of financial instruments that expose the Bank to a variety of financial risks with the following as the primary risks:

- (i) Credit risk
- (ii) Liquidity risk
- (iii) Market risk
- (iv) Operational risk

46.2 Risk management framework

Risk Management Framework articulates the objectives, guiding principles and governance structure for risk management processes in the Bank. This enables the identification, assessment and measurement control and continuous monitoring of all material risks on a group-and bank-wide basis, supported by robust management information system that facilitates timely and reliable reporting of risks and the integration of information across the Bank.

Risk Management within the Bank is guided by the following principles:

- Alignment of risk taking activities with the Bank's risk appetite;
- Risk aware decision making with clear understanding of risks and their impacts on profitability and sustainability;
- Accountability through ownership of risks, controls, and profitability inherent in the Bank's business and support functions; and
- Integration of risk management, compliance and ethical business practices into the culture of the Bank.

The Bank's Risk Appetite Statement is as follows:

"The Bank's business strategy and risk-taking activities should always be within the capacity of the Bank. This is achieved by strengthening the following six dimensions - Robust Risk and Compliance Culture; Guarding Reputational as an Islamic Financial Institution; Maintaining Adequate Capital; Quality Assets; Funding Certainty and Adequate Liquidity Cover; Ensuring Operational Resilience; and Managing Risk in Technology."

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.2 Risk management framework (continued)

46.2.1 Risk governance

The Bank manages its risks in accordance with the “Three Lines of Defence Model”, which places accountability and ownership to the source of risk, whilst ensuring sufficient level of independent oversight.

The “Three Lines of Defence” consists of the following components:

(i) First Line of Defence - Informed Decision Making by Business Units

The Business Units and Embedded Risk Functions are responsible to identify, manage and report their own risks. At this stage risk awareness is instilled starting at risk taking units so that Risk Management is incorporated into every aspect of work conducted.

(ii) Second Line of Defence - Oversight by Risk Management and Compliance

Risk Management and Compliance supports business units, as well as review business and operations within approved risk appetite and in compliance to regulations and report key risks to the Management and Board of Directors. In doing so, Risk Management and Compliance provides support to Management and Board of Directors in fulfilling their oversight functions.

(iii) Third Line of Defence - Independent Assurance by Internal Audit

Internal Audit conducts quality assurance review, to ensure that the risk-taking activities are in line with established standards. Internal Audit provides recommendations for improvement where necessary. Its functions complement the support extended to the Management and Board Audit Committee in the risk oversight functions.

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.2 Risk management framework (continued)

46.2.1 Risk governance (continued)

Roles and responsibilities of the oversight committee:

Roles and responsibilities of the Board Risk Committee ("BRC"):

- (a) Review and recommend risk appetite, strategies, risk management framework and policies as well as any subsequent revision for the Board's approval;
- (b) Ensure the capital adequacy of the Bank commensurates with the various types of risks;
- (c) Review and appraise the Board on risk exposure, risk portfolio composition, and risk management activities;
- (d) Ensure the adequacy of infrastructure and resources to manage various types of risks;
- (e) Appraise the performance of the Chief Risk Officer; and
- (f) Periodically meet with Audit & Examination Committee ("AEC") to ensure effective exchange of information to enable effective coverage of all risks, including emerging risk issues.

Roles and responsibilities of Management Risk Committee ("MRC"):

- (a) Establish clear guidance and recommend business and risk strategy, including risk limits, for business units to ensure that risk-taking activities remain within the risk appetite;
- (b) Evaluate the sensitivities and reasonableness of key assumptions used in the process of assessing material risks and capital;
- (c) Ensure establishment, implementation, communication and enforcement of risk management framework and policies;
- (d) Ensure adequate and effective risk monitoring, reporting, controls and tolerable risk limits while managing risk exposure; and

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.2 Risk management framework (continued)

46.2.1 Risk governance (continued)

Roles and responsibilities of the oversight committee (continued):

Roles and responsibilities of Management Risk Committee ("MRC") (continued):

- (e) The role of MRC is supported by dedicated risk committees as follows:
- Credit Risk Committee;
 - Operational Risk Management Committee;
 - Any other committees that will be established for risk management purposes.

Roles and responsibilities of Operational Risk Management Committee:

- (a) Review and recommend operational risk management strategies, policies, guidelines and procedures;
- (b) Review and assess the adequacy of operational risk management framework, policies, guidelines and procedures in identifying, assessing, controlling and monitoring of operational risk and the extent to which these are operating effectively;
- (c) Ensure that infrastructure, resources and systems are in place to effectively manage operational risks;
- (d) Review operational risk profiles and periodic reports, including progress and follow-up actions; and
- (e) Monitor the identified operational risks, key risk indicators and loss incidents in the business and functional units' operations.

Roles and responsibilities of Financing Review Committee:

- (a) Direct, monitor, review and consider such issues as may materially impact on the present and future quality of the Bank's financing book;
- (b) Conduct post-mortem on impaired financing and to learn weaknesses in existing credit policies and processes;

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.2 Risk management framework (continued)

46.2.1 Risk governance (continued)

Roles and responsibilities of the oversight committee (continued):

Roles and responsibilities of Financing Review Committee (continued):

- (c) Ensure the procedures and resources are effective to identify and manage irregular and problem credits, minimise credit loss and maximise recoveries; and
- (d) Review and recommend any enhancement of credit related policies, processes and procedures.

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk

Credit risk is the risk of a counterparty failing to perform its contractual obligations through the Bank's financing, hedging, trading and investing activities.

The Bank's retail and corporate credit exposures are governed by underwriting criteria outlined in credit policies and product guidelines. The Bank's credit processes are in line with industry best practices which emphasizes on individual accountability with clear lines of responsibility and segregation of duties where credit administration, early monitoring and recovery are independent from Business Units.

46.3.1 Management of credit risk

The Bank's credit risk management includes establishment of comprehensive credit risk policies, guidelines and procedures that document financing standards, credit risk rating, acceptable collateral and valuation, and compliance with regulatory and statutory requirements. The policies are periodically reviewed to ensure their continuous relevance.

Risk Management together with Business Units is responsible to formulate and review the credit risk policies, guidelines and procedures as well as credit portfolio monitoring. Independent Credit Assessment headed by Chief Credit is to evaluate quality of credit proposals by Business Units based on principles of 5Cs of Credit.

In ensuring effective monitoring of credit, Credit Portfolio Analysis Report which provides insights on overall credit risk is presented to the Senior Management and Board periodically. With this information, Board and Senior Management are able to effectively identify adverse credit risk trends, take corrective actions and formulate business strategies accordingly.

46.3.2 Financing to retail customers

Financing granted to retail customers is individually underwritten by assessing historical payment track record and payment capacity of the customer. This process is governed by Credit Policy (Retail), Product Guidelines and assessed using credit scorecard. Both Credit Policy (Retail) and credit scorecard are developed by Risk Management while Product Guidelines are developed by Product Division and Business Units within Retail Banking and are independently reviewed by control functions including Risk Management, Compliance and Shariah.

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.2 Financing to retail customers (continued)

The credit approving authorities have the responsibility to ensure that credit risk is properly assessed and financings are only be granted according to suitability, affordability and circumstances of the customers.

Risk Management is also responsible to assess new/variation of financing product or program to ensure that the product/program offered to customers is beneficial to both customers and Bank whilst mitigating the inherent risks.

46.3.3 Financing to corporate customers

Granting of credit to corporate customers is individually underwritten as guided by the Bank's risk appetite and policies. In ensuring only good and quality customers are onboard, Credit Assessment headed by Chief Credit is responsible to conduct Independent Risk Assessment on credit proposal submitted by Business Units prior to approval by relevant approving authorities. Under exceptional circumstances such as through financing programs, approving authority is delegated to Business Units to reduce turnaround time of credit processes. This is guided through simplified Risk Assessment Template (RAT).

46.3.4 Purchase of investment securities

Credit qualities of financial instruments are assessed based on ratings from external credit ratings agencies.

Portfolio review and monitoring is conducted to ensure the exposure are effectively managed and within the Bank's risk appetite.

46.3.5 Impaired financing and investment securities

Individually impaired financing and investment securities are financing and advances and investment securities (other than those carried at fair value through profit or loss) for which the Bank determines that there is objective evidence of impairment and it does not expect to collect all principal and profits due according to the contractual terms of the financing/investment security agreement(s).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.6 Neither past due nor impaired financing and investment securities

These are financing and investment securities from which contractual payment of profit or principal have not defaulted and therefore are not impaired since there is no objective evidence of impairment.

46.3.7 Past due but not impaired financing and investment securities

Past due but not impaired financing and investment securities, other than those carried at fair value through profit or loss, are those for which contractual profits or principal payments are past due, more than 1 day but less than three (3) months.

46.3.8 Financing with renegotiated terms

Financing with renegotiated terms are financing that have been restructured or rescheduled due to deterioration in the customer's financial position.

46.3.9 Allowances for impairment

The Bank establishes an allowance for impairment loss on assets carried at amortised cost and fair value through other comprehensive income, which represents an estimation of expected losses in the financing and investment security portfolio.

The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective financing loss allowance established for groups of homogenous assets. Both components of allowance incorporates historical, current, and forecasted information in estimating the expected losses.

Assets carried at fair value through profit or loss are not subject to impairment testing as the measure of fair value reflects the credit quality of each asset.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.10 Write-off policy

The Bank writes-off a financing or an investment security, and any related allowances for impairment losses, when the Bank determines that the financing or investment security is uncollectible. This determination is made after exhaustive recovery exercise and considering information such as the occurrence of significant changes in the customer's/issuer's financial position such that the customer/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

46.3.11 Collateral on financing and advances

In mitigating credit risk on financing and advances granted to customers, collaterals are obtained as follows:

- (i) House financing - charges over residential properties.
- (ii) Commercial property financing - charges over the properties being financed.
- (iii) Vehicle financing - ownership claims over the vehicles being financed.
- (iv) Other financing and advances - charges over business assets such as premises, trade receivables or deposits.

46.3.12 Credit grading for investment securities

Credit qualities of financial instruments are assessed based on ratings from external credit ratings agencies and independently assessed by Credit Assessment prior to approval by relevant approving authorities.

46.3.13 Maximum exposure to credit risk

The following table presents the Bank's credit exposure of on-balance sheet and off-balance sheet financial instruments.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.13 Maximum exposure to credit risk (continued)

For on-balance sheet assets, the exposure to credit risk equals the carrying amount.

For credit commitments, maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

	31.12.2023 RM'000	Group 31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Assets			
Cash and short-term funds	1,102,099	1,834,420	835,189
Deposits and placements with financial institutions	378,718	368,445	672,463
Financial investments at fair value through profit or loss	-	255,027	976,032
Financial investments at fair value through other comprehensive income	19,293,035	20,379,126	20,708,939
Financial investments at amortised cost	12,522,304	12,427,045	10,826,850
Financing and advances	81,101,218	77,239,589	76,646,744
Trade receivables	2,314	1,228	909
Other receivables	910,873	946,265	586,519
	115,310,561	113,451,145	111,253,645
Commitments			
Undrawn financing	2,503,631	2,407,682	2,271,831
Total maximum exposure to credit risk	117,814,192	115,858,827	113,525,476

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.13 Maximum exposure to credit risk (continued)

	31.12.2023	Bank 31.12.2022	01.01.2022
	RM'000	RM'000	RM'000
		Restated	Restated
Assets			
Cash and short-term funds	1,101,504	1,831,709	834,987
Deposits and placements with financial institutions	378,716	368,303	672,463
Financial investments at fair value through profit or loss	-	255,027	976,032
Financial investments at fair value through other comprehensive income	19,293,035	20,379,126	20,708,939
Financial investments at amortised cost	12,522,304	12,427,045	10,826,850
Financing and advances	81,425,290	77,527,614	76,866,888
Other receivables	906,538	919,733	563,233
	<u>115,627,387</u>	<u>113,708,557</u>	<u>111,449,392</u>
Commitments			
Undrawn financing	<u>2,503,631</u>	<u>2,407,682</u>	<u>2,271,831</u>
Total maximum exposure to credit risk	<u>118,131,018</u>	<u>116,116,239</u>	<u>113,721,223</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.14 Credit risk exposure on financing and advances

	31.12.2023	Group 31.12.2022	01.01.2022
	RM'000	RM'000	RM'000
		Restated	Restated
At amortised cost			
Neither past due nor impaired			
0 month	79,721,045	76,591,008	76,749,370
Past due but not impaired			
1 month	1,388,773	1,179,118	598,991
2 months	704,596	562,635	215,666
3 months	329	876	23,376
	2,093,698	1,742,629	838,033
Past due and impaired			
Less than 4 months	352,944	492,609	435,632
4 months to 6 months	333,168	262,246	90,246
7 months to 9 months	175,445	171,728	117,533
More than 9 months	834,431	668,392	702,347
	1,695,988	1,594,975	1,345,758
Gross financing and advances	83,510,731	79,928,612	78,933,161
Less:			
Stage 1 - 12-month ECL	(653,488)	(855,270)	(930,256)
Stage 2 - lifetime ECL not credit impaired	(677,545)	(847,837)	(587,830)
Stage 3 - lifetime ECL credit impaired	(1,078,480)	(985,916)	(768,331)
Net financing and advances	81,101,218	77,239,589	76,646,744

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.14 Credit risk exposure on financing and advances (continued)

	31.12.2023	Bank 31.12.2022	01.01.2022
	RM'000	RM'000	RM'000
		Restated	Restated
At amortised cost			
Neither past due nor impaired			
0 month	80,051,017	76,889,343	76,983,120
Past due but not impaired			
1 month	1,388,773	1,179,118	598,991
2 months	704,596	562,635	215,666
3 months	329	876	23,376
	2,093,698	1,742,629	838,033
Past due and impaired			
Less than 4 months	352,944	492,609	435,632
4 months to 6 months	333,168	262,246	90,246
7 months to 9 months	175,445	171,728	117,533
More than 9 months	834,431	668,392	702,347
	1,695,988	1,594,975	1,345,758
Gross financing and advances	83,840,703	80,226,947	79,166,911
Less:			
Stage 1 - 12-month ECL	(659,388)	(865,580)	(943,862)
Stage 2 - lifetime ECL not credit impaired	(677,545)	(847,837)	(587,830)
Stage 3 - lifetime ECL credit impaired	(1,078,480)	(985,916)	(768,331)
Net financing and advances	81,425,290	77,527,614	76,866,888

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.15 Credit risk exposure on investment securities

Group 2023	Financial investments at fair value through profit or loss RM'000	Financial investments at fair value through other compre- hensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Rated securities				
Islamic debt securities				
Grade AAA	-	4,013,133	944,724	4,957,857
Grade AA+	-	165,120	-	165,120
Grade AA	-	280,349	24,958	305,307
Grade AA-	-	232,151	37,231	269,382
Grade AA1	-	333,151	106,713	439,864
Grade AA2	-	162,639	50,619	213,258
Grade AA3	-	163,411	26,403	189,814
	-	5,349,954	1,190,648	6,540,602
Cagamas sukuk				
Grade AAA	-	466,427	229,683	696,110
Negotiable Islamic debt certificates				
Grade AA1	-	-	99,709	99,709
	-	5,816,381	1,520,040	7,336,421
Unrated securities				
Government investment issues	-	4,798,167	7,955,166	12,753,333
Government sukuk	-	8,678,487	3,047,098	11,725,585
	-	13,476,654	11,002,264	24,478,918
Shares				
Unquoted shares	-	101,582	-	101,582
	-	19,394,617	12,522,304	31,916,921

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.15 Credit risk exposure on investment securities (continued)

Bank 2023	Financial investments at fair value through profit or loss RM'000	Financial investments at fair value through other compre- hensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Rated securities				
Islamic debt securities				
Grade AAA	-	4,013,133	944,724	4,957,857
Grade AA+	-	165,120	-	165,120
Grade AA	-	280,349	24,958	305,307
Grade AA-	-	232,151	37,231	269,382
Grade AA1	-	333,151	106,713	439,864
Grade AA2	-	162,639	50,619	213,258
Grade AA3	-	163,411	26,403	189,814
	-	5,349,954	1,190,648	6,540,602
Cagamas sukuk				
Grade AAA	-	466,427	229,683	696,110
Negotiable Islamic debt certificates				
Grade AA1	-	-	99,709	99,709
	-	5,816,381	1,520,040	7,336,421
Unrated securities				
Government investment issues	-	4,798,167	7,955,166	12,753,333
Government sukuk	-	8,678,487	3,047,098	11,725,585
	-	13,476,654	11,002,264	24,478,918
Shares				
Unquoted shares	-	101,574	-	101,574
	-	19,394,609	12,522,304	31,916,913

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.15 Credit risk exposure on investment securities (continued)

Group 2022	Financial investments at fair value through profit or loss RM'000	Financial investments at fair value through other compre- hensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Rated securities				
Islamic debt securities				
Grade AAA	-	3,333,756	962,732	4,296,488
Grade AA+	-	119,668	-	119,668
Grade AA	-	239,341	30,039	269,380
Grade AA-	-	293,923	68,183	362,106
Grade AA1	-	174,782	107,058	281,840
Grade AA2	-	106,418	50,934	157,352
Grade AA3	-	252,295	57,192	309,487
	-	4,520,183	1,276,138	5,796,321
Cagamas sukuk				
Grade AAA	-	651,866	50,451	702,317
Negotiable Islamic debt certificates				
Grade AA2	-	-	49,925	49,925
	-	5,172,049	1,376,514	6,548,563
Unrated securities				
Government investment issues	41,827	6,803,294	7,803,055	14,648,176
Government sukuk	-	8,403,783	3,184,122	11,587,905
Khazanah sukuk	-	-	63,354	63,354
Islamic redeemable convertible preference shares	213,200	-	-	213,200
	255,027	15,207,077	11,050,531	26,512,635
Shares				
Unquoted shares	-	87,175	-	87,175
	-	87,175	-	87,175
	255,027	20,466,301	12,427,045	33,148,373

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.15 Credit risk exposure on investment securities (continued)

Bank 2022	Financial investments at fair value through profit or loss RM'000	Financial investments at fair value through other compre- hensive income RM'000	Financial investments at amortised cost RM'000	Total RM'000
Rated securities				
Islamic debt securities				
Grade AAA	-	3,333,756	962,732	4,296,488
Grade AA+	-	119,668	-	119,668
Grade AA	-	239,341	30,039	269,380
Grade AA-	-	293,923	68,183	362,106
Grade AA1	-	174,782	107,058	281,840
Grade AA2	-	106,418	50,934	157,352
Grade AA3	-	252,295	57,192	309,487
	-	4,520,183	1,276,138	5,796,321
Cagamas sukuk				
Grade AAA	-	651,866	50,451	702,317
Negotiable Islamic debt certificates				
Grade AA2	-	-	49,925	49,925
	-	5,172,049	1,376,514	6,548,563
Unrated securities				
Government investment issues	41,827	6,803,294	7,803,055	14,648,176
Government sukuk	-	8,403,783	3,184,122	11,587,905
Khazanah sukuk	-	-	63,354	63,354
Islamic redeemable convertible preference shares	213,200	-	-	213,200
	255,027	15,207,077	11,050,531	26,512,635
Shares				
Unquoted shares	-	87,167	-	87,167
	-	87,167	-	87,167
	255,027	20,466,293	12,427,045	33,148,365

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.16 Maximum exposure to credit risk

The following analysis represents the Group's maximum exposure to credit risk of on-balance sheet financial assets and off-balance sheet exposure, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposure, the maximum exposure to credit risk is the maximum amount that the Group would have to pay if obligations of the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers.

	31.12.2023 RM'000	Group 31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Credit exposure for on-balance sheet financial assets			
Cash and short-term funds	1,102,099	1,834,420	835,189
Deposits and placements with financial institutions	378,718	368,445	672,463
Financial investments portfolio *	31,836,741	33,082,558	32,462,970
Financing and advances	72,250,448	70,679,957	68,315,853
Trade receivables	2,314	1,228	909
Other assets	910,873	946,265	586,519
Credit exposure for off-balance sheet financial assets			
Undrawn financing	2,503,631	2,407,682	2,271,831
Total maximum credit risk exposure	108,984,824	109,320,555	105,145,734

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.3 Credit risk (continued)

46.3.16 Maximum exposure to credit risk (continued)

	31.12.2023	Bank 31.12.2022	01.01.2022
	RM'000	RM'000	RM'000
		Restated	Restated
Credit exposure for on-balance sheet financial assets			
Cash and short-term funds	1,101,504	1,831,709	834,987
Deposits and placements with financial institutions	378,716	368,303	672,463
Financial investments portfolio *	31,836,741	33,082,558	32,462,970
Financing and advances	72,250,448	70,679,957	68,315,853
Other assets	906,538	919,733	563,233
Credit exposure for off-balance sheet financial assets			
Undrawn financing	2,503,631	2,407,682	2,271,831
Total maximum credit risk exposure	<u>108,977,578</u>	<u>109,289,942</u>	<u>105,121,337</u>

* Financial investment 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 costs, excluding equity investments.

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk

Liquidity risk arises from mismatches in the timing of cash flows due to the inability to meet maturing or regulatory obligations and customers' demands for funds when required, which may adversely affect daily operations, Bank's reputation and incur unacceptable losses.

46.4.1 Management of liquidity risk

The management of liquidity risk is subject to Bank Negara Malaysia's Liquidity Framework and Liquidity Coverage Ratio requirements as well as the Bank's liquidity risk management framework.

The Bank adopts various liquidity risk measurement tools in managing the cash flows for daily movement as well as medium and long-term positions to ensure sufficient funding sources to meet obligations.

It is important for the Bank to maintain diversification strategy of funding sources and providers to ensure stability of funding structure and adequate standby facilities while managing excessive concentration towards key depositors. The Bank maintains sufficient high-quality liquid assets to withstand against any unforeseen liquidity stress.

In addition, a liquidity stress testing is conducted based on sensitivity analysis for various stress scenarios covering the Bank's specific and market-wide crisis scenario. The stress scenarios would provide valuable assessment on the impact from adverse liquidity environment and the Bank's vulnerable portfolios.

The Bank has established liquidity contingency funding plan which entails the early warning indicators as well as strategies and actions to be taken by the liquidity crisis management team arising from different liquidity crisis scenarios.

The Bank's liquidity risk management framework, policies and procedures are reviewed periodically in order to manage effective implementation of risk management policies and to ensure liquidity risk position are within the Bank's risk appetite and approved limits.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.2 Exposure to liquidity risk

The key measure used by the Bank for managing liquidity risk is the ratio of net liquid assets to deposits from customers.

For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade securities for which there is an active and liquid market.

Details of the reported Bank ratio of net liquid assets to deposits from customers at the end of the reporting period and during the year were as follows:

	Bank	
	2023	2022
At 31 December	32.02%	33.83%
Average for the year	33.05%	32.76%
Maximum for the year	34.38%	33.83%
Minimum for the year	31.66%	32.17%

46.4.3 Liquidity risk of assets and liabilities

The main thrust of liquidity management is the projection of up to one year of the maturity profile of the Bank's assets, liabilities and off-balance sheet commitments from a given position.

The focus is on the ability of the Bank to match its short-term liquidity requirement arising from maturing obligations with maturing assets, followed by a medium-term assessment of liquidity up to one year.

The primary basis for determining the appropriate time bands is the contractual maturity, which is when the cash flows crystallise.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities

Group	Up to	More than	More than	More than	More than	More than	No	Total
31.12.2023	1 week	1 week-	1 month-	3 months-	6 months-	1 year	specific	RM'000
	RM'000	1 month	3 months	6 months	1 year	RM'000	maturity	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash, deposits and placements with financial institutions	1,002,066	100,035	-	-	378,716	-	-	1,480,817
Investment securities	-	227,442	1,086,788	664,517	1,438,955	28,397,637	101,582	31,916,921
Financing and advances	377,038	1,651,406	2,317,560	3,346,221	6,171,749	69,646,757	(2,409,513)	81,101,218
Trade receivables	2,485	809	-	-	-	-	(980)	2,314
Other assets	-	-	686,371	-	-	-	224,502	910,873
	1,381,589	1,979,692	4,090,719	4,010,738	7,989,420	98,044,394	(2,084,409)	115,412,143

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group (continued)	Up to	More than	More than	More than	More than	More than	No	
31.12.2023	1 week	1 week-	1 month-	3 months-	6 months-	1 year	specific	Total
	RM'000	1 month	3 months	6 months	1 year	1 year	maturity	RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	13,933,168	16,662,544	20,102,911	14,445,158	12,974,512	5,439,613	-	83,557,906
Investment accounts of customers	202,967	-	-	-	-	-	-	202,967
Deposits and placements from banks and financial institutions	1,302,500	900,697	552,308	-	-	-	-	2,755,505
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	1,000,005	-	1,000,005
Debt securities issued	-	-	-	33,537	-	5,000,000	-	5,033,537
Cashline facility	-	701,468	-	-	-	-	-	701,468
Trade payables	-	-	1,695	-	-	-	-	1,695
Other liabilities	-	205	1,572,874	616	1,232	43,411	313,388	1,931,726
	15,438,635	18,264,914	22,229,788	14,479,311	12,975,744	11,483,029	313,388	95,184,809
Net maturity mismatch	(14,057,046)	(16,285,222)	(18,139,069)	(10,468,573)	(4,986,324)	86,561,365	(2,397,797)	20,227,334

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group (continued)	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2023								
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	193,413	-	-	-	-	-	-	193,413
Claims for damages from litigation taken against the Bank	-	-	-	-	-	14,926	-	14,926
Undrawn financing	2,503,631	-	-	-	-	-	-	2,503,631
	2,697,044	-	-	-	-	14,926	-	2,711,970

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group	Up to 1 week	More than 1 week- 1 month	More than 1 month- 3 months	More than 3 months- 6 months	More than 6 months- 1 year	More than 1 year	No specific maturity	Total
31.12.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
Assets								
Cash, deposits and placements with financial institutions	1,048,968	785,594	-	-	368,303	-	-	2,202,865
Investment securities	-	130,033	366,094	911,274	2,250,986	29,189,611	300,375	33,148,373
Financing and advances	791,387	1,179,114	2,125,679	3,197,372	5,938,175	66,696,884	(2,689,022)	77,239,589
Trade receivables	2,092	153	-	-	-	-	(1,017)	1,228
Other assets	-	-	723,365	-	-	-	222,900	946,265
	<u>1,842,447</u>	<u>2,094,894</u>	<u>3,215,138</u>	<u>4,108,646</u>	<u>8,557,464</u>	<u>95,886,495</u>	<u>(2,166,764)</u>	<u>113,538,320</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group (continued)	Up to 1 week	More than 1 week- 1 month	More than 1 month- 3 months	More than 3 months- 6 months	More than 6 months- 1 year	More than 1 year	No specific maturity	Total
31.12.2022 Restated	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	17,874,155	19,601,521	20,535,292	14,009,122	8,484,552	5,833,555	-	86,338,197
Investment accounts of customers	19,983	-	-	-	-	-	-	19,983
Deposits and placements from banks and financial institutions	305,082	1,187,379	100,000	-	-	-	-	1,592,461
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	500,000	-	500,000
Debt securities issued	-	-	-	23,391	-	4,000,000	-	4,023,391
Cashline facility	401,203	302,919	-	-	-	-	-	704,122
Trade payables	-	-	1,735	-	-	-	-	1,735
Other liabilities	-	55	1,237,243	165	331	41,717	311,285	1,590,796
	18,600,423	21,091,874	21,874,270	14,032,678	8,484,883	10,375,272	311,285	94,770,685
Net maturity mismatch	(16,757,976)	(18,996,980)	(18,659,132)	(9,924,032)	72,581	85,511,223	(2,478,049)	18,767,635

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group (continued)	Up to 1 week	More than 1 week- 1 month	More than 1 month- 3 months	More than 3 months- 6 months	More than 6 months- 1 year	More than 1 year	No specific maturity	Total
31.12.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	149,847	-	-	-	-	-	-	149,847
Claims for damages from litigation taken against the Bank	-	-	-	-	-	15,575	-	15,575
Undrawn financing	2,407,682	-	-	-	-	-	-	2,407,682
	<u>2,557,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,575</u>	<u>-</u>	<u>2,573,104</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group	Up to 1 week	More than 1 week- 1 month	More than 1 month- 3 months	More than 3 months- 6 months	More than 6 months- 1 year	More than 1 year	No specific maturity	Total
01.01.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
Assets								
Cash, deposits and placements with financial institutions	835,189	-	311,214	-	361,249	-	-	1,507,652
Investment securities	-	304,065	334,578	1,506,914	2,652,425	27,664,988	121,630	32,584,600
Financing and advances	533,698	1,066,537	2,193,827	3,152,408	5,682,367	66,538,075	(2,520,168)	76,646,744
Trade receivables	2,015	60	-	-	-	-	(1,166)	909
Other assets	-	-	351,626	-	-	-	234,893	586,519
	<u>1,370,902</u>	<u>1,370,662</u>	<u>3,191,245</u>	<u>4,659,322</u>	<u>8,696,041</u>	<u>94,203,063</u>	<u>(2,164,811)</u>	<u>111,326,424</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group (continued)	Up to 1 week	More than 1 week- 1 month	More than 1 month- 3 months	More than 3 months- 6 months	More than 6 months- 1 year	More than 1 year	No specific maturity	Total
01.01.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
Liabilities								
Deposits from customers	15,617,109	16,397,345	20,446,183	16,783,618	11,156,420	6,123,209	-	86,523,884
Deposits and placements from banks and financial institutions	450,000	150,000	250,000	-	-	-	-	850,000
Recourse obligations on financing sold to Cagamas	-	1,834	3,699	5,626	307,152	-	-	318,311
Debt securities issued	-	-	-	867,940	430,000	2,000,000	-	3,297,940
Cashline facility	-	400,032	300,385	-	-	-	-	700,417
Trade payables	-	-	1,839	-	-	-	-	1,839
Other liabilities	-	116	1,308,074	350	700	63,387	337,945	1,710,572
	<u>16,067,109</u>	<u>16,949,327</u>	<u>22,310,180</u>	<u>17,657,534</u>	<u>11,894,272</u>	<u>8,186,596</u>	<u>337,945</u>	<u>93,402,963</u>
Net maturity mismatch	(14,696,207)	(15,578,665)	(19,118,935)	(12,998,212)	(3,198,231)	86,016,467	(2,502,756)	17,923,461

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Group (continued)	Up to 1 week	More than 1 week- 1 month	More than 1 month- 3 months	More than 3 months- 6 months	More than 6 months- 1 year	More than 1 year	No specific maturity	Total
01.01.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	130,900	-	-	-	-	-	-	130,900
Claims for damages from litigation taken against the Bank	-	-	-	-	-	140,403	-	140,403
Undrawn financing	2,271,831	-	-	-	-	-	-	2,271,831
	2,402,731	-	-	-	-	140,403	-	2,543,134

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank 31.12.2023	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Assets								
Cash, deposits and placements with financial institutions	1,001,469	100,035	-	-	378,716	-	-	1,480,220
Investment securities	-	227,442	1,086,788	664,517	1,438,955	28,397,637	101,574	31,916,913
Financing and advances	377,038	1,651,406	2,317,560	3,346,221	6,171,749	69,976,729	(2,415,413)	81,425,290
Other assets	-	-	712,812	-	-	-	193,726	906,538
	1,378,507	1,978,883	4,117,160	4,010,738	7,989,420	98,374,366	(2,120,113)	115,728,961

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank (continued) 31.12.2023	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	13,933,168	16,662,544	20,102,911	14,445,158	12,974,512	5,439,613	-	83,557,906
Investment accounts of customers	202,967	-	-	-	-	-	-	202,967
Deposits and placements from banks and financial institutions	1,302,500	900,697	552,308	-	-	-	-	2,755,505
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	1,000,005	-	1,000,005
Debt securities issued	-	-	-	33,537	-	5,000,000	-	5,033,537
Cashline facility	-	701,468	-	-	-	-	-	701,468
Other liabilities	-	24,000	1,574,715	38,231	62,852	57,502	336,989	2,094,289
	15,438,635	18,288,709	22,229,934	14,516,926	13,037,364	11,497,120	336,989	95,345,677
Net maturity mismatch	(14,060,128)	(16,309,826)	(18,112,774)	(10,506,188)	(5,047,944)	86,877,246	(2,457,102)	20,383,284

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank (continued) 31.12.2023	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	193,413	-	-	-	-	-	-	193,413
Claims for damages from litigation taken against the Bank	-	-	-	-	-	14,926	-	14,926
Undrawn financing	2,503,631	-	-	-	-	-	-	2,503,631
	2,697,044	-	-	-	-	14,926	-	2,711,970

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank	Up to	More than	More than	More than	More than	More than	No	
31.12.2022	1 week	1 week-	1 month-	3 months-	6 months-	1 year	specific	Total
Restated	RM'000	1 month	3 months	6 months	1 year	RM'000	maturity	RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash, deposits and placements with financial institutions	1,046,115	785,594	-	-	368,303	-	-	2,200,012
Investment securities	-	130,033	366,094	911,274	2,250,986	29,189,611	300,367	33,148,365
Financing and advances	791,388	1,179,114	2,125,679	3,197,372	5,938,175	66,995,220	(2,699,334)	77,527,614
Other assets	-	-	728,515	-	-	-	191,218	919,733
	<u>1,837,503</u>	<u>2,094,741</u>	<u>3,220,288</u>	<u>4,108,646</u>	<u>8,557,464</u>	<u>96,184,831</u>	<u>(2,207,749)</u>	<u>113,795,724</u>

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank (continued)	Up to 1 week	More than 1 week- 1 month	More than 1 month- 3 months	More than 3 months- 6 months	More than 6 months- 1 year	More than 1 year	No specific maturity	Total
31.12.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
Liabilities								
Deposits from customers	17,874,155	19,601,521	20,535,292	14,009,122	8,484,552	5,833,555	-	86,338,197
Investment accounts of customers	19,983	-	-	-	-	-	-	19,983
Deposits and placements from banks and financial institutions	305,082	1,187,379	100,000	-	-	-	-	1,592,461
Recourse obligations on financing sold to Cagamas	-	-	-	-	-	500,000	-	500,000
Debt securities issued	-	-	-	23,391	-	4,000,000	-	4,023,391
Cashline facility	401,203	302,919	-	-	-	-	-	704,122
Other liabilities	6,993	7,461	1,265,404	21,454	49,412	48,562	338,452	1,737,738
	<u>18,607,416</u>	<u>21,099,280</u>	<u>21,900,696</u>	<u>14,053,967</u>	<u>8,533,964</u>	<u>10,382,117</u>	<u>338,452</u>	<u>94,915,892</u>
Net maturity mismatch	(16,769,913)	(19,004,539)	(18,680,408)	(9,945,321)	23,500	85,802,714	(2,546,201)	18,879,832

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank (continued)	Up to	More than	More than	More than	More than	More than	No	Total
31.12.2022	1 week	1 week-	1 month-	3 months-	6 months-	1 year	specific	
Restated	RM'000	1 month	3 months	6 months	1 year	1 year	maturity	RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	149,847	-	-	-	-	-	-	149,847
Claims for damages from litigation taken against the Bank	-	-	-	-	-	15,575	-	15,575
Undrawn financing	2,407,682	-	-	-	-	-	-	2,407,682
	<u>2,557,529</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,575</u>	<u>-</u>	<u>2,573,104</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank	Up to	More than	More than	More than	More than	More than	No	
01.01.2022	1 week	1 week-	1 month-	3 months-	6 months-	1 year	specific	Total
Restated	RM'000	1 month	3 months	6 months	1 year	RM'000	maturity	RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash, deposits and placements with financial institutions	834,987	-	311,214	-	361,249	-	-	1,507,450
Investment securities	-	304,065	334,578	1,506,914	2,652,425	27,664,988	121,622	32,584,592
Financing and advances	533,698	1,066,537	2,193,827	3,152,408	5,682,367	66,538,075	(2,300,024)	76,866,888
Other assets	-	-	363,321	-	-	-	199,912	563,233
	<u>1,368,685</u>	<u>1,370,602</u>	<u>3,202,940</u>	<u>4,659,322</u>	<u>8,696,041</u>	<u>94,203,063</u>	<u>(1,978,490)</u>	<u>111,522,163</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank (continued)	Up to	More than	More than	More than	More than	More than	No	Total
01.01.2022	1 week	1 week-	1 month-	3 months-	6 months-	1 year	specific	RM'000
Restated	RM'000	1 month	3 months	6 months	1 year	RM'000	maturity	RM'000
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Liabilities								
Deposits from customers	15,617,109	16,397,345	20,446,183	16,783,618	11,156,420	6,123,209	-	86,523,884
Deposits and placements from banks and financial institutions	450,000	150,000	250,000	-	-	-	-	850,000
Recourse obligations on financing sold to Cagamas	-	1,834	3,699	5,626	307,152	-	-	318,311
Debt securities issued	-	-	-	867,940	430,000	2,000,000	-	3,297,940
Cashline facility	-	400,032	300,385	-	-	-	-	700,417
Other liabilities	928	7,573	1,324,335	30,931	59,821	63,324	397,348	1,884,260
	<u>16,068,037</u>	<u>16,956,784</u>	<u>22,324,602</u>	<u>17,688,115</u>	<u>11,953,393</u>	<u>8,186,533</u>	<u>397,348</u>	<u>93,574,812</u>
Net maturity mismatch	(14,699,352)	(15,586,182)	(19,121,662)	(13,028,793)	(3,257,352)	86,016,530	(2,375,838)	17,947,351

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.4 Liquidity risk of assets and liabilities by remaining contractual maturities (continued)

Bank (continued)	Up to 1 week	More than 1 week- 1 month	More than 1 month- 3 months	More than 3 months- 6 months	More than 6 months- 1 year	More than 1 year	No specific maturity	Total
01.01.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
Commitment and contingencies								
Bank guarantee given in respect of banking facilities granted to customers	130,900	-	-	-	-	-	-	130,900
Claims for damages from litigation taken against the Bank	-	-	-	-	-	140,403	-	140,403
Undrawn financing	2,271,831	-	-	-	-	-	-	2,271,831
	<u>2,402,731</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>140,403</u>	<u>-</u>	<u>2,543,134</u>

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.5 Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Group and the Bank under 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 positions as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and profit analysis. The Group and the Bank manage profit liquidity risk based on discounted expected cash flows.

Group 2023	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	18,140,862	19,778,093	18,528,675	12,692,171	9,747,061	6,717,248	-	85,604,110
Investment accounts of customers	202,967	-	-	-	-	-	-	202,967
Deposits and placements from banks and financial institutions	1,302,500	901,362	552,594	-	-	-	-	2,756,456
Recourse obligations on financing sold to Cagamas	-	5,686	5,850	11,535	23,071	1,144,116	-	1,190,258
Debt securities issued	-	-	-	102,227	108,662	5,678,346	-	5,889,235
Trade payables	-	-	1,695	-	-	-	-	1,695
Cashline facility	302,031	401,497	-	-	-	-	-	703,528
Other liabilities	-	2,037	1,556,487	8,149	9,906	28,719	313,390	1,918,688
	19,948,360	21,088,675	20,645,301	12,814,082	9,888,700	13,568,429	313,390	98,266,937

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.5 Contractual maturity of financial liabilities on an undiscounted basis (continued)

Group 2022	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	17,911,560	19,646,875	20,710,507	14,248,146	8,795,764	7,509,634	-	88,822,486
Investment accounts of customers	19,983	-	-	-	-	-	-	19,983
Deposits and placements from banks and financial institutions	305,082	1,187,379	100,000	-	-	-	-	1,592,461
Recourse obligations on financing sold to Cagamas	-	-	5,850	5,850	11,700	469,803	-	493,203
Debt securities issued	-	-	-	80,993	82,665	4,701,877	-	4,865,535
Trade payables	-	-	1,735	-	-	-	-	1,735
Cashline facility	401,203	302,919	-	-	-	-	-	704,122
Other liabilities	-	55	1,237,243	165	331	41,717	305,904	1,585,415
	18,637,828	21,137,228	22,055,335	14,335,154	8,890,460	12,723,031	305,904	98,084,940

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.5 Contractual maturity of financial liabilities on an undiscounted basis (continued)

Bank 2023	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	18,140,862	19,778,093	18,528,675	12,692,171	9,747,061	6,717,248	-	85,604,110
Investment accounts of customers	202,967	-	-	-	-	-	-	202,967
Deposits and placements from banks and financial institutions	1,302,500	901,362	552,594	-	-	-	-	2,756,456
Recourse obligations on financing sold to Cagamas	-	5,686	5,850	11,535	23,071	1,144,116	-	1,190,258
Debt securities issued	-	-	-	102,227	108,662	5,678,346	-	5,889,235
Cashline facility	302,031	401,497	-	-	-	-	-	703,528
Other liabilities	-	2,037	1,556,487	8,149	9,906	42,555	313,390	1,932,524
	19,948,360	21,088,675	20,643,606	12,814,082	9,888,700	13,582,265	313,390	98,279,078

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.4 Liquidity risk (continued)

46.4.5 Contractual maturity of financial liabilities on an undiscounted basis (continued)

Bank 2022	Up to 1 week RM'000	More than 1 week- 1 month RM'000	More than 1 month- 3 months RM'000	More than 3 months- 6 months RM'000	More than 6 months- 1 year RM'000	More than 1 year RM'000	No specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	17,911,560	19,646,875	20,710,507	14,248,146	8,795,764	7,509,634	-	88,822,486
Investment accounts of customers	19,983	-	-	-	-	-	-	19,983
Deposits and placements from banks and financial institutions	305,082	1,187,379	100,000	-	-	-	-	1,592,461
Recourse obligations on financing sold to Cagamas	-	-	5,850	5,850	11,700	469,803	-	493,203
Debt securities issued	-	-	-	80,993	82,665	4,701,877	-	4,865,535
Cashline facility	401,203	302,919	-	-	-	-	-	704,122
Other liabilities	6,993	7,461	1,265,404	21,454	49,412	48,562	333,071	1,732,357
	18,644,821	21,144,634	22,081,761	14,356,443	8,939,541	12,729,876	333,071	98,230,147

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk

Market risk is defined as the risk of financial loss due to changes in equity prices, benchmark rates, credit spreads, foreign-exchange rates, commodity prices, and other indicators whose values are set in a public market. Changes in market rates can affect the Bank's net earnings and also the economic value of Bank's equity.

The function of Market Risk and Asset Liability Management ("ALM") is to manage and control market risk exposure in order to optimize return on risk while maintaining a market profile consistent with the Bank's strategic plan.

The Bank has established the market risk policy, strategy and processes which are periodically reviewed and updated to take into account changes in activities and market structure to ensure effective implementation of risk management policies.

46.5.1 Management of market risk

The Bank manages market risk by segregating exposure to market risk between trading and non-trading portfolios. Trading portfolios are held by treasury department which consist of financial assets that are managed on fair value basis.

The risk measurement techniques employed by the Bank to measure and quantify the market value changes and the level of market risk comprise of Value-at-Risk ("VaR"), Modified Duration and Present Value of One Basis Point ("PV01").

Exposure of the Bank to the foreign exchange rates is minimal since operation of foreign currency unit is limited to remittance services only.

46.5.2 Profit rate risk

Investment in debt securities and financing are exposed to risk of change in profit rates that would result in changes in cash flows. On the other hand, investment in equity securities and other short-term receivables and payables are not significantly exposed to profit rate risk.

Among other efforts in mitigating this risk is by diversifying investment mainly in fixed-income securities with different duration. The Bank has not engaged in hedging through derivative instruments during the year.

The sensitivity of the Bank's financial assets and liabilities to the profit rate risk is measured and monitored proactively using multiple measurement techniques such as Gap Analysis, Duration and Simulation Model.

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.2 Profit rate risk (continued)

Profit rate risk in the banking book portfolio is managed and controlled using the standardised approach known as Earning at Risk ("EaR") and Economic Value of Equity ("EVE").

The table below indicates the Bank's profit rate sensitivity to a 100 basis points parallel shift.

	Increase by 100 bp RM'000	Decrease by 100 bp RM'000
Group and Bank		
2023		
Impact on Earning at Risk (EaR)	(8,067)	8,067
Impact on Economic Value of Equity (EVE)	<u>(1,596,117)</u>	<u>1,596,117</u>
2022		
Impact on Earning at Risk (EaR)	(47,563)	47,563
Impact on Economic Value of Equity (EVE)	<u>(1,810,136)</u>	<u>1,810,136</u>

46.5.3 Exposure to profit rate

Among other controls to ensure that market risk exposures remain within tolerable levels include stress testing, new product approval procedures and listing of permissible instruments that can be traded.

Periodic stress testing and control assessment are conducted to address the plausible market events relating to the threat of market failure that could disrupt the Bank's profitability and capital adequacy in ensuring its resiliency.

46.5.4 Risk measurement approach

The tables in Note 46.5.5 indicate the effective profit rates at the reporting date and the Group's and the Bank's sensitivity to profit rates by time band based on maturity date.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments

Group	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years	Non-profit sensitive		
31.12.2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash, deposits and placements with financial institutions	100,035	-	378,716	-	-	1,002,066	-	1,480,817
Financial investments at fair value through other comprehensive income	127,730	619,890	1,537,187	8,653,422	8,354,806	101,574	8	19,394,617
Financial investments at amortised cost	99,709	466,896	566,278	4,547,931	6,841,490	-	-	12,522,304
Financing and advances								
- Non-impaired	60,621,696	74,945	64,522	3,031,346	15,206,691	2,916,556	-	81,915,756
- Impaired, net of allowances	-	-	-	-	-	(814,538)	-	(814,538)
Other non-profit sensitive balances	-	-	-	-	-	4,192,801	-	4,192,801
	60,949,170	1,161,731	2,546,703	16,232,699	30,402,987	7,398,459	8	118,691,757

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued)	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years	Non-profit sensitive		
31.12.2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	31,019,226	18,396,461	21,891,237	10,242,529	2,008,453	-	-	83,557,906
Investment accounts of customers	202,967	-	-	-	-	-	-	202,967
Deposits and placements from banks and financial institutions	2,203,197	552,308	-	-	-	-	-	2,755,505
Recourse obligations on financing sold to Cagamas	-	-	-	1,000,005	-	-	-	1,000,005
Debt securities issued	-	-	-	3,828,093	1,205,444	-	-	5,033,537
Cashline facility	701,468	-	-	-	-	-	-	701,468
Other non-profit sensitive balances	-	-	-	-	-	1,947,005	-	1,947,005
	34,126,858	18,948,769	21,891,237	15,070,627	3,213,897	1,947,005	-	95,198,393

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued)	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years	Non-profit sensitive		
31.12.2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On-balance sheet profit sensitivity gap	26,822,312	(17,787,038)	(19,344,534)	1,162,072	27,189,090	5,451,454	8	23,493,364
Total profit sensitivity gap	26,822,312	(17,787,038)	(19,344,534)	1,162,072	27,189,090	5,451,454	8	23,493,364

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued)	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years	Non-profit sensitive		
31.12.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
Assets								
Cash, deposits and placements with financial institutions	-	-	368,303	-	-	1,834,562	-	2,202,865
Financial investments at fair value through profit or loss	-	-	-	-	-	-	255,027	255,027
Financial investments at fair value through other comprehensive income	80,107	305,057	2,282,572	9,071,730	8,639,660	-	87,175	20,466,301
Financial investments at amortised cost	49,926	61,039	879,693	3,465,323	7,971,064	-	-	12,427,045
Financing and advances								
- Non-impaired	55,735,600	78,187	75,764	2,969,913	17,213,455	2,502,193	-	78,575,112
- Impaired, net of allowances	-	-	-	-	-	(1,335,523)	-	(1,335,523)
Other non-profit sensitive balances	-	-	-	-	-	4,273,596	-	4,273,596
	55,865,633	444,283	3,606,332	15,506,966	33,824,179	7,274,828	342,202	116,864,423

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued)	Non-trading book					Non-profit sensitive	Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years			
31.12.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
Liabilities								
Deposits from customers	31,101,097	20,535,291	22,493,674	9,453,101	2,755,034	-	-	86,338,197
Investment accounts of customers	19,983	-	-	-	-	-	-	19,983
Deposits and placements from banks and financial institutions	1,492,461	100,000	-	-	-	-	-	1,592,461
Recourse obligations on financing sold to Cagamas	-	-	-	500,000	-	-	-	500,000
Debt securities issued	-	-	-	2,112,817	1,910,574	-	-	4,023,391
Cashline facility	704,122	-	-	-	-	-	-	704,122
Other non-profit sensitive balances	-	-	-	-	-	1,607,701	-	1,607,701
	33,317,663	20,635,291	22,493,674	12,065,918	4,665,608	1,607,701	-	94,785,855

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued)	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years	Non-profit sensitive		
31.12.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
On-balance sheet profit sensitivity gap	22,547,970	(20,191,008)	(18,887,342)	3,441,048	29,158,571	5,667,127	342,202	22,078,568
Total profit sensitivity gap	22,547,970	(20,191,008)	(18,887,342)	3,441,048	29,158,571	5,667,127	342,202	22,078,568

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued)	Non-trading book					Non-profit sensitive	Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years			
01.01.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
Assets								
Cash, deposits and placements with financial institutions	150,189	311,214	211,060	-	-	835,189	-	1,507,652
Financial investments at fair value through profit or loss	-	-	-	-	-	-	976,032	976,032
Financial investments at fair value through other comprehensive income	199,160	335,682	2,589,900	9,814,429	7,769,768	-	72,779	20,781,718
Financial investments at amortised cost	105,022	-	1,546,374	2,298,504	6,876,950	-	-	10,826,850
Financing and advances								
- Non-impaired	52,856,995	45,598	64,758	3,319,354	19,484,772	1,808,185	-	77,579,662
- Impaired, net of allowances	-	-	-	-	-	(932,918)	-	(932,918)
Other non-profit sensitive balances	-	-	-	-	-	3,669,469	-	3,669,469
	53,311,366	692,494	4,412,092	15,432,287	34,131,490	5,379,925	1,048,811	114,408,465

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued)	Non-trading book					Non-profit sensitive	Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years			
01.01.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
Liabilities								
Deposits from customers	25,829,046	20,446,183	27,940,038	10,182,524	2,126,093	-	-	86,523,884
Deposits and placements from banks and financial institutions	600,000	250,000	-	-	-	-	-	850,000
Recourse obligations on financing sold to Cagamas	-	-	-	318,311	-	-	-	318,311
Debt securities issued	-	-	1,286,546	704,367	1,307,027	-	-	3,297,940
Cashline facility	400,032	300,385	-	-	-	-	-	700,417
Other non-profit sensitive balances	-	-	-	-	-	1,712,411	-	1,712,411
	26,829,078	20,996,568	29,226,584	11,205,202	3,433,120	1,712,411	-	93,402,963

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FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Group (continued)	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years	Non-profit sensitive		
01.01.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
On-balance sheet profit sensitivity gap	26,482,288	(20,304,074)	(24,814,492)	4,227,085	30,698,370	3,667,514	1,048,811	21,005,502
Total profit sensitivity gap	26,482,288	(20,304,074)	(24,814,492)	4,227,085	30,698,370	3,667,514	1,048,811	21,005,502

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank 31.12.2023	Non-trading book					Non-profit sensitive	Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash, deposits and placements with financial institutions	100,035	-	378,716	-	-	1,001,469	-	1,480,220
Financial investments at fair value through other comprehensive income	127,730	619,890	1,537,187	8,653,422	8,354,806	101,574	-	19,394,609
Financial investments at amortised cost	99,709	466,896	566,278	4,547,931	6,841,490	-	-	12,522,304
Financing and advances								
- Non-impaired	60,621,696	74,945	64,522	3,031,346	15,536,663	2,916,556	-	82,245,728
- Impaired, net of allowances	-	-	-	-	-	(820,438)	-	(820,438)
Other non-profit sensitive balances	-	-	-	-	-	3,587,391	-	3,587,391
	60,949,170	1,161,731	2,546,703	16,232,699	30,732,959	6,786,552	-	118,409,814

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank (continued)	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years	Non-profit sensitive		
31.12.2023	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	31,019,226	18,396,461	21,891,237	10,242,529	2,008,453	-	-	83,557,906
Investment accounts of customers	202,967	-	-	-	-	-	-	202,967
Deposits and placements from banks and financial institutions	2,203,197	552,308	-	-	-	-	-	2,755,505
Recourse obligations on financing sold to Cagamas	-	-	-	1,000,005	-	-	-	1,000,005
Debt securities issued	-	-	-	3,828,093	1,205,444	-	-	5,033,537
Cashline facility	701,468	-	-	-	-	-	-	701,468
Other non-profit sensitive balances	-	-	-	-	-	2,094,289	-	2,094,289
	34,126,858	18,948,769	21,891,237	15,070,627	3,213,897	2,094,289	-	95,345,677

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years	Non-profit sensitive		
Bank (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2023								
On-balance								
sheet profit								
sensitivity gap	26,822,312	(17,787,038)	(19,344,534)	1,162,072	27,519,062	4,692,263	-	23,064,137
Total profit								
sensitivity gap	26,822,312	(17,787,038)	(19,344,534)	1,162,072	27,519,062	4,692,263	-	23,064,137

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years	Non-profit sensitive		
Bank (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2022								
Restated								
Assets								
Cash, deposits and placements with financial institutions	-	-	368,303	-	-	1,831,709	-	2,200,012
Financial investments at fair value through profit or loss	-	-	-	-	-	-	255,027	255,027
Financial investments at fair value through other comprehensive income	80,107	305,057	2,282,572	9,071,730	8,639,660	-	87,167	20,466,293
Financial investments at amortised cost	49,926	61,039	879,693	3,465,323	7,971,064	-	-	12,427,045
Financing and advances								
- Non-impaired	55,735,600	78,187	75,764	2,969,913	17,511,790	2,502,193	-	78,873,447
- Impaired, net of allowances	-	-	-	-	-	(1,345,833)	-	(1,345,833)
Other non-profit sensitive balances	-	-	-	-	-	3,670,437	-	3,670,437
	55,865,633	444,283	3,606,332	15,506,966	34,122,514	6,658,506	342,194	116,546,428

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank (continued)	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years	Non-profit sensitive		
31.12.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
Liabilities								
Deposits from customers	31,101,097	20,535,291	22,493,674	9,453,101	2,755,034	-	-	86,338,197
Investment accounts of customers	19,983	-	-	-	-	-	-	19,983
Deposits and placements from banks and financial institutions	1,492,461	100,000	-	-	-	-	-	1,592,461
Recourse obligations on financing sold to Cagamas	-	-	-	500,000	-	-	-	500,000
Debt securities issued	-	-	-	2,112,817	1,910,574	-	-	4,023,391
Cashline facility	704,122	-	-	-	-	-	-	704,122
Other non-profit sensitive balances	-	-	-	-	-	1,737,738	-	1,737,738
	33,317,663	20,635,291	22,493,674	12,065,918	4,665,608	1,737,738	-	94,915,892

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book						Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years	Non-profit sensitive		
Bank (continued)	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2022								
Restated								
On-balance sheet profit sensitivity gap	22,547,970	(20,191,008)	(18,887,342)	3,441,048	29,456,906	4,920,768	342,194	21,630,536
Total profit sensitivity gap	22,547,970	(20,191,008)	(18,887,342)	3,441,048	29,456,906	4,920,768	342,194	21,630,536

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank (continued)	Non-trading book					Non-profit sensitive	Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years			
01.01.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
Assets								
Cash, deposits and placements with financial institutions	150,189	311,214	211,060	-	-	834,987	-	1,507,450
Financial investments at fair value through profit or loss	-	-	-	-	-	-	976,032	976,032
Financial investments at fair value through other comprehensive income	199,160	335,682	2,589,900	9,814,429	7,769,768	-	72,771	20,781,710
Financial investments at amortised cost	105,022	-	1,546,374	2,298,504	6,876,950	-	-	10,826,850
Financing and advances								
- Non-impaired	52,856,995	45,598	64,758	3,319,354	19,718,521	1,808,185	-	77,813,411
- Impaired, net of allowances	-	-	-	-	-	(946,523)	-	(946,523)
Other non-profit sensitive balances	-	-	-	-	-	3,186,255	-	3,186,255
	53,311,366	692,494	4,412,092	15,432,287	34,365,239	4,882,904	1,048,803	114,145,185

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

Bank (continued)	Non-trading book					Non-profit sensitive	Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years			
01.01.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
Liabilities								
Deposits from customers	25,829,046	20,446,183	27,940,038	10,182,524	2,126,093	-	-	86,523,884
Deposits and placements from banks and financial institutions	600,000	250,000	-	-	-	-	-	850,000
Recourse obligations on financing sold to Cagamas	-	-	-	318,311	-	-	-	318,311
Debt securities issued	-	-	1,286,546	704,367	1,307,027	-	-	3,297,940
Cashline facility	400,032	300,385	-	-	-	-	-	700,417
Other non-profit sensitive balances	-	-	-	-	-	1,884,260	-	1,884,260
	26,829,078	20,996,568	29,226,584	11,205,202	3,433,120	1,884,260	-	93,574,812

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**NOTES TO THE FINANCIAL STATEMENTS
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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.5 Market risk (continued)

46.5.5 Exposure to profit rate risk on profit-bearing financial instruments (continued)

	Non-trading book					Non-profit sensitive	Trading book	Total
	Up to 1 month	More than 1 month- 3 months	More than 3 months- 1 year	More than 1 year- 5 years	More than 5 years			
Bank (continued)								
01.01.2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Restated								
On-balance sheet profit sensitivity gap	26,482,288	(20,304,074)	(24,814,492)	4,227,085	30,932,119	2,998,644	1,048,803	20,570,373
Total profit sensitivity gap	26,482,288	(20,304,074)	(24,814,492)	4,227,085	30,932,119	2,998,644	1,048,803	20,570,373

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.6 Operational risk

The Bank defines operational risk as the risk of loss or non-achievement of business objectives due to inadequate or failed internal processes, people and system, or from external events.

The Bank's Operational Risk Management ("ORM") Framework sets out the governance and oversight structure, roles and relationships of the three lines of defense mechanism as well as the high level principles and methodologies for operational risk identification, assessment, control and monitoring.

The framework recognises the relationships between operational risk and other risk types such as strategic, credit, market and reputation risks; and is cascaded to also govern the management of operational risk sub-types i.e. legal and compliance risk, Shariah non-compliance risk, Information Technology risk and outsourcing risk.

The Bank has no appetite for losses arising from inadequate internal controls, systems, and processes; which can be elaborated as zero appetite for:

- Failure to maintain a sound and proportionate system of internal controls to manage the expected operational risk losses and avoid the unexpected operational risk losses;
- Regulatory censures, fines or prosecution relating to the laws and regulations applicable to the Bank; and
- Failure to comply with Shariah rules and parameters as set out by the Shariah Committee ("SC") and/or the Shariah Advisory Council of Bank Negara Malaysia.

The Bank continuously monitors its operational risk exposure to ensure the level of exposure is within the acceptable tolerance. This is conducted by means of the established governance and oversight structure as well as through the day-to-day operational risk management processes.

ORM processes are undertaken through the implementation of tools such as Risk and Control Self-Assessment ("RCSA"), Key Risk Indicator ("KRI") and Loss Event Data ("LED") collection. RCSA is a tool used to identify and assess the risks in key business processes, evaluate the effectiveness of internal controls and provide the basis for determining risk responses/strategies in pursuing business objectives. KRI provides early warning signal of any increase in risk exposure and/or occurrence of control failures. To support operational risk analytics, the Bank collects LED based on BNM's Operational Risk Integrated Online Network ("ORION") requirements.

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46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.6 Operational risk (continued)

To improve its operational resilience, the Bank has revamped its Business Continuity Management ("BCM") framework and processes by streamlining the governance structure and response matrix based on severity of disruption; namely code Amber, Red and Black. Code Amber incidents are isolated disruption affecting only a particular business/activity which shall be managed by the respective business involved. The entire crisis management hierarchy headed by Managing Director/President shall be activated under Code Black, which is a full-on crisis that could potentially affect the going concern of the Bank. To ensure effectiveness of the business continuity plans and to be in line with regulatory requirements, regular exercises, disaster simulations and recovery drills are conducted throughout the year.

46.7 Capital management

The objective of capital management is to maintain a strong capital position to support business growth, to maintain investors, depositors, customers and market confidence and to provide cushion for any potential losses. In line with this objective, the Bank manages its capital actively and ensures that the capital adequacy ratios which take into account the risk profile of the Bank, are above the regulatory minimum requirement.

Capital adequacy and the use of regulatory capital are monitored monthly by the Bank's management, employing techniques based on the Capital Framework for Development Financial Institutions by Bank Negara Malaysia. The required information is filed with Bank Negara Malaysia on a monthly basis.

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with Bank Negara Malaysia which takes into account the risk profile of the Bank. The regulatory capital requirements are strictly observed when managing economic capital.

The Bank's regulatory capital comprises two tiers:

- (i) Tier 1 capital: share capital, statutory reserve, capital reserve and retained profits; and
- (ii) Tier 2 capital: subordinated sukuk, collective impairment allowances on non-impaired financing and regulatory reserve.

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FOR THE YEAR ENDED 31 DECEMBER 2023**

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.7 Capital management (continued)

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and exposures not recognised in the statements of financial position.

The Bank's policy is to maintain a strong capital base so as to ensure investors', creditors' and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

46.7.1 Capital adequacy ratio

The Bank is required to comply with the core capital ratio and risk-weighted capital adequacy ratio prescribed by Bank Negara Malaysia. The capital adequacy ratios of the Bank are computed in accordance with BNM's Capital Framework for Development Financial Institutions (Capital Component & Risk-Weighted Asset). The Bank was in compliance with all prescribed capital ratios throughout the period.

	31.12.2023	Bank 31.12.2022 Restated	01.01.2022 Restated
Before proposed dividend			
Core capital ratio	24.428%	24.256%	23.057%
Risk-weighted capital adequacy ratio	26.463%	26.819%	25.454%
After proposed dividend			
Core capital ratio	23.872%	23.742%	22.534%
Risk-weighted capital adequacy ratio	25.907%	26.305%	24.931%

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.7 Capital management (continued)

46.7.1 Capital adequacy ratio (continued)

The above ratios are derived by taking into account the core capital and capital base against the risk-weighted assets of the Bank. Components of the capital are as follows:

	31.12.2023 RM'000	Bank 31.12.2022 RM'000 Restated	01.01.2022 RM'000 Restated
Tier I capital			
Paid-up share capital	2,986,030	2,986,030	2,986,030
Retained profits	11,346,175	10,699,375	9,723,815
Other reserves	8,242,131	7,827,023	7,322,051
Less: deferred tax assets	(177,000)	(290,000)	(201,000)
Total Tier I capital (core)	22,397,336	21,222,428	19,830,896
Tier II capital			
Subordinated sukuk	300,000	300,000	300,000
Collective impairment *	1,336,933	1,713,417	1,533,241
Regulatory reserve	329,672	329,672	329,672
Total Tier II capital	1,966,605	2,343,089	2,162,913
Total capital	24,363,941	23,565,517	21,993,809
Less: Investment in subsidiaries	(100,744)	(100,744)	(100,744)
Total capital base	24,263,197	23,464,773	21,893,065

* This is a surplus amount allowable after taking into account the collective impairment allowance on impaired financing of the Bank.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023****46. FINANCIAL RISK MANAGEMENT (CONTINUED)****46.7 Capital management (continued)****46.7.1 Capital adequacy ratio (continued)**

Assets in various categories are risk-weighted as follows:

	31.12.2023	Bank 31.12.2022	01.01.2022
	RM'000	RM'000	RM'000
		Restated	Restated
Total assets assigned			
20% risk-weighted	234,907	224,109	421,051
Total assets assigned			
50% risk-weighted	2,406,274	2,453,180	2,563,408
Total assets assigned			
100% risk-weighted	87,957,384	83,763,480	82,031,089
Off-Balance Sheet claims assigned 100% risk-weighted	1,089,558	1,051,069	993,140
	91,688,123	87,491,838	86,008,688

46.7.2 Transitional Arrangement

Based on the BNM's policy document on Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions for Development Financial Institutions (DFIs) issued on 9 December 2020, the prescribed development financial institutions ("DFIs") which elect to apply the transitional arrangements are allowed to add back a portion of the Stage 1 and Stage 2 provisions for expected credit losses to Tier I Capital over a four-year period from financial year beginning 2020 or a three-year period from financial year beginning 2021. The Group and Bank elected to adopt the transitional arrangements for four-year period from financial year beginning 2020.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.7 Capital management (continued)

46.7.2 Transitional Arrangement (continued)

Bank 31.12.2023	Before Transitional Arrangement RM'000	After Transitional Arrangement RM'000
Total Tier I Capital	22,397,336	22,397,336
of which: Total Add-back	-	338,343
Total Additional Tier I Capital	22,397,336	22,735,679
Total Tier II Capital	1,966,605	1,966,605
of which: Loss provisions	1,666,605	1,666,605
Total Risk Weighted Assets	91,688,123	91,688,123
Core capital ratio	24.428%	24.797%
Risk-weighted capital adequacy ratio	26.463%	26.832%
Bank 31.12.2022 Restated		
Total Tier I Capital	21,222,428	21,222,428
of which: Total Add-back	-	789,879
Total Additional Tier I Capital	21,222,428	22,012,307
Total Tier II Capital	2,343,089	2,343,089
of which: Loss provisions	2,043,089	2,043,089
Total Risk Weighted Assets	87,491,838	87,491,838
Core capital ratio	24.256%	25.159%
Risk-weighted capital adequacy ratio	26.819%	27.722%

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

46. FINANCIAL RISK MANAGEMENT (CONTINUED)

46.7 Capital management (continued)

46.7.2 Transitional Arrangement (continued)

Bank 01.01.2022 Restated	Before Transitional Arrangement RM'000	After Transitional Arrangement RM'000
Total Tier I Capital	19,830,896	19,830,896
of which: Total Add-back	-	872,996
Total Additional Tier I Capital	<u>19,830,896</u>	<u>20,703,892</u>
Total Tier II Capital	2,162,913	2,162,913
of which: Loss provisions	1,862,913	1,862,913
Total Risk Weighted Assets	86,008,688	86,008,688
Core capital ratio	23.057%	24.072%
Risk-weighted capital adequacy ratio	25.454%	26.469%

47. FAIR VALUES OF FINANCIAL INSTRUMENTS

Financial instruments comprise financial assets, financial liabilities and off-balance sheet financial instruments. Fair value is the amount at which the financial asset could be exchanged or a financial liability could be settled, between knowledgeable and willing parties in an arm's length transaction. The information presented herein represents the best estimates of fair values as at the end of the reporting period.

Where available, quoted and observable market prices are used as the measure of fair values. Where such quoted and observable market prices are not available, fair values are estimated based on appropriate methodologies and assumptions on risk characteristics of various financial instruments, discount rates, estimates of future cash flows and other factors. Changes in the uncertainties and assumptions could materially affect these estimates and the resulting fair value estimates.

Fair value information for non-financial assets and liabilities is excluded as they do not fall within the scope of MFRS 132, *Financial Instruments: Disclosure and Presentation* which requires the fair value information to be disclosed.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.1 Valuation of financial instruments

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements.

- (i) Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- (ii) Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- (iii) Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation.

This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices. For all other financial instruments, the Group and the Bank determine fair values using valuation techniques.

There were no financial liabilities of the Group and the Bank at the end of the reporting period that were measured at fair value.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.2 Valuation of financial instruments at fair value

Group 2023	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial investments at fair value through other comprehensive income					
Islamic debt securities	5,349,954	5,349,954	-	5,349,954	-
Government investment issues	4,798,167	4,798,167	-	4,798,167	-
Government sukuk	8,678,487	8,678,487	-	8,678,487	-
Cagamas sukuk	466,427	466,427	-	466,427	-
Unquoted shares	101,582	101,582	-	-	101,582
	19,394,617	19,394,617	-	19,293,035	101,582

**Group
2022**

**Financial investments
at fair value through
profit or loss**

Government investment issues	41,827	41,827	-	41,827	-
Islamic redeemable convertible preference shares	213,200	213,200	-	213,200	-
	255,027	255,027	-	255,027	-

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.2 Valuation of financial instruments at fair value (continued)

Group 2022 (continued)	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial investments at fair value through other comprehensive income					
Islamic debt securities	4,520,183	4,520,183	-	4,520,183	-
Government investment issues	6,803,294	6,803,294	-	6,803,294	-
Government sukuk	8,403,783	8,403,783	-	8,403,783	-
Cagamas sukuk	651,866	651,866	-	651,866	-
Unquoted shares	87,175	87,175	-	-	87,175
	20,466,301	20,466,301	-	20,379,126	87,175

**Bank
2023**

**Financial investments
at fair value through
other comprehensive
income**

Islamic debt securities	5,349,954	5,349,954	-	5,349,954	-
Government investment issues	4,798,167	4,798,167	-	4,798,167	-
Government sukuk	8,678,487	8,678,487	-	8,678,487	-
Cagamas sukuk	466,427	466,427	-	466,427	-
Unquoted shares	101,574	101,574	-	-	101,574
	19,394,609	19,394,609	-	19,293,035	101,574

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.2 Valuation of financial instruments at fair value (continued)

Bank 2022	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Financial investments at fair value through profit or loss					
Government investment issues	41,827	41,827	-	41,827	-
Islamic redeemable convertible preference shares	213,200	213,200	-	213,200	-
	<u>255,027</u>	<u>255,027</u>	<u>-</u>	<u>255,027</u>	<u>-</u>
Financial investments at fair value through other comprehensive income					
Islamic debt securities	4,520,183	4,520,183	-	4,520,183	-
Government investment issues	6,803,294	6,803,294	-	6,803,294	-
Government sukuk	8,403,783	8,403,783	-	8,403,783	-
Cagamas sukuk	651,866	651,866	-	651,866	-
Unquoted shares	87,167	87,167	-	-	87,167
	<u>20,466,293</u>	<u>20,466,293</u>	<u>-</u>	<u>20,379,126</u>	<u>87,167</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.2 Valuation of financial instruments at fair value (continued)

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial instruments which are recorded at fair value:

	Group	
	2023	2022
	RM'000	RM'000
Financial investments at fair value through other comprehensive income		
Unquoted shares		
At 1 January	87,175	72,779
Addition of unquoted shares	-	1
Unrealised gains recognised in other comprehensive income	14,407	14,395
At 31 December	101,582	87,175
	Bank	
	2023	2022
	RM'000	RM'000
Financial investments at fair value through other comprehensive income		
Unquoted shares		
At 1 January	87,167	72,771
Addition of unquoted shares	-	1
Unrealised gains recognised in other comprehensive income	14,407	14,395
At 31 December	101,574	87,167

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required)

Set out below is a comparison of the carrying amount and fair value of financial instruments that are not measured at fair value in the financial statements.

	Carrying amount 2023 RM'000	Fair value 2023 RM'000	Carrying amount 2022 RM'000 Restated	Fair value 2022 RM'000 Restated
Group				
Financial assets				
Cash and short-term funds	1,102,099	1,102,099	1,834,420	1,834,420
Deposits and placements with financial institutions	378,718	378,718	368,445	368,445
Financial investments at amortised cost	12,522,304	12,278,479	12,427,045	12,015,044
Financing and advances	81,101,218	83,684,054	77,239,589	79,480,667
Trade receivables	2,314	2,314	1,228	1,228
Other receivables and deposits	910,873	910,873	946,265	946,265
Financial liabilities				
Deposits from customers	83,557,906	83,958,940	86,338,197	86,151,840
Investment accounts of customers	202,967	202,967	19,983	19,983
Deposits and placements from banks and financial institutions	2,755,505	2,755,505	1,592,461	1,592,461
Recourse obligations on financing sold to Cagamas	1,000,005	1,008,491	500,000	501,777
Debt securities issued	5,033,537	5,027,488	4,023,391	3,921,772
Trade payables	1,695	1,695	1,735	1,735
Cashline facility	701,468	701,468	704,122	704,122
Other liabilities	1,825,050	1,825,050	1,493,096	1,493,096

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount 2023 RM'000	Fair value 2023 RM'000	Carrying amount 2022 RM'000 Restated	Fair value 2022 RM'000 Restated
Bank				
Financial assets				
Cash and short-term funds	1,101,504	1,101,504	1,831,709	1,831,709
Deposits and placements with financial institutions	378,716	378,716	368,303	368,303
Financial investments at amortised cost	12,522,304	12,278,479	12,427,045	12,015,044
Financing and advances	81,425,290	83,684,054	77,527,614	79,480,667
Other receivables and deposits	906,538	906,538	919,733	919,733
Financial liabilities				
Deposits from customers	83,557,906	83,958,940	86,338,197	86,151,840
Investment accounts of customers	202,967	202,967	19,983	19,983
Deposits and placements from banks and financial institutions	2,755,505	2,755,505	1,592,461	1,592,461
Recourse obligations on financing sold to Cagamas	1,000,005	1,008,491	500,000	501,777
Debt securities issued	5,033,537	5,027,488	4,023,391	3,921,772
Cashline facility	701,468	701,468	704,122	704,122
Other liabilities	1,976,149	1,976,149	1,634,898	1,634,898

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group					
31.12.2023					
Financial assets					
Cash and short-term funds	1,102,099	1,102,099	-	-	1,102,099
Deposits and placements with financial institutions	378,718	378,718	-	-	378,718
Financial investments at amortised cost					
Government sukuk	3,047,098	3,003,537	-	3,003,537	-
Government investment issues	7,955,166	7,852,088	-	7,852,088	-
Islamic debt securities	1,190,648	1,193,305	-	1,193,305	-
Cagamas sukuk	229,683	229,550	-	229,550	-
Negotiable Islamic debt certificates	99,709	99,709	-	-	99,709
Financing and advances	81,101,218	83,684,054	-	-	83,684,054
Trade receivables	2,314	2,314	-	-	2,314
Other receivables and deposits	910,873	910,873	-	-	910,873
	96,017,526	98,456,247	-	12,278,480	86,177,767

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
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47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group (continued)					
31.12.2023					
Financial liabilities					
Deposits from customers	83,557,906	83,958,940	-	-	83,958,940
Investment accounts of customers	202,967	202,967	-	-	202,967
Deposits and placements from banks and financial Institutions	2,755,505	2,755,505	-	-	2,755,505
Recourse obligations on financing sold to Cagamas	1,000,005	1,008,491	-	-	1,008,491
Debt securities issued	5,033,537	5,027,488	-	5,027,488	-
Trade payables	1,695	1,695	-	-	1,695
Cashline facility	701,468	701,468	-	-	701,468
Other liabilities	1,825,050	1,825,050	-	-	1,825,050
	95,078,133	95,481,604	-	5,027,488	90,454,116

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group (continued)					
31.12.2022					
Restated					
Financial assets					
Cash and short-term funds	1,834,420	1,834,420	-	-	1,834,420
Deposits and placements with financial institutions	368,445	368,445	-	-	368,445
Financial investments at amortised cost:					
Government sukuk	3,184,122	3,071,187	-	3,071,187	-
Government investment issues	7,803,055	7,520,318	-	7,520,318	-
Islamic debt securities	1,276,138	1,259,758	-	1,259,758	-
Khazanah sukuk	63,354	63,682	-	63,682	-
Cagamas sukuk	50,451	50,173	-	50,173	-
Negotiable Islamic debt certificates	49,925	49,925	-	-	49,925
Financing and advances	77,239,589	79,480,667	-	-	79,480,667
Trade receivables	1,228	1,228	-	-	1,228
Other receivables and deposits	946,265	946,265	-	-	946,265
	92,816,992	94,646,068	-	11,965,118	82,680,950

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**NOTES TO THE FINANCIAL STATEMENTS
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47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Group (continued)					
31.12.2022					
Restated					
Financial liabilities					
Deposits from customers	86,338,197	86,151,840	-	-	86,151,840
Investment accounts of customers	19,983	19,983	-	-	19,983
Deposits and placements from banks and financial Institutions	1,592,461	1,592,461	-	-	1,592,461
Recourse obligations on financing sold to Cagamas	500,000	501,777	-	-	501,777
Debt securities issued	4,023,391	3,921,772	-	3,921,772	-
Trade payables	1,735	1,735	-	-	1,735
Cashline facility	704,122	704,122	-	-	704,122
Other liabilities	1,493,096	1,493,096	-	-	1,493,096
	94,672,985	94,386,786	-	3,921,772	90,465,014

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank					
31.12.2023					
Financial assets					
Cash and short-term funds	1,101,504	1,101,504	-	-	1,101,504
Deposits and placements with financial institutions	378,716	378,716	-	-	378,716
Financial investments at amortised cost:					
Government sukuk	3,047,098	3,003,537	-	3,003,537	-
Government investment issues	7,955,166	7,852,088	-	7,852,088	-
Islamic debt securities	1,190,648	1,193,305	-	1,193,305	-
Cagamas sukuk	229,683	229,550	-	229,550	-
Negotiable Islamic debt certificates	99,709	99,709	-	-	99,709
Financing and advances	81,425,290	83,684,054	-	-	83,684,054
Other receivables and deposits	906,538	906,538	-	-	906,538
	96,334,352	98,449,001	-	12,278,480	86,170,521

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47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank (continued)					
31.12.2023					
Financial liabilities					
Deposits from customers	83,557,906	83,958,940	-	-	83,958,940
Investment accounts of customers	202,967	202,967	-	-	202,967
Deposits and placements from banks and financial Institutions	2,755,505	2,755,505	-	-	2,755,505
Recourse obligations on financing sold to Cagamas	1,000,005	1,008,491	-	-	1,008,491
Debt securities issued	5,033,537	5,027,488	-	5,027,488	-
Cashline facility	701,468	701,468	-	-	701,468
Other liabilities	1,976,149	1,976,149	-	-	1,976,149
	95,227,537	95,631,008	-	5,027,488	90,603,520

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank (continued)					
31.12.2022					
Restated					
Financial assets					
Cash and short-term funds	1,831,709	1,831,709	-	-	1,831,709
Deposits and placements with financial institutions	368,303	368,303	-	-	368,303
Financial investments at amortised cost:					
Government sukuk	3,184,122	3,071,187	-	3,071,187	-
Government investment issues	7,803,055	7,520,318	-	7,520,318	-
Islamic debt securities	1,276,138	1,259,758	-	1,259,758	-
Khazanah sukuk	63,354	63,682	-	63,682	-
Cagamas sukuk	50,451	50,173	-	50,173	-
Negotiable Islamic debt certificates	49,925	49,925	-	-	49,925
Financing and advances	77,527,614	79,480,667	-	-	79,480,667
Other receivables and deposits	919,733	919,733	-	-	919,733
	93,074,404	94,615,455	-	11,965,118	82,650,337

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

	Carrying amount RM'000	Fair value RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000
Bank (continued)					
31.12.2022					
Restated					
Financial liabilities					
Deposits from customers	86,338,197	86,151,840	-	-	86,151,840
Investment accounts of customers	19,983	19,983	-	-	19,983
Deposits and placements from banks and financial Institutions	1,592,461	1,592,461	-	-	1,592,461
Recourse obligations on financing sold to Cagamas	500,000	501,777	-	-	501,777
Debt securities issued	4,023,391	3,921,772	-	3,921,772	-
Cashline facility	704,122	704,122	-	-	704,122
Other liabilities	1,634,898	1,634,898	-	-	1,634,898
	94,813,052	94,526,853	-	3,921,772	90,605,081

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

47.3.1 Cash and short-term funds

The carrying amounts of cash and short-term funds approximate fair values due to the relatively short maturity of the financial instruments. This is similar to deposits and placements with financial institutions maturing within one month that have a relatively short maturity period.

47.3.2 Deposits and placements with financial institutions

The fair values of deposits and placements with financial institutions are not materially sensitive to changes in market profit rate because of their limited term to maturity.

47.3.3 Financial investments at amortised cost

Financial investments at amortised are carried at amortised cost at the end of the reporting period. Fair values for these financial instruments are estimated based on broker quotes from Bond Pricing Agency Malaysia.

47.3.4 Financing and advances

Financing and advances are carried at amortised cost at the end of the reporting period. Fair valuation of these financial instruments are estimated based on discounted payment to be received in the future using the effective profit rate offered for similar financing at the reporting date.

47.3.5 Trade and other receivables

The carrying amounts of trade and other receivables reported in the statements of financial position approximate their fair values due to the relatively short-term maturity of these instruments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

47. FAIR VALUES OF FINANCIAL INSTRUMENTS (CONTINUED)

47.3 Valuation of financial instruments not carried at fair value (but fair value disclosures are required) (continued)

47.3.6 Deposits from customers

The fair values of deposits payable on demand (demand and savings deposits), or deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts.

The fair values of deposits with remaining maturities of more than one year are estimated using discounted cash flows based on effective profit rates for similar deposits from customers at the reporting date.

However, since all deposits received can be classified as Islamic deposits, their fair values are deemed to approximate their carrying amounts as profit rates are determined at the end of the maturity period based on the sharing of profits generated from investments of the deposits.

47.3.7 Deposits and placements from banks and financial institutions

The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments.

47.3.8 Recourse obligations on financing sold to Cagamas

The fair values for recourse obligations sold to Cagamas that have remaining maturity of less than one year are estimated to approximate their carrying amounts. For remaining maturity of more than one year, they are estimated using discounted cash flows based on prevailing Cagamas rates at the reporting date.

47.3.9 Debt securities issued

Debt securities issued are measured at amortised cost at the end of the reporting period. The fair value of the securities are derived by referring to the present value of the expected amount due in the future by applying the effective profit rate for the debt securities at the reporting date.

47.3.10 Trade and other liabilities

The carrying amounts of trade and other liabilities reported in the statements of financial position approximate their fair values due to the relatively short-term maturity of these instruments.

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

48. PRIOR YEAR ADJUSTMENTS

Prior year adjustments were made to reflect the discontinuation of the adoption of the modified accounting treatment to comply with MFRS and IFRS accounting standards as described in Note 5. The effects of the adjustments have been accounted for retrospectively in the financial statements.

Group	As previously reported RM'000	Prior year adjustments RM'000	As restated RM'000
Statements of Financial Position as at 1 January 2022			
Gross financing and advances	79,615,464	(682,303)	78,933,161
Allowance for ECL on financing and advances:			
Stage 1 - 12-month ECL	(934,553)	4,297	(930,256)
Stage 2 - lifetime ECL not credit impaired	(609,842)	22,012	(587,830)
Stage 3 - lifetime ECL credit impaired	(774,632)	6,301	(768,331)
Net financing and advances	77,296,437	(649,693)	76,646,744
Reserves	(18,663,280)	649,693	(18,013,587)

Statements of Financial Position as at 31 December 2022

Gross financing and advances	80,440,430	(511,818)	79,928,612
Allowance for ECL on financing and advances:			
Stage 1 - 12-month ECL	(860,331)	5,061	(855,270)
Stage 2 - lifetime ECL not credit impaired	(874,052)	26,215	(847,837)
Stage 3 - lifetime ECL credit impaired	(996,155)	10,239	(985,916)
Net financing and advances	77,709,892	(470,303)	77,239,589
Other liabilities	(1,585,415)	(5,381)	(1,590,796)
Reserves	(19,566,102)	475,684	(19,090,418)

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

48. PRIOR YEAR ADJUSTMENTS (CONTINUED)

Group (continued)	As previously reported RM'000	Prior year adjustments RM'000	As restated RM'000
Statements of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2022			
Income	5,904,223	170,485	6,074,708
Allowances for impairment	(670,098)	8,905	(661,193)
Statutory appropriations:			
Transfer to statutory reserve	(460,125)	(44,847)	(504,972)
Contribution to the Co-operative Education Trust Fund	(33,565)	(3,587)	(37,152)
Contribution to the Co-operative Development Provident Fund	(16,782)	(1,794)	(18,576)
Profit for the year	1,288,150	129,162	1,417,312

**Statements of Cash Flows
for the year ended 31 December 2022**

Adjustment for allowance for impairment on financing and advances	677,550	(8,905)	668,645
Increase in financing and advances	(1,099,490)	(170,485)	(1,269,975)

Bank

**Statements of Financial Position
as at 1 January 2022**

Gross financing and advances	79,849,214	(682,303)	79,166,911
Allowance for ECL on financing and advances:			
Stage 1 - 12-month ECL	(948,159)	4,297	(943,862)
Stage 2 - lifetime ECL not credit impaired	(609,842)	22,012	(587,830)
Stage 3 - lifetime ECL credit impaired	(774,632)	6,301	(768,331)
Net financing and advances	77,516,581	(649,693)	76,866,888
Reserves	(18,228,151)	649,693	(17,578,458)

BANK KERJASAMA RAKYAT MALAYSIA BERHAD

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

48. PRIOR YEAR ADJUSTMENTS (CONTINUED)

Bank (continued)	As previously reported RM'000	Prior year adjustments RM'000	As restated RM'000
Statements of Financial Position as at 31 December 2022			
Gross financing and advances	80,738,765	(511,818)	80,226,947
Allowance for ECL on financing and advances:			
Stage 1 - 12-month ECL	(870,641)	5,061	(865,580)
Stage 2 - lifetime ECL not credit impaired	(874,052)	26,215	(847,837)
Stage 3 - lifetime ECL credit impaired	(996,155)	10,239	(985,916)
Net financing and advances	77,997,917	(470,303)	77,527,614
Other liabilities	(1,732,357)	(5,381)	(1,737,738)
Reserves	(19,118,070)	475,684	(18,642,386)
Statements of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2022			
Income	5,822,795	170,485	5,993,280
Allowances for impairment	(666,802)	8,905	(657,897)
Statutory appropriations:			
Transfer to statutory reserve	(460,125)	(44,847)	(504,972)
Contribution to the Co-operative Education Trust Fund	(33,565)	(3,587)	(37,152)
Contribution to the Co-operative Development Provident Fund	(16,782)	(1,794)	(18,576)
Profit for the year	1,275,247	129,162	1,404,409
Statements of Cash Flows for the year ended 31 December 2022			
Adjustment for allowance for impairment on financing and advances	674,254	(8,905)	665,349
Increase in financing and advances	(1,164,075)	(170,485)	(1,334,560)

