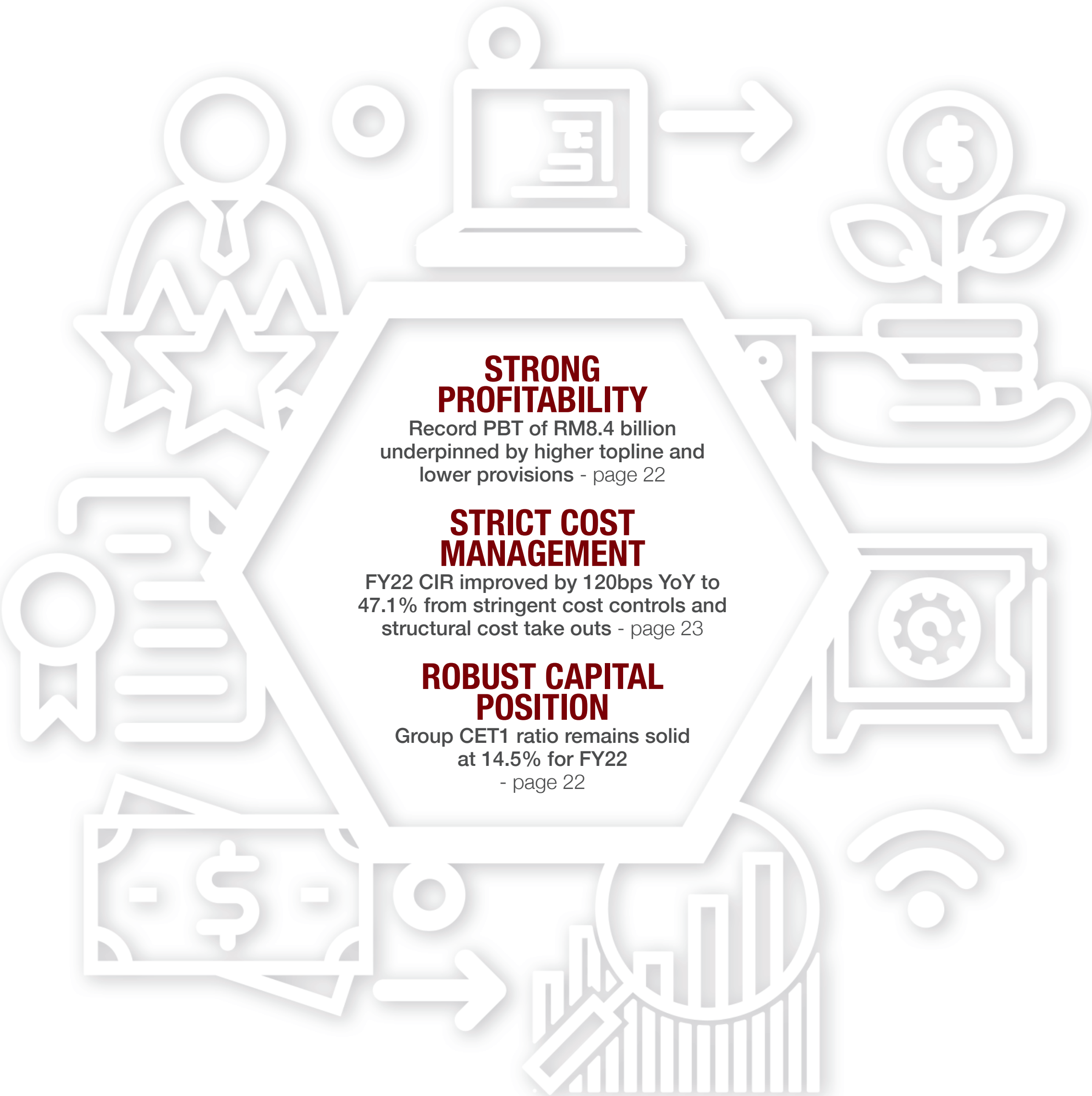
# FUTURE FORWARD

CIMB

CIMB GROUP HOLDINGS BERHAD
FINANCIAL STATEMENTS 2022



## STRONG PROFITABILITY

Record PBT of RM8.4 billion underpinned by higher topline and lower provisions - page 22

## STRICT COST MANAGEMENT

FY22 CIR improved by 120bps YoY to 47.1% from stringent cost controls and structural cost take outs - page 23

## ROBUST CAPITAL POSITION

Group CET1 ratio remains solid at 14.5% for FY22 - page 22

Delivering Sustainable Financial Returns | Disciplined Execution | Customer Centricity | Transform Fundamentals | Purpose-Driven Organisation

FORWARD23+

TO BE THE LEADING FOCUSED ASEAN BANK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# WHAT'S INSIDE

## PERFORMANCE REVIEW



## FINANCIAL STATEMENTS



## BASEL II PILLAR 3 DISCLOSURES

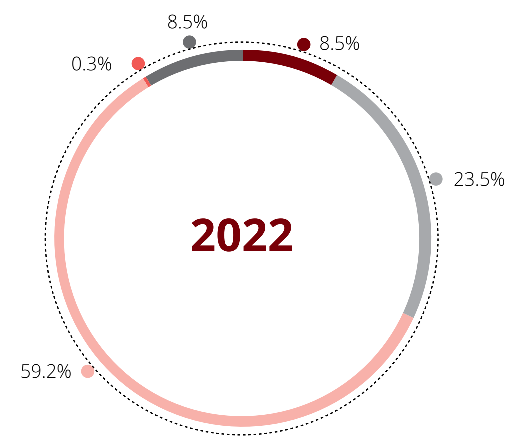
# 5-Year Group Financial Summary

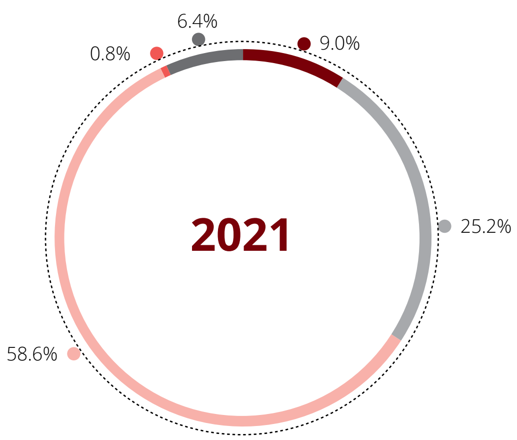
| Key Highlights | 2022 RM'000 | 2021 RM'000 | 2020 RM'000 | 2019 RM'000 | 2018 RM'000 |
|---|---|---|---|---|---|
| | Financial Year Ended 31 December | | | | |
| **Consolidated Statement of Income** | | | | | |
| Operating income[5] | **19,837,516** | 19,512,940 | 16,987,379 | 17,539,165 | 17,144,789 |
| Overheads[5] | **9,345,507** | 9,418,949 | 8,775,170 | 9,616,191 | 8,418,642 |
| Profit before expected credit losses | **10,492,009** | 10,093,991 | 8,212,209 | 7,922,974 | 8,726,147 |
| Expected credit losses on loans, advances and financing | **1,952,725** | 2,613,587 | 5,342,209 | 1,638,785 | 1,432,661 |
| Profit before taxation and zakat | **8,371,010** | 5,789,478 | 1,530,329 | 5,974,840 | 7,200,667 |
| Net profit for the financial year | **5,439,863** | 4,295,334 | 1,194,424 | 4,559,656 | 5,583,510 |
| **Consolidated Statement of Financial Position** | | | | | |
| Gross loans, advances and financing | **407,057,108** | 378,032,634 | 365,844,401 | 369,491,503 | 346,290,529 |
| Total assets | **666,721,225** | 621,907,058 | 602,354,899 | 573,245,655 | 534,089,043 |
| Deposits from customers[1] | **460,567,161** | 440,404,971 | 410,839,559 | 401,681,309 | 379,671,991 |
| Total liabilities | **602,937,372** | 561,798,310 | 545,180,777 | 515,776,579 | 481,501,072 |
| Shareholders' funds | **62,491,206** | 58,863,263 | 55,925,641 | 56,237,171 | 51,374,295 |
| Commitments and contingencies | **1,371,423,297** | 1,213,155,193 | 1,123,995,768 | 1,146,023,486 | 1,129,138,654 |
| **Financial Ratios (%)** | | | | | |
| Common equity tier 1 ratio (CIMB Group)[2] | **14.9** | 14.6 | 13.3 | 13.3 | n/a |
| Tier 1 ratio (CIMB Group)[2] | **15.8** | 15.5 | 14.6 | 14.4 | n/a |
| Total capital ratio (CIMB Group)[2] | **18.9** | 18.4 | 17.6 | 17.1 | n/a |
| Common equity tier 1 ratio (CIMB Bank)[2] | **15.5** | 14.9 | 13.1 | 13.8 | 12.9 |
| Tier 1 ratio (CIMB Bank)[2] | **16.3** | 15.8 | 14.8 | 15.2 | 14.3 |
| Total capital ratio (CIMB Bank)[2] | **20.0** | 19.1 | 18.6 | 19.4 | 19.0 |
| Return on average equity | **9.0** | 7.5 | 2.1 | 8.5 | 11.4 |
| Return on average total assets | **0.84** | 0.70 | 0.20 | 0.82 | 1.07 |
| Net interest margin | **2.51** | 2.45 | 2.27 | 2.41 | 2.45 |
| Cost to income ratio | **47.1** | 48.3 | 51.7 | 54.8 | 49.1 |
| Gross impaired loans to gross loans | **3.3** | 3.5 | 3.6 | 3.1 | 2.9 |
| Allowance coverage ratio | **93.1** | 100.2 | 91.6 | 80.7 | 91.0 |
| Loan loss charge | **0.51** | 0.73 | 1.51 | 0.45 | 0.43 |
| Loan deposit ratio | **88.4** | 85.8 | 89.0 | 92.0 | 91.2 |
| Net tangible assets per share (RM) | **5.09** | 4.95 | 4.65 | 4.70 | 4.39 |
| Book value per share (RM) | **5.86** | 5.76 | 5.64 | 5.67 | 5.37 |
| CASA ratio | **39.9** | 42.5 | 41.3 | 34.4 | 32.7 |
| **Other Information** | | | | | |
| Earnings per share (sen) – basic | **52.2** | 42.9 | 12.0 | 47.0 | 59.7 |
| Dividend per share (sen) | **26.0** | 23.0 | 4.8 | 26.0 | 25.0 |
| Dividend payout ratio (%) | **51** | 50 | 40 | 56 | 42 |
| Number of shares in issue ('000)[3] | **10,665,102** | 10,221,452 | 9,922,966 | 9,922,966 | 9,564,455 |
| Weighted average number of shares in issue ('000) | **10,425,806** | 10,022,287 | 9,922,966 | 9,705,987 | 9,356,695 |
| **Non-Financial Highlights** | | | | | |
| Share price at year-end (RM) | **5.80** | 5.45 | 4.30 | 5.15 | 5.71 |
| Number of employees[4] | **32,696** | 33,265 | 34,183 | 35,265 | 36,104 |

1 Include investment accounts of customers and structured investments classified as financial liabilities designated at fair value through profit or loss and other liabilities
2 Before deducting proposed dividend
3 Excludes 4,908 ordinary shares held as treasury shares
4 Excludes headcount borne by third parties
5 2018 to 2020 restated for certain expenses which are considered as incremental and directly attributable to the acquisition of a financial liability and treated as an integral part of the effective interest/profit rate. These expenses were previously included under overheads and is now recognised as interest expense.

# Simplified Statements of Financial Position

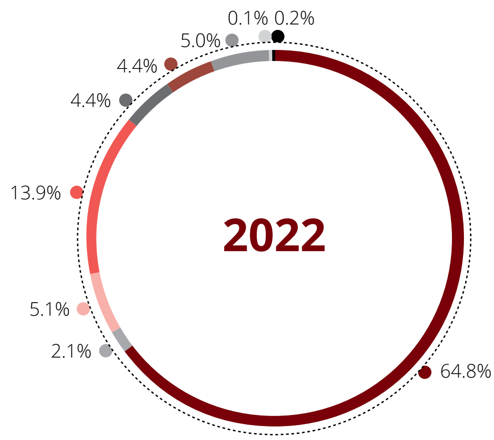
## ASSETS

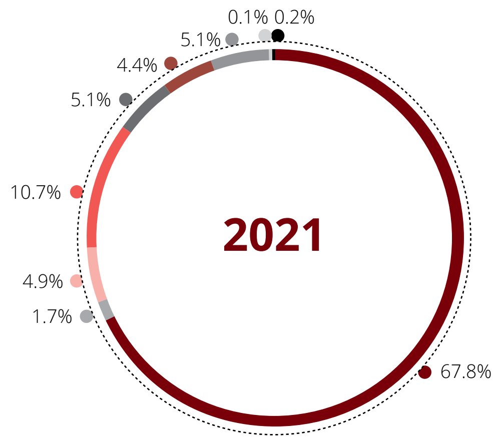



- Cash and short term funds, reverse repurchase agreements/reverse Collateralised Commodity Murabahah and deposits and placements with banks and other financial institutions
- Portfolio of financial investments
- Loans, advances and financing
- Statutory deposits with central banks
- Other assets (including intangible assets)

## EQUITY AND LIABILITIES




- Deposits from customers
- Investment accounts of customers
- Deposits and placements of banks and other financial institutions
- Bills and acceptances payable and other liabilities
- Debt securities issued and other borrowed funds
- Ordinary share capital
- Reserves
- Perpetual preference shares
- Non-controlling interests

# Quarterly Financial Performance

| RM'000 | 2022 Q1 | 2022 Q2 | 2022 Q3 | 2022 Q4 |
|---|---|---|---|---|
| Operating revenue | **4,736,369** | **4,884,369** | **4,997,115** | **5,219,663** |
| Net interest income (after modification loss) | **2,720,211** | **2,822,141** | **2,980,062** | **3,107,214** |
| Net non-interest income and income from Islamic banking operation | **2,016,158** | **2,062,228** | **2,017,053** | **2,112,449** |
| Overheads | **(2,277,538)** | **(2,299,546)** | **(2,280,963)** | **(2,487,460)** |
| Profit before taxation and zakat | **2,047,666** | **2,104,838** | **2,201,877** | **2,016,629** |
| Net profit attributable to owners of the Parent | **1,426,984** | **1,280,695** | **1,407,232** | **1,324,952** |
| Earnings per share (sen) | **13.96** | **12.30** | **13.43** | **12.49** |
| Dividend per share (sen) | **–** | **13.00** | **–** | **13.00** |

| RM'000 | 2021 Q1 | 2021 Q2 | 2021 Q3 | 2021 Q4 |
|---|---|---|---|---|
| Operating revenue | 5,908,754 | 4,621,768 | 4,395,755 | 4,586,663 |
| Net interest income (after modification loss) | 2,663,555 | 2,757,226 | 2,726,876 | 2,726,756 |
| Net non-interest income and income from Islamic banking operation | 3,245,198 | 1,864,543 | 1,668,879 | 1,859,907 |
| Overheads | (2,290,474) | (2,402,862) | (2,266,769) | (2,458,844) |
| Profit before taxation and zakat | 2,897,739 | 1,577,696 | 332,794 | 981,249 |
| Net profit attributable to owners of the Parent | 2,457,233 | 1,084,183 | (100,593) | 854,511 |
| Earnings per share (sen) | 24.76 | 10.80 | (1.07) | 8.37 |
| Dividend per share (sen) | – | 10.44 | – | 12.55 |

# Key Interest Bearing Assets and Liabilities

**Financial Year Ended 31 December 2022**

| | As at 31 December RM'million | Effective interest rate % | Interest income/ expense RM'million |
|---|---|---|---|
| **Interest earning assets:** | | | |
| Cash and short-term funds & deposits and placements with banks and other financial institutions | **47,105** | **2.23** | **1,093** |
| Financial investments at fair value through profit or loss | **33,200** | **2.39** | **907** |
| Debt instruments at fair value through other comprehensive income | **58,376** | **3.54** | **2,100** |
| Debt Instruments at amortised cost | **64,533** | **3.43** | **2,083** |
| Loans, advances and financing | **394,557** | **4.81** | **18,430** |
| **Interest bearing liabilities:** | | | |
| Total deposits* | **497,929** | **1.65** | **8,066** |
| Bonds, Sukuk, debentures and other borrowings | **18,183** | **3.16** | **590** |
| Subordinated obligations | **11,015** | **3.86** | **408** |

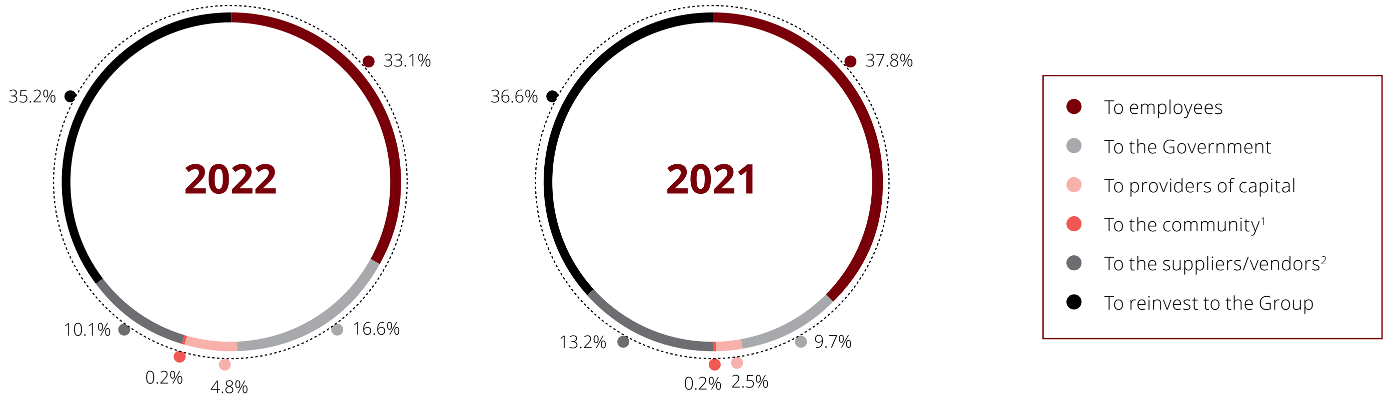
**Financial Year Ended 31 December 2021**

| | As at 31 December RM'million | Effective interest rate % | Interest income/ expense RM'million |
|---|---|---|---|
| **Interest earning assets:** | | | |
| Cash and short-term funds & deposits and placements with banks and other financial institutions | 50,283 | 1.31 | 571 |
| Financial investments at fair value through profit or loss | 40,279 | 1.53 | 706 |
| Debt instruments at fair value through other comprehensive income | 60,119 | 3.39 | 1,855 |
| Debt Instruments at amortised cost | 56,006 | 3.50 | 1,966 |
| Loans, advances and financing | 364,685 | 4.46 | 16,009 |
| **Interest bearing liabilities:** | | | |
| Total deposits* | 474,214 | 1.30 | 5,982 |
| Bonds, Sukuk, debentures and other borrowings | 21,488 | 2.26 | 488 |
| Subordinated obligations | 10,129 | 3.74 | 438 |

* Total deposits include deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, financial liabilities designated at fair value through profit and loss and structured deposits.

# Statement of Value Added and Value Distributed

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| **Value Added** | | |
| Net interest income (before modification loss) | **11,622,921** | 10,936,491 |
| Modification loss | **6,707** | (62,078) |
| Net interest income (after modification loss) | **11,629,628** | 10,874,413 |
| Income from Islamic banking operations | **3,999,849** | 3,533,481 |
| Net non-interest income | **4,208,039** | 5,105,046 |
| Overheads excluding personnel costs, depreciation and amortisation, payments to community and suppliers/vendors | **(959,814)** | (839,051) |
| Expected credit losses on loans, advances and financing | **(1,952,725)** | (2,613,587) |
| Expected credit losses made for commitments and contingencies | **(30,756)** | (110,222) |
| Other expected credit losses and impairment allowances made | **(177,757)** | (433,525) |
| Impairment of goodwill | **–** | (1,215,197) |
| Share of results of joint ventures | **(26,022)** | 64,223 |
| Share of results of associates | **66,261** | 3,795 |
| **Value added available for distribution** | **16,756,703** | 14,369,376 |
| **Distribution of Value Added** | | |
| **To employees:** | | |
| Personnel costs | **5,539,404** | 5,428,400 |
| **To the Government:** | | |
| Taxation and zakat | **2,778,079** | 1,396,853 |
| **To providers of capital:** | | |
| Cash dividends paid to shareholders | **649,579** | 266,902 |
| Non-controlling interests | **153,068** | 97,291 |
| **To the community[1]:** | | |
| Community investments | **34,000** | 28,700 |
| **To the suppliers/vendors[2]:** | | |
| Suppliers/Vendors | **1,700,000** | 1,900,000 |
| **To reinvest to the Group:** | | |
| Dividend reinvestment plan | **1,994,866** | 1,255,874 |
| Depreciation and amortisation | **1,112,289** | 1,222,798 |
| Retained earnings | **2,795,418** | 2,772,558 |
| **Value added available for distribution** | **16,756,703** | 14,369,376 |




1 Community investments include contributions to charities, NGOs and research institutes (unrelated to the organisation's commercial research and development); funds to support community infrastructure, such as recreational facilities; and direct costs of developing and implementing social and environmental programmes, including arts, and educational events – all channelled through CIMB Foundation as well as respective business units. Community investments in 2020 and 2019 was RM29.3 million and RM45.8 million respectively.

2 Suppliers/Vendors include payment made towards products or services or investments in any supplier education or development programmes. Payments made to suppliers/vendors in 2020 and 2019 was RM1,200.0 million and RM945.0 million respectively.

# Analysis of Financial Statements

## ANALYSIS OF STATEMENTS OF INCOME

| | 2022 RM'million | 2021 RM'million | Increase/ (Decrease) |
|---|---|---|---|
| Net interest income^ | **15,158** | 13,958 | 8.6% |
| Net non-interest income^ | **4,680** | 5,555 | (15.8%) |
| **Operating income** | **19,838** | 19,513 | 1.7% |
| Overheads | **(9,346)** | (9,419) | (0.8%) |
| **Profit before expected credit losses/allowances** | **10,492** | 10,094 | 3.9% |
| Expected credit losses on loans, advances and financing | **(1,953)** | (2,614) | (25.3%) |
| Expected credit losses made for commitments and contingencies | **(31)** | (110) | (71.8%) |
| Other expected credit losses and impairment allowances made | **(177)** | (1,649) | (89.3%) |
| Share of results of joint ventures and associates | **40** | 68 | (41.2%) |
| **Profit before taxation and zakat** | **8,371** | 5,789 | 44.6% |
| **Net profit attributable to owners of the Parent** | **5,440** | 4,295 | 26.7% |
| **EPS (sen)** | **52.2** | 42.9 | 21.7% |

^ inclusive of income from Islamic banking operations

### NET INTEREST INCOME

The Group's Net interest income (NII) grew 8.6% YoY to RM15.2 billion in FY22 largely driven by the strong 7.7% YoY gross loan growth, 5.9% expansion in interest earning assets and Net Interest Margins (NIM) expansion. The Group's NIMs rose to 2.51% from 2.45% in FY21 attributed to rising interest rates across all geographies partially offset by higher cost of funds at year-end due to higher deposit price competition among banks. The Group's gross loans were 7.7% higher YoY led by Wholesale Banking growing 9.3% with Consumer and Commercial Banking growing 7.2% and 6.1% respectively. Loans grew across all core markets with Thailand growing at 11.3% and Indonesia at 8.3%, while Singapore and Malaysia loans expanded 6.5% and 6.0% respectively.

### NET NON-INTEREST INCOME

Total net non-interest income (NOII) for the year fell 15.8% YoY to RM4.7 billion compared to RM5.6 billion in FY21 largely due to the RM1.2 billion exceptional gain arising from the deconsolidation of TNG Digital recognised in FY21. Excluding this gain, the underlying NOII was 6.0% higher YoY from stronger fee income and non-performing loan (NPL) recoveries mainly from Indonesia. The stronger fee income was attributed to Consumer wealth income, fee income from Commercial Malaysia and Singapore and higher wholesale trading and fee income.

### OVERHEADS

The Group's total overhead expenses were slightly lower by 0.8% YoY or RM73 million to RM9.3 billion for the year as cost management remained stringent. These included write-off of intangible assets, accelerated amortisation and restructuring costs of RM121 million in FY22 and RM482 million in FY21. Excluding these exceptional items, underlying overhead expenses rose 3.2% YoY driven by Personnel and Technology investments and Marketing costs, but was partially offset by declines within the Establishment and Administrative & General expenses. With the stronger growth in operating income, the Group's cost-to-income ratio improved further to 47.1% for FY22, 120bps lower from 48.3% in FY21.

### EXPECTED CREDIT LOSSES

The Group's total expected credit losses (ECL) on loans, advances and financing of RM2.0 billion in FY22 was 25.3% lower YoY versus the RM2.6 billion in FY21. This decline was attributed to the lower macroeconomic factor adjustments and management overlays as well as lower Covid-19 related provisions in Malaysia in tandem with the improving economy. This was partially offset by the increase in credit related provisions driven by Corporate provision top ups in Indonesia. For FY22, the Group recorded an improved total loan loss charge of 0.51% (compared to 0.73% in FY21) with a gross impairment ratio of 3.3% and an allowance coverage of 93.1%.

### OTHER EXPECTED CREDIT LOSSES AND IMPAIRMENT ALLOWANCES MADE

Other expected credit losses and impairment allowances fell 89.3% YoY largely due to the absence of the RM1.2 billion impairment of goodwill related to CIMB Thai undertaken in FY21.

### NET PROFIT

The Group reported a net profit of RM5.4 billion for FY22, a 26.7% YoY improvement from the RM4.3 billion in FY21. The increased profitability came about from the combination of a 1.7% increase in operating income and marginally lower overheads expense, giving rise to a 3.9% YoY higher pre-provision operating profit (PPOP). The improved net profit was also buoyed by a decrease in total ECL on loans, advances and financing of 25.3% as well as lower other expected credit losses and impairment allowances made during the year which declined 89.3% YoY. As a result, the Group reported a higher net EPS of 52.2 sen in FY22.

# Analysis of Financial Statements

## SIGNIFICANT MOVEMENT IN STATEMENTS OF FINANCIAL POSITION

| | 2022 RM'million | 2021 RM'million | Increase/ (Decrease) |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and short-term funds | **44,009** | 45,670 | (3.6%) |
| Deposits and placements with banks and other financial institutions | **3,096** | 4,614 | (32.9%) |
| Financial investment portfolio | **156,410** | 156,728 | (0.2%) |
| Loans, advances and financing | **394,557** | 364,685 | 8.2% |
| Other assets (including intangible assets) | **68,649** | 50,210 | 36.7% |
| **Total assets** | **666,721** | 621,907 | 7.2% |
| **LIABILITIES** | | | |
| Deposits from customers^ | **460,567** | 440,405 | 4.6% |
| Deposits and placements of banks and other financial institutions | **34,189** | 30,702 | 11.4% |
| Other borrowings | **8,265** | 8,108 | 1.9% |
| Bonds, sukuk and debentures | **9,918** | 13,379 | (25.9%) |
| Subordinated obligations | **11,015** | 10,129 | 8.7% |
| Other liabilities | **78,983** | 59,075 | 33.7% |
| **Total liabilities** | **602,937** | 561,798 | 7.3% |

^ Includes investment accounts of customers and structured investments classified as financial liabilities designated at fair value through profit or loss and other liabilities

### A) TOTAL ASSETS

As at 31 December 2022, CIMB Group's total assets rose RM44.8 billion or 7.2% higher at RM666.7 billion. The increase was underpinned by a RM29.9 billion or 8.2% growth in loans, advances and financing over the year to RM394.6 billion and RM18.4 billion rise in other assets (including intangible assets). The financial investment portfolio was little changed YoY, while deposits and placement with banks and other financial institutions declined by 32.9% or RM1.5 billion and cash and short-term funds was 3.6% lower YoY at RM44.0 billion.

### B) TOTAL LOANS, ADVANCES AND FINANCING

The Group's loans, advances and financing stood at RM394.6 billion as at 31 December 2022, a growth of 8.2% YoY or RM29.9 billion. Malaysia loans grew 6.0% during the year, while loans from Indonesia, Thailand and Singapore expanded 8.3%, 11.3% and 6.5% YoY in Rupiah, Bath and Dollar-terms respectively in FY22. The Group's gross impaired loans ratio stood at 3.3% as at end-2022 compared to 3.5% as at end-2021. All segments grew loans strongly with Consumer, Commercial and Wholesale Banking expanding loans by 7.2%, 6.1% and 9.3% YoY respectively.

### C) OTHER ASSETS (INCLUDING INTANGIBLE ASSETS)

The total amount of other assets including intangible assets rose 36.7% YoY or RM18.4 billion to RM68.6 billion as at end-2022 compared to RM50.2 billion as at end 2021. The increase was predominantly due to higher statutory deposits with central banks by RM6.2 billion, derivative financial instruments by RM6.1 billion and a RM3.9 billion increase in reverse repurchase agreements/ reverse Collateralised Commodity Murabahah.

### D) TOTAL LIABILITIES

As at 31 December 2022, the Group's total liabilities stood at RM602.9 billion, an increase of 7.3% or RM41.1 billion YoY. The increase was largely driven by the RM20.6 billion or 4.7% YoY expansion in deposits from customers, as well as the RM19.4 billion or 32.9% YoY increase in other liabilities. Deposits and placements of banks and other financial institutions rose 11.4% while subordinated obligations and other borrowings were higher by 8.7% and 1.9% YoY respectively. This was partially offset by a drop of 25.9% or RM3.5 billion in bonds, sukuk and debentures.

### E) TOTAL DEPOSITS FROM CUSTOMERS

Total Group deposits from customers rose by 4.6% YoY or RM20.2 billion to RM460.6 billion as at 31 December 2022. Consumer and Commercial Banking posted a 7.3% and 11.6% YoY growth in deposits respectively, with Wholesale Banking reporting a slight dip of 0.7% YoY. In local currency terms, deposits in Thailand and Singapore grew by 29.9% and 35.3% in Bath and Dollar respectively. Total deposits in Malaysia was slightly lower at 0.2% while Indonesia was 5.6% lower in Rupiah-terms. The Group's CASA ratio ended the year at 39.9% compared to the 42.5% as at end-2021, as CASA contracted by 1.8% YoY underpinned by the expected CASA attrition in line with the heightened economic activity across all core markets except Thailand. Overall Group NIM was higher at 2.51% for FY22 compared to 2.45% in FY21.

### F) OTHER LIABILITIES

The Group's other liabilities were RM19.9 billion or 33.7% higher YoY at RM78.5 billion as at 31 December 2022 compared to RM59.1 billion at end-2021. The increase was largely due to higher other liabilities by RM9.3 billion, RM6.7 billion increase in repurchase agreements/ Collateralised Commodity Murabahah and RM6.6 billion increase in derivative financial instruments.

# Analysis of Financial Statements

## EXPOSURES TO COVID-19 IMPACTED SECTORS

As at 31 December 2022, total non-retail loans, advances and financing (net of expected credit losses) in economic sectors that are most affected (mainly wholesale and retail trade, construction, hospitality, manufactured goods, oil and gas, real estate, services, transport and storage) amounted to RM85,047,686,000 (2021: RM80,370,537,000) while the retail portfolio which are directly impacted by COVID-19 sectors amounted to RM8,537,912,000 (2021: RM7,652,958,000) for the Group.

**2022**

| | Retail customers | | | | | | Non-retail customers |
|---|---|---|---|---|---|---|---|
| | **Mortgages RM'000** | **Hire purchase RM'000** | **Credit card RM'000** | **Personal financing RM'000** | **Others RM'000** | **Total RM'000** | **Total RM'000** |
| Total payment moratoriums, repayment assistances, rescheduling and restructuring granted | **801,648** | **241,172** | **238,964** | **81,585** | **35,268** | **1,398,637** | **9,574,570** |
| Resumed repayments | **–** | **–** | **–** | **–** | **–** | **–** | **538,940** |
| Extended and repaying as per revised schedules | **684,886** | **209,306** | **216,947** | **75,066** | **33,213** | **1,219,418** | **8,091,104** |
| Missed payments | **116,762** | **31,866** | **22,017** | **6,519** | **2,055** | **179,219** | **951,526** |
| *As a percentage of total:* | | | | | | | |
| Resumed repayments | **0%** | **0%** | **0%** | **0%** | **0%** | **0%** | **6%** |
| Extended and repaying as per revised schedules | **85%** | **87%** | **91%** | **92%** | **94%** | **87%** | **85%** |
| Missed payments | **15%** | **13%** | **9%** | **8%** | **6%** | **13%** | **10%** |
| | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |

## COVID-19 CUSTOMER RELIEF AND SUPPORT MEASURES (CONTINUED)

The following table is the status of the Group as at 31 December 2022 and 31 December 2021 for customers/borrowers affected by COVID-19 that opted in for the various payment moratorium, repayment assistance, restructuring and rescheduling programmes, as well as corporate customers who underwent further rescheduling and restructuring (Continued).

**2021**

| | Retail customers | | | | | | Non-retail customers |
|---|---|---|---|---|---|---|---|
| | **Mortgages RM'000** | **Hire purchase RM'000** | **Credit card RM'000** | **Personal financing RM'000** | **Others RM'000** | **Total RM'000** | **Total RM'000** |
| Total payment moratoriums, repayment assistances, rescheduling and restructuring granted | 36,557,350 | 5,706,983 | 608,836 | 1,851,176 | 3,749,435 | 48,473,780 | 26,719,668 |
| Resumed repayments | – | – | – | – | – | – | 3,286,666 |
| Extended and repaying as per revised schedules | 36,285,071 | 5,614,707 | 567,258 | 1,838,695 | 3,741,593 | 48,047,324 | 21,993,118 |
| Missed payments | 272,279 | 92,276 | 41,578 | 12,481 | 7,842 | 426,456 | 1,439,884 |
| *As a percentage of total:* | | | | | | | |
| Resumed repayments | 0% | 0% | 0% | 0% | 0% | 0% | 12% |
| Extended and repaying as per revised schedules | 99% | 98% | 93% | 99% | 100% | 99% | 83% |
| Missed payments | 1% | 2% | 7% | 1% | 0% | 1% | 5% |
| | 100% | 100% | 100% | 100% | 100% | 100% | 100% |

# Capital Management

## OVERVIEW

Capital management at CIMB Group ("Group") remains focused on maintaining a healthy capital position through building an efficient capital structure. The capital position and structure of the Group are designed to meet the requirements of the Group's key stakeholders i.e. shareholders, customers, regulators, external rating agencies, and others. Guided by CIMB Group's Capital Management Policy and Procedure, the objectives of capital management are as follows:

| | | |
|---|---|---|
| To maintain a strong and efficient capital base for the Group and its entities to (a) meet regulatory capital requirements at all times; (b) realise returns for shareholders through sustainable return on equity and stable dividend payout; and (c) withstand stressed economic and market conditions. | To allocate capital efficiently across the business units and subsidiaries to (a) support the organic growth generation; (b) take advantage of strategic acquisitions and new businesses when opportunities arise; and (c) optimise the return on capital for the Group. | To maintain capital at optimal levels to meet the requirements of other stakeholders of the Group, including rating agencies and customers through (a) liability management; (b) dividend reinvestment scheme; (c) deployment of capital based on risk-adjusted return on capital (RAROC) performance measurement; (d) risk-weighted assets (RWA) optimisation exercise; and (e) exploring strategic divestments, if any. |

The Group's regulated banking entities have always maintained a set of internal capital targets which provide a strong buffer above the minimum regulatory requirements. The following table shows the relevant capital ratios of each of the regulated banking entities of the Group in comparison to the minimum level required by the respective central banks under the Basel III framework.

| | Common Equity Tier 1 Capital | | Tier 1 Capital | | Total Capital | |
|---|---|---|---|---|---|---|
| **Capital Ratios** | **As at 31 December 2022** | **Minimum Regulatory Ratio** | **As at 31 December 2022** | **Minimum Regulatory Ratio** | **As at 31 December 2022** | **Minimum Regulatory Ratio** |
| CIMB Group | **14.526%** | 8.000% | **15.375%** | 9.500% | **18.474%** | 11.500% |
| CIMB Bank | **14.918%** | 7.000% | **15.736%** | 8.500% | **19.458%** | 10.500% |
| CIMB Islamic | **14.040%** | 7.000% | **14.670%** | 8.500% | **17.078%** | 10.500% |
| CIMB Investment Bank Group | **94.645%** | 7.000% | **94.645%** | 8.500% | **94.645%** | 10.500% |
| CIMB Niaga* | **20.779%** | 10.000% | **20.779%** | 11.500% | **21.862%** | 13.500% |
| CIMB Thai | **15.068%** | 7.000% | **15.068%** | 8.500% | **20.780%** | 11.000% |

* Inclusive of risk profile no 2 and capital surcharge buffer.

The Group also monitors the leverage ratio which stood at 7.26% as at the financial year ended 31 December 2022, which is above the minimum level required of 3%. The leverage ratio is computed by dividing the Tier 1 capital of RM51,121 million with Total Exposures** of RM704,580 million. For reference, the leverage ratio for financial year ended 31 December 2021 was 7.29%, based on Tier 1 capital of RM48,046 million with Total Exposures** of RM658,673 million.

** Total Exposures computed in accordance to BNM Basel 3 Leverage ratio guideline.

## KEY INITIATIVES

Our goal is to continuously maintain sustainable and robust capital position, whilst optimising its utilisation to create shareholders' value. Tools that are employed to achieve this include but not limited to the following:

(1) liability management via redemption and issuance of new Basel III instruments;
(2) dividend reinvestment scheme (DRS);
(3) RWA optimisation; and
(4) Group-wide stress testing and impact assessment.

Key capital management initiatives that were undertaken during the 2022 calendar year include:

(1) CIMB Group redeemed RM1.5 billion Basel III Tier 2 Subordinated Debt on 30 November 2022.
(2) CIMB Group issued RM1.5 billion Basel III Tier 2 Sukuk Wakalah and RM1.0 billion Basel III Tier 2 Sustainability Sukuk Wakalah on 8 September 2022 and 2 December 2022 respectively.
(3) The continuing RWA optimisation initiatives during the year, largely through active loan portfolio rebalancing, system and data enhancements and model recalibrations.

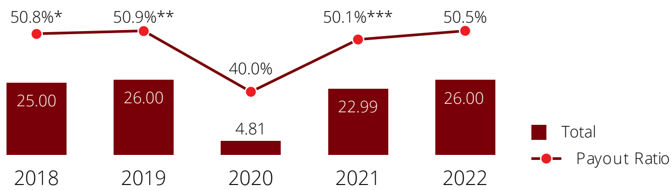
## DIVIDEND POLICY

For the financial year ended 31 December 2022, the first interim single tier dividend of 13.00 sen per ordinary share, on 10,474,253,317 ordinary shares amounted to RM1,361,652,931 was approved by the Board of Directors on 28 July 2022. The dividend consisted of an electable portion of 10.40 sen per ordinary share which shareholders can elect to reinvest in new ordinary shares in accordance with the DRS. Following the completion of the DRS, a total cash dividend of RM451,306,144 was paid on 28 October 2022.

A second interim single tier dividend of 13.00 sen per ordinary share on 10,665,101,700 ordinary shares amounting to RM1,386 million in respect of the financial year ended 2022 was approved by the Board of Directors on 31 January 2023. The second interim single tier dividend will be paid fully in cash by April 2023 without a DRS option.

## DIVIDEND REINVESTMENT SCHEME

The DRS was implemented in 2013 to provide shareholders with an option to reinvest dividends into new ordinary shares of CIMB and at the same time to help preserve the Group's capital. It was first applied to the Group's second interim dividend for the financial year ended 31 December 2012. The dividend reinvestment rate has been encouraging, with an average take up rate of approximately 80.1% since inception and the average increased to 82.5% in recent years (2020 onwards).




* Payout ratio based on PAT excluding CPAM and CPIAM gain.
** Payout ratio based on BAU PAT excluding transformational cost.
*** Payout ratio based on BAU PAT excluding exceptional items.

# Financial Calendar

**28 FEBRUARY 2022**

Announcement of the unaudited consolidated financial results for the fourth quarter and financial year ended 31 December 2021.

**23 MARCH 2022**

Notice of 65th Annual General Meeting.

**23 MARCH 2022**

Issuance of Annual Report for the financial year ended 31 December 2021.

**25 MARCH 2022**

Notice of book closure for single tier second interim dividend of 12.55 sen per share for the financial year ended 31 December 2021.

**28 MARCH 2022**

Date of entitlement for the single tier second interim dividend of 12.55 sen per share for the financial year ended 31 December 2021.

**1 APRIL 2022**

Notice of election in relation to the Dividend Reinvestment Scheme. The scheme provides the shareholders with the option to elect to reinvest their cash dividend in new ordinary shares of CIMB.

**21 APRIL 2022**

65th Annual General Meeting.

**25 APRIL 2022**

Payment of the single tier second interim dividend of 12.55 sen per share for the financial year ended 31 December 2021.

**26 APRIL 2022**

Additional listing of 252,801,642 new ordinary shares, via the Dividend Reinvestment Scheme.

**31 MAY 2022**

Announcement of the unaudited consolidated financial results for the first quarter ended 31 March 2022.

**30 AUGUST 2022**

Announcement of the unaudited consolidated financial results for the second quarter and half year ended 30 June 2022.

**28 SEPTEMBER 2022**

Notice of book closure for single tier first interim dividend of 13.00 sen per share for the financial year ending 31 December 2022.

**29 SEPTEMBER 2022**

Date of entitlement for the single tier first interim dividend of 13.00 sen per share for the financial year ending 31 December 2022.

**5 OCTOBER 2022**

Notice of election in relation to the Dividend Reinvestment Scheme. The scheme provides the shareholders with the option to elect to reinvest their cash dividend in new ordinary shares of CIMB.

**28 OCTOBER 2022**

Payment of the single tier first interim dividend of 13.00 sen per share for the financial year ending 31 December 2022.

**31 OCTOBER 2022**

Additional listing of 190,848,383 new ordinary shares, via the Dividend Reinvestment Scheme.

**30 NOVEMBER 2022**

Announcement of the unaudited consolidated financial results for the third quarter ended 30 September 2022.

**28 FEBRUARY 2023**

Announcement of the unaudited consolidated financial results for the fourth quarter ended 31 December 2022.

## 2023 TENTATIVE DATES

| | |
|---|---|
| **31 MAY 2023**<br>**1Q 2023**<br>Financial Results | **30 AUGUST 2023**<br>**2Q 2023**<br>Financial Results |
| **30 NOVEMBER 2023**<br>**3Q 2023**<br>Financial Results | **FEBRUARY 2024**<br>**4Q 2023**<br>Financial Results |

# Statement of Directors' Responsibilities

**In Relation to Financial Statements**

The Directors are responsible for ensuring that the annual audited financial statements of the Group and of the Company are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act, 2016, Bank Negara Malaysia's Guidelines and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and of the Company are prepared with reasonable accuracy from the accounting records of the Group and of the Company so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and cash flows for the financial year then ended.

The Directors consider that, in preparing the annual audited financial statements, the Group and the Company have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and ensured that all applicable approved accounting standards have been followed and confirm that the financial statements have been prepared on a going concern basis.

The Directors also have a general responsibility to take reasonable steps to safeguard the assets of the Group and the Company to prevent and detect fraud and other irregularities.

# Directors' Report

**for the financial year ended 31 December 2022**

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and the Company for the financial year ended 31 December 2022.

## PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year is investment holding. The principal activities of the significant subsidiaries as set out in Note 13 to the Financial Statements, consist of commercial banking, investment banking, Islamic banking, offshore banking, debt factoring, trustee and nominee services, property ownership and management, and the provision of other related financial services. There was no significant change in the nature of these activities during the financial year.

## FINANCIAL RESULTS

| | The Group RM'000 | The Company RM'000 |
|---|---|---|
| Net profit after taxation attributable to: | | |
| – Owners of the Parent | **5,439,863** | **3,515,719** |
| – Non-controlling interests | **153,068** | **–** |
| | **5,592,931** | **3,515,719** |

## DIVIDENDS

The dividends on ordinary shares paid or declared by the Company since 31 December 2021 were as follows:

| | RM'000 |
|---|---|
| In respect of the financial year ended 31 December 2021: | |
| Dividend on 10,221,451,675 ordinary shares, paid on 25 April 2022:<br>– single-tier second interim dividend of 12.55 sen per ordinary share, consists of an electable portion of 12.55 sen per ordinary share, of which 10.61 sen per ordinary shares was reinvested in new ordinary shares | **1,282,792** |
| In respect of the financial year ended 31 December 2022: | |
| Dividend on 10,474,253,317 ordinary shares, paid on 28 October 2022:<br>– single tier first interim dividend of 13.00 sen per ordinary share, consists of a cash portion of 2.60 sen per ordinary share and an electable portion of 10.40 sen per ordinary share, of which 8.69 sen per ordinary share was reinvested in new ordinary shares | **1,361,653** |

The Directors have proposed a single-tier second interim dividend of 13.00 sen per ordinary share on 10,665,101,700 ordinary shares amounting to RM1,386 million in respect of the financial year ended 31 December 2022. The single-tier second interim dividend was approved by the Board of Directors on 31 January 2023.

The Financial Statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the next financial year.

The Directors do not recommend the payment of any final dividend for the financial year ended 31 December 2022.

## RESERVES, PROVISIONS AND ALLOWANCES

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

# Directors' Report

**for the financial year ended 31 December 2022**

## ISSUANCE OF SHARES

During the financial year, the Company increased its issued and paid-up capital by 10,665,106,608 shares via:

(a) Issuance of 252,801,642 new ordinary shares arising from the DRS relating to electable portion of the interim dividend of 12.55 sen in respect of financial year ended 31 December 2021, as disclosed in Note 46(a) to the Financial Statements; and

(b) Issuance of 190,848,383 new ordinary shares arising from the DRS relating to electable portion of the first interim dividend of 13.00 sen in respect of financial year ended 31 December 2022, as disclosed in Note 46(b) to the Financial Statements.

## SHARE BUY-BACK AND CANCELLATION

During the financial year, the Company did not buy back any of its issued share capital from the open market. As at 31 December 2022, there were 4,908 ordinary shares held as treasury shares. Accordingly, the adjusted issued and paid-up share capital of the Company with voting rights as at 31 December 2022 was 10,665,101,700 shares.

The shares purchased are held as treasury shares in accordance with the provisions of Section 127 of the Companies Act 2016.

## SHARE-BASED EMPLOYEE BENEFIT PLAN

The Group's employee benefit schemes are explained in Note 48 to the Financial Statements.

## BAD AND DOUBTFUL DEBTS, AND FINANCING

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

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

## CURRENT ASSETS

Before the Financial Statements of the Group and of the Company were prepared, the Directors took reasonable steps to ascertain that any current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, including the values of current assets as shown in the accounting records of the Group and of the Company, had been written down to an amount which the current assets might be expected so to realise.

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

## VALUATION METHODS

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

## CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group or the Company which has arisen since the end of the financial year other than in the ordinary course of business.

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

# Directors' Report

**for the financial year ended 31 December 2022**

## CHANGE OF CIRCUMSTANCES

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

## ITEMS OF AN UNUSUAL NATURE

In the opinion of the Directors:

(a) the results of the Group's and the Company's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Note 52.1 to the Financial Statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the financial year in which this Report is made other than those disclosed in Note 52.2 to the Financial Statements.

## DIRECTORS

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

Datuk Mohd Nasir Ahmad
Dato' Abdul Rahman Ahmad
Teoh Su Yin
Robert Neil Coombe
Dato' Lee Kok Kwan
Dato' Mohamed Ross Mohd Din
Afzal Abdul Rahim
Didi Syafruddin Yahya
Shulamite N K Khoo
Ho Yuet Mee (appointed on 28 July 2022)
Serena Tan Mei Shwen (resigned on 30 April 2022)

In accordance with Article 81 of the Constitution, the following Directors will retire from the Board at the forthcoming Annual General Meeting ("AGM") and being eligible, offer themselves for re-election:

Datuk Mohd Nasir Ahmad
Didi Syafruddin Yahya
Shulamite N K Khoo

In accordance with Article 88 of the Constitution, the following Director will retire from the Board at the forthcoming Annual General Meeting ("AGM") and being eligible, offer herself for re-election:

Ho Yuet Mee

The names of the directors of the Company's subsidiaries in office are set out in their respective subsidiary's directors' report and the Board deems such information is included in the Company's directors' report by such reference and shall form part of the holding company's directors' report.

# Directors' Report

**for the financial year ended 31 December 2022**

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, the beneficial interests of Directors who held office at the end of the financial year in the shares, share options and debentures of the Company or its subsidiaries during the financial year are as follows:

| | No. of ordinary shares | | | |
|---|---|---|---|---|
| | As at 1 January 2022 | Acquired/ Granted | Disposed/ Vested | As at 31 December 2022 |
| **CIMB Group Holdings Berhad** | | | | |
| **Direct interest** | | | | |
| Dato' Abdul Rahman Ahmad | 34,621 | 14,179[a][c] | (12,573) | 36,227 |
| * Dato' Lee Kok Kwan | 1,339,972 | 41,236[b] | – | 1,381,208 |
| ^ Didi Syafruddin Yahya | 46,791 | – | – | 46,791 |

**Note:** Includes shareholding of spouse/child, details of which are as follows:

| | No. of ordinary shares | | | |
|---|---|---|---|---|
| | As at 1 January 2022 | Acquired/ Granted | Disposed/ Vested | As at 31 December 2022 |
| * Datin Rosemary Yvonne Fong | 90,805 | 4,693[b] | – | 95,498 |
| ^ Sarina Mahmood Merican | 46,791 | – | – | 46,791 |

[a] *Shares granted under Equity Ownership Plan ("EOP")*
[b] *Shares acquired by way of the exercise of DRS/acquired during the year*
[c] *Shares acquired by way of the exercise of DRS*

| | No. of shares held | | | |
|---|---|---|---|---|
| | As at 1 January 2022 | Granted | Disposed | As at 31 December 2022 |
| **PT Bank CIMB Niaga Tbk** | | | | |
| **Direct interest** | | | | |
| * Dato' Lee Kok Kwan | 427,305 | – | – | 427,305 |
| ** Teoh Su Yin | 17,486 | – | – | 17,486 |

**Note:**
* Includes shareholding of spouse/child and ** jointly held shareholding with spouse, details of which are as follows:

| | No. of shares held | | | |
|---|---|---|---|---|
| | As at 1 January 2022 | Granted | Disposed | As at 31 December 2022 |
| * Datin Rosemary Yvonne Fong | 12,445 | – | – | 12,445 |
| ** Stephen John Watson Hagger | 17,486 | – | – | 17,486 |

| | Debentures held | | | |
|---|---|---|---|---|
| | As at 1 January 2022 | Acquired | Disposed | As at 31 December 2022 |
| **CIMB Group Holdings Berhad** | | | | |
| **– Perpetual Subordinated Capital Securities** | | | | |
| Dato' Lee Kok Kwan | RM1,000,000 | – | – | RM1,000,000 |
| **PT Bank CIMB Niaga Tbk** | | | | |
| **– Subordinated Notes** | | | | |
| Dato' Lee Kok Kwan | IDR5,000,000,000 | – | – | IDR5,000,000,000 |

# Directors' Report

**for the financial year ended 31 December 2022**

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES (CONTINUED)

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

## LONG TERM INCENTIVE PLAN ("LTIP")

The Group implemented a Long Term Incentive Plan (LTIP) on 9 June 2021, which was approved by the shareholders at the Extraordinary General Meeting held on 15 April 2021. The LTIP is governed by the LTIP by-laws and is administered by the LTIP Committee.

The LTIP is awarded to employees who hold senior management positions and key roles within the CIMB Group and its subsidiary companies, and who fulfil the eligibility criteria and have been approved for participation by the LTIP Committee. Any LTIP awards made to Executive Directors (or any persons connected to the directors) is subject to the approval of the shareholders at a general meeting. Total awards under the LTIP is subject to a maximum of 2.5% of issued ordinary shares of CIMB Group Holdings Berhad.

The LTIP, which is valid for 7 years from the implementation date, comprises of 2 performance-based plans – the Employee Share Option Scheme ("ESOS") and the Share Grant Plan ("SGP").

- The ESOS is a share option scheme with a premium on the exercise price, and the LTIP Committee may, at any time within the duration of the LTIP, grant an ESOS award to eligible employees, subject to the terms and conditions of the by-laws. The ESOS shares may be settled through issuance and transfer of new shares, or other modes of settlement as provided by the by-laws.

- The SGP is a restricted share unit scheme where vesting is subject to performance conditions, and the LTIP Committee may, at any time within the duration of the LTIP, grant an SGP award to eligible employees, subject to the terms and conditions of the by-laws. The SGP shares may be settled through issuance and transfer of new shares, or other modes of settlement as provided by the by-laws

Details of LTIP are set out in Note 48 to the financial statements.

(i) Details of ESOS shares awarded:

| Award Date | Fair Value RM | Awarded (Units'000) | Vesting Dates |
|---|---|---|---|
| 9 June 2021 – First grant | 0.45 | 216,758 | 31 March 2024<br>31 March 2025 |
| 31 March 2022 – Second grant | 0.75 | 8,991 | 31 March 2024<br>31 March 2025 |
| 8 September 2022 – Third grant | 0.74 | 3,430 | 31 March 2024<br>31 March 2025 |
| 8 December 2022 – Fourth grant | 0.81 | 660 | 31 March 2024<br>31 March 2025 |

The following table indicates the number and movement of ESOS shares during the financial year ended 31 December 2022:

| Award Date | As at 1 January 2022 (Units'000) | Movement during the year Awarded (Units'000) | Movement during the year Forfeited (Units'000) | Outstanding as at 31 December 2022 (Units'000) | Exercisable as at 31 December 2022 (Units'000) |
|---|---|---|---|---|---|
| 9 June 2021 – First grant | 196,967 | – | (11,464) | 185,503 | – |
| 31 March 2022 – Second grant | – | 8,991 | (70) | 8,921 | – |
| 8 September 2022 – Third grant | – | 3,430 | – | 3,430 | – |
| 8 December 2022 – Fourth grant | – | 660 | – | 660 | – |

# Directors' Report

**for the financial year ended 31 December 2022**

## DIRECTORS' INTERESTS IN SHARES, SHARE OPTIONS AND DEBENTURES (CONTINUED)

### LONG TERM INCENTIVE PLAN ("LTIP") (CONTINUED)

(ii) Details of SGP shares awarded

| Award Date | Fair Value RM | Awarded (Units'000) | Vesting Dates* |
|---|---|---|---|
| 9 June 2021 – First grant | 4.65 | 15,748 | 31 March 2024<br>31 March 2025 |
| 31 March 2022 – Second grant | 5.33 | 1,965 | 31 March 2024<br>31 March 2025 |
| 8 September 2022 – Third grant | 5.40 | 736 | 31 March 2024<br>31 March 2025 |
| 8 December 2022 – Fourth grant | 5.61 | 142 | 31 March 2024<br>31 March 2025 |

* *Subject to performance conditions*

The following table indicates the number and movement of SGP shares during the financial year ended 31 December 2022:

| Award Date | As at 1 January 2022 (Units'000) | Movement during the year Awarded (Units'000) | Movement during the year Forfeited (Units'000) | As at 31 December 2022 (Units'000) |
|---|---|---|---|---|
| 9 June 2021 – First Grant | 14,306 | – | (835) | 13,471 |
| 31 March 2022 – Second Grant | – | 1,965 | (15) | 1,950 |
| 8 September 2022 – Third grant | – | 736 | – | 736 |
| 8 December 2022 – Fourth grant | – | 142 | – | 142 |

Executive Director and Key Management Personnel who have been awarded with the ESOS and SGP during the financial year ended 31 December 2022 are listed below:

| Name | 2022 No of ESOS Awarded (Units'000) | 2022 No of SGP Awarded (Units'000) |
|---|---|---|
| Dato' Abdul Rahman Ahmad | – | – |
| Key Management Personnel | 5,493 | 1,199 |

# Directors' Report

**for the financial year ended 31 December 2022**

## DIRECTORS' REMUNERATION

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| **Executive Directors** | | | | |
| – Salary and remuneration | **7,298** | 5,009 | **–** | – |
| – Benefits-in-kind | **125** | 30 | **–** | – |
| | **7,423** | 5,039 | **–** | – |
| **Non-Executive Directors** | | | | |
| – Fees | **2,801** | 2,438 | **1,263** | 1,200 |
| – Other remuneration | **4,011** | 3,360 | **2,444** | 1,997 |
| – Benefits-in-kind | **84** | 81 | **37** | 35 |
| | **6,896** | 5,879 | **3,744** | 3,232 |
| | **14,319** | 10,918 | **3,744** | 3,232 |

The Directors and officers of the Group and the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year for the Group and the Company amounted to RM1,550,556 (2021: RM1,481,872) and RM Nil (2021: RM Nil).

## DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration disclosed in Note 43 to the Financial Statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Company is a party, with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Management Equity Scheme, Equity Ownership Plan and Long Term Incentive Plan (see Note 48 to the Financial Statements) as disclosed in this Report.

## SUBSIDIARIES

### (a) Details of subsidiaries

Details of subsidiaries are as set out in Note 13 to the Financial Statements.

### (b) Subsidiaries' holding of shares in other related corporations

Details of subsidiaries' holding of shares in other related corporations are as set out in Note 13 to the Financial Statements.

## AUDITORS' REMUNERATION

Auditors' remuneration of the Group and the Company are RM18,545,000 and RM929,000 respectively. Details of auditors' remuneration are as set out in Note 40 to the Financial Statements.

# Directors' Report

**for the financial year ended 31 December 2022**

## 2022 BUSINESS PLAN AND STRATEGY

2022 saw the global easing of movement restrictions from the prolonged Covid-19 pandemic leading to the reopening of economies and lifting of global travelling restrictions. High vaccination rates suppressed threats of new Covid-19 variants, easing the negative effects on livelihoods and the economies in general. Nevertheless, there emerged new macro challenges including the tightening of fiscal and monetary policies by major economies globally, fast escalating inflation, heightened geopolitical risks from the Russia-Ukraine conflict as well as the possibility of a global recession. Despite facing these external challenges, the recovery of consumer expenditure, business activity and investor confidence contributed to the improved macroeconomic environment as Malaysia's GDP grew strongly at 8.7%. The Malaysian banking industry loan growth accelerated by 5.7% in 2022 on the back of higher household spending and improved trading activities, although capital markets were subdued throughout the year.

In 2022, the Group's direction continued to be guided by the Forward23+ strategic plan with targeted segment loan growth, sustained focus on CASA and Risk-Adjusted Return On Capital (RAROC) optimisation, as well as wealth management and capital market activity. Cost management remains a crucial focus as the Group commits to ensure adequate and sufficient investments were made to strengthen technology and operational resiliency, while the Sustainability agenda continues unabated. The Group's loan growth momentum improved in areas of focus as we continue the realignment of the Commercial and Corporate segments in Indonesia. The Group identified structural cost savings of up to RM1 billion over the past 3 years and is placing even greater emphasis on improving its digital reliability with digital and customer centricity metrics tracking well. On the Sustainability front, the Group is making further strides forward with the announcement of new targets, including a revised sustainable finance target of RM60 billion from RM30 billion in Green Social & Sustainable Impact Products & Services (GSSIPS) and a commitment of RM30 billion to finance SME businesses by 2024.

The Group posted a 1.7% year-on-year ("YoY") improvement in operating income to RM19.8 billion. Net interest income (inclusive of net finance income and hibah from Islamic Banking operations) was 8.6% higher YoY at RM15.2 billion from a strong 7.7% YoY gross loan growth and a 6bps improvement in net interest margins ("NIM") to 2.51%. Non-interest income ("NOII") fell by 15.8% attributed to the absence of RM1.2 billion gain on deconsolidation of Touch 'n Go Digital recognised in FY21. Excluding this one-off gain, the underlying NOII rose by 6.0% YoY on fee income and higher non-performing loan ("NPL") recoveries. Total operating expenses declined marginally by 0.8% YoY to RM9.3 billion. Excluding the exceptional items of the write off and accelerated amortisation of intangible assets, as well as restructuring costs amounting to RM121 million in FY22 and RM482 million in FY21, the underlying operating expenses were only 3.2% higher YoY in tandem with prudent cost management. Expected credit losses ("ECL") declined 25.3% YoY from lower overlays and macroeconomic factor ("MEF") adjustments as well as Covid-19 related provisions. The Group's profit before tax ("PBT") of RM8.4 billion is 44.6% higher YoY attributed to the positive pre-provision operating profit ("PPOP") and lower provisions during the year. Capital adequacy remained steady over the year with a total capital ratio of 18.5% and a Core Equity Tier 1 ("CET1") ratio of 14.5%, while the Group's net return on equity ("ROE") came in at 9.0%.

The regional Consumer PBT was 42.5% higher YoY at RM2.7 billion, underpinned by stronger operating income predominantly from NIM expansion and loan growth as well as lower provisions from reduced management overlays and underlying provisions. The regional Commercial Banking PBT improved 37.7% YoY to RM1.5 billion attributed to higher operating income from loan growth, higher NIMs and a strong CASA franchise as well as higher fees and commission income, coupled with lower provisions. Wholesale Banking posted a PBT growth of 23.2% YoY to RM3.0 billion mainly due to improved NOII from trading and fee income, and lower Covid-19 related provisions. Corporate Banking performance saw an improvement from higher market activity and interest rate hikes, while Treasury & Markets and Investment Banking had a weaker year from higher provisions, despite higher volumes and trading activity.

CIMB Niaga's PBT improved by 26.7% YoY to IDR6,579 billion on the back of higher operating income and lower loan provisions. CIMB Thai PBT grew 33.5% YoY to THB3.8 billion attributed to lower expenses and a 36.9% YoY decline in loan provisions. CIMB Singapore PBT rose 31.5% YoY underpinned by higher operating income and asset recoveries.

The Group's total gross loans expanded by 7.7% YoY with growth across all core markets and segments. Consumer Banking loans expanded 7.2% while Commercial and Wholesale Banking loans improved by 6.1% and 9.3% YoY respectively. Total Group deposits grew by 4.6% YoY underpinned by deposit growth in Thailand and Singapore. CASA (Current Account & Savings Account) fell 1.8% with the CASA ratio ending 2022 at 39.9% (compared to 42.5% as at end-2021). The Group's NIM expanded 6bps to 2.51% in 2022.

# Directors' Report

**for the financial year ended 31 December 2022**

## 2022 BUSINESS PLAN AND STRATEGY (CONTINUED)

The Group's cost to income ratio improved to 47.1% compared to 48.3% in 2021, in tandem with the positive JAW as operating income outgrew operating expenses by 2.5%. The Group's loan loss provisions on loans, advances and financing decreased 25.3% YoY to RM2.0 billion in 2022 while total loan loss charge stood at 0.51%. The Group's gross impairment ratio stood at 3.3% as at end-2022 from 3.5% as at end-2021, with an allowance coverage of 93.1%.

The Group announced a 50.5% dividend payout for 2022 by declaring total dividends amounting to RM2.7 billion or 26.00 sen per share. This was paid in two interim dividend payouts of 13.00 sen each, with the first interim paid in October 2022, which came with an option of either cash or via a Dividend Reinvestment Scheme ("DRS") with an 80% electable portion. The second interim is an all cash dividend expected to be paid by April 2023.

## OUTLOOK FOR 2023

The Group is approaching 2023 with cautious optimism in line with expectations of continued economic growth within its key operating countries and segments. The Group is cognisant of uncertainties brought about by global headwinds in terms of elevated inflation, further monetary policy tightening in major economies, sustained political tensions, still-prevalent Covid-19 threats and a possible global recession. The execution of Forward23+ strategies will continue to guide the Group's direction with focus on sustainable business, strong credit risk management, cost controls and strengthening the deposit/CASA proposition in view of intensified deposit competition. The Group expects continue positive financial performance going into 2023 with prudent loan growth, controlled loan loss provisions and stringent cost management.

CIMB Malaysia is optimistic on continuing its growth momentum driven by loan growth, CASA accumulation, improved credit conditions, Preferred and wealth management expansion and intensifying digital transformation. Prospects for CIMB Niaga remains positive as it is expected to grow in tandem with the industry trajectory given its leadership in digital banking, improved credit cost and completion of its portfolio recalibration. The outlook for CIMB Singapore should track the regional economic direction, while CIMB Thai's realigned portfolio will likely bring about an improved performance.

## RATINGS BY EXTERNAL RATING AGENCY

Details of the rating of the Company and its debt securities are as follows:

| Rating Agency | Rating Date | Rating Classification | Rating Accorded | Outlook |
|---|---|---|---|---|
| Moody's Investors Service (Moody's) | January 2023 | 1. Long-term Issuer Rating<br>2. Short-term Issuer Rating | Baa1<br>P-2 | Stable |
| Malaysian Rating Corporation Berhad (MARC) | July 2022 | 1. Long-term Corporate Credit Rating<br>2. Short-term Corporate Credit Rating<br>3. RM10.0 billion Tier 2 Subordinated Debt Programme | AA+<br>MARC-1<br>AA | Stable |
| RAM Rating Services Berhad (RAM) | August 2022 | 1. Long-term Corporate Credit Rating<br>2. Short-term Corporate Credit Rating<br>3. RM6.0 billion Conventional/ Islamic Medium-term Notes Programme<br>4. RM6.0 billion Conventional Commercial Paper Programme<br>5. RM10.0 billion Additional Tier I Capital Securities Programme<br>6. RM15 billion Sukuk Wakalah Programme<br>7. RM15 billion Tier-2 Subordinated Sukuk Wakalah Programme<br>8. RM15 billion Additional Tier-1 Sukuk Wakalah Programme | AA1<br>P1<br>AA1<br>P1<br>A1<br>AA1<br>AA2<br>A1 | Stable |

# Directors' Report

**for the financial year ended 31 December 2022**

## BOARD SHARIAH COMMITTEE

Pursuant to the enterprise wide Shariah governance framework as provided by Bank Negara Malaysia in its Policy Document on Shariah Governance and now as enshrined in the effective Islamic Financial Services Act 2013, the Board of Directors ("the Board") is ultimately responsible and accountable for the oversight and management of Shariah matters in the operation of the Group's Islamic banking and finance activities. In undertaking its duties and responsibilities relating to Shariah, the Board relies on the advice of the Board Shariah Committee (BSC) of CIMB Group Holdings Berhad that it established under its core Islamic operating entity, CIMB Islamic Bank Berhad ("CIMB Islamic").

The main responsibility of the BSC is to assist the Board in the oversight and management of all Shariah matters relating to the Islamic banking and finance business of the CIMB Group Holdings Berhad. The BSC operates on the authority as delegated and empowered to it by the Board and as attributed to it under relevant financial regulations and legislations.

All decisions by the Board on Shariah matters relating to the Islamic banking business of CIMB Group Holdings Berhad shall be made based on the decisions, views and opinions of the BSC.

In having due regard to the decisions and advice of the BSC on Shariah matters, the Board shall give sufficient attention to the facts and basis for the Shariah decisions as well as providing fair consideration to the implications of implementing the Shariah decisions made by the BSC.

Any decision of the Board on Shariah matter shall be made based on the final decisions, views and opinions of the BSC. All decisions of the Board and the BSC on Shariah matters shall at all times be subordinated to the decision of the Shariah Advisory Council of the relevant Malaysian financial regulators and shall take into consideration the relevant authority on Shariah matters in the relevant jurisdiction it is doing business.

The BSC shall at all times assist the Board to ensure that the Group's Islamic banking and finance business does not have elements/ activities which are not permissible under Shariah.

The BSC members are as follows:

1 Associate Professor Dr. Mohamed Fairooz Abdul Khir

2. Professor Dr. Yousef Abdullah Al Shubaily

3. Associate Professor Dr. Aishath Muneeza

4. Ahmed Baqar Rehman

5. Dr. Ahmad Sufian Che Abdullah

The Board hereby affirms based on advice of the BSC that the Group's Islamic banking and finance operations has been done in a manner that does not contradict with Shariah save and except for those that have been specifically disclosed in this financial report (if any). This affirmation by the Board is independently verified and confirmed by the BSC in a separate BSC Report made herein.

# Directors' Report

**for the financial year ended 31 December 2022**

## MEETINGS AND ATTENDANCE

BSC convened 10 meetings during the financial year 2022 including 2 special meetings to cater for urgent business proposals. All BSC members have satisfied the minimum 75% attendance requirement under BNM Shariah Governance Policy Document.

## BOARD ENGAGEMENT AND TRAININGS ATTENDED

As part of the initiative to strengthen the good governance and oversight function of Board over Shariah matters, the following activities were carried out in 2022:

- 2 Joint Board and BSC meetings on BNM Financial Sector Blueprint 2022 – 2026 and Islamic Social Finance Initiatives.
- In addition, a training was conducted by Tan Sri Dr. Mohd Daud Bakar and Puan Khadijah Iskandar on the topic of Strategic Discussion & Moving Forward on ESG Initiatives.

As guided by Securities Commission's Guidelines for Shariah Advisers, BSC members have satisfied with the minimum 3 SIDC's CPE approved courses on capital market during the financial year 2022.

Among the training programmes provided by SIDC qualify for CPE points attended by BSC members as follow:

- Technology Driving the Future of Gig Economy
- IIC-SIDC Corporate Governance Conference 2022: Investment Stewardship In Times Of Heightened Sustainability Demands
- Driving Responsible and Sustainable value Creation Through Governance
- Risk Management in Derivatives Trading
- Artificial Intelligence and Machine Learning in Trading (Part 1)
- Trading in Crude Palm Oil Futures Contract (FCPO)
- ESG Disclosures: Improving the Quality of ESG Data and Its Impact
- Artificial Intelligence and Machine Learning in Trading (Part 2)
- Moving Forward with Digital Investment Management

In addition to the above training programmes, the BSC members also attended and participated the following events and training:

- Training CIMB Expert Talk Series for Board & Key Management: Net Zero Pathways: Managing Risks & Taking Opportunities
- Kuala Lumpur Islamic Finance Forum (KLIFF) 2022
- Bank Rakyat International Shariah Scholars Roundtable (iSHAR)
- Introduction to Options

## BSC ASSESSMENT

In compliance with BNM Shariah Governance Policy Document, the BSC undergoes the process of assessing the effectiveness of each individual BSC members and the committee as a whole annually. The assessment is primarily based on questionnaires in a survey form to all BSC members and encompasses the performance and effectiveness of the BSC as a committee and individual member.

# Directors' Report

**for the financial year ended 31 December 2022**

## ZAKAT OBLIGATIONS

CIMB Islamic Bank Berhad pays business zakat by adopting the Adjusted Growth Method to state zakat authorities in line with the methodology approved by Board Shariah Committee. However, the amount payable by the CIMB Islamic Bank Berhad is at the discretion of the management of CIMB Islamic Bank Berhad and it is the shareholder's responsibility to ensure that their own zakat obligations are fulfilled in relation to their ownership of the share.

For the Group's banking and asset management subsidiaries, the obligation and responsibility for payment of zakat on deposits and investments received from their customers lies with their respective Muslim customers only. The aforesaid is subject to the jurisdictional requirements on zakat payment as may be applicable from time to time on the Group and its subsidiaries arising from changes to local legislation, regulation, law or market convention as the case may be. Accrual of zakat expenses (if any) in the Financial Statements of the Group is reflective of this.

## SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 52.1 to the Financial Statements.

## SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR END

Significant events after the financial year are disclosed in Note 52.2 to the Financial Statements.

## AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 8 March 2023.

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

**Datuk Mohd Nasir Ahmad**
Chairman

**Dato' Abdul Rahman Ahmad**
Director

8 March 2023

# Statement by Directors

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

We, Datuk Mohd Nasir Ahmad and Dato' Abdul Rahman Ahmad, being two of the Directors of CIMB Group Holdings Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 35 to 338 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and financial performance of the Group and of the Company for the financial year ended 31 December 2022, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

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

**Datuk Mohd Nasir Ahmad**
Chairman

**Dato' Abdul Rahman Ahmad**
Director

8 March 2023

# Statutory Declaration

**Pursuant to Section 251(1) of the Companies Act 2016**

I, Khairulanwar bin Rifaie, being the officer primarily responsible for the financial management of CIMB Group Holdings Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 35 to 338 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.

**Khairulanwar bin Rifaie**

Subscribed and solemnly declared by the abovenamed Khairulanwar bin Rifaie at Kuala Lumpur before me, on 8 March 2023.

Commissioner for Oaths

PESURUHJAYA SUMPAH
No. W881
Nama: YM TENGKU NUR ATHIYA TENGKU FARIDDUDIN
1 MAC 2022 - 31 DEC 2024
MALAYSIA

205, Bangunan Loke Yew
4, Jln Mahkamah Persekutuan
50050 Kuala Lumpur (W.P.)

# Board Shariah Committee's Report

In the name of Allah, the Most Beneficent, the Most Merciful.

We, the members of the CIMB Group Board Shariah Committee as established under CIMB Islamic Bank Berhad ("CIMB Islamic"), are responsible to assist the Board in the oversight and management of Shariah matters in the operation of the Group's Islamic banking and finance activities. Although the Board is ultimately responsible and accountable for all Shariah matters under the Group, the Board relies on our independent advice on the same.

Our main responsibility and accountability is to assist the Board in ensuring that the Group's Islamic banking and finance businesses does not have elements/activities which are not permissible under Shariah. In undertaking our duties we shall follow and adhere to the decisions, views and opinions of the Shariah Advisory Council of the relevant Malaysian financial regulators for businesses undertaken in Malaysia and for businesses outside Malaysia we shall take into consideration the decisions, views and opinions of the relevant authority on Shariah matters (if any, sanctioned by law/regulation to be followed by the Group) in the relevant jurisdiction that the Group is doing business.

As members of the Board Shariah Committee, we are responsible to provide an independent assessment and confirmation in this financial report that the operations of the Islamic banking and finance business of CIMB Group have been done in conformity with Shariah as has been decided and opined by us and with those Notices, Rules, Standards, Guidelines and Frameworks on Shariah matters as announced and implemented by relevant financial regulators in the relevant jurisdictions that the Group's Islamic banking and finance businesses were undertaken during the period being reported.

Our independent assessment and confirmation has been used as the basis for the Board's affirmation of the same in the Director's Report herein before.

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

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

In addition to the necessary policies and procedures, the Group has a well-defined division of responsibility by Management and the communication of Shariah policies and guidelines of business conduct to all staff.

Effective Shariah governance is supported by a professional staff of Shariah researchers as well as the advisory and consultancy function that supports us in our decision and deliberations, providing check and balance for all Shariah matters as presented to us by the Management. CIMB Group Shariah Review Policy and Procedure were established to set out policies for Shariah review function encompassing regular examination and evaluation of the Group's level of compliance to the Shariah requirements, remedial rectification measures to resolve non-compliances and control mechanisms to avoid recurrences. In addition, the Group Shariah Review Procedure sets out the procedures for Shariah review execution, responsibilities of stakeholders and internal reporting process relating to Shariah non-compliance events, in line with BNM's requirements.

In ensuring that the activities and operations of CIMB Group are Shariah-compliant, Shariah Review conducts post review of CIMB Group's activities and operations in accordance with the annual Shariah review work plan approved by us and the respective Boards of Directors of CIMB Group. Additionally, Shariah Review conducts investigations on issues escalated by the stakeholders and performs ad-hoc review as required from time to time by us and the regulators. As for effective risk management and control, the Group adopted the strategic implementation of tiered model i.e. Three Lines of Risk Defense in governing and managing Shariah Non-Compliant risk. Lastly, there is also a team of internal auditors who conduct periodic Shariah audits of all the Group's Islamic banking and finance operations on a scheduled and periodic basis.

To strengthen the compliance towards Shariah, the Group has continuously instilled a Shariah-compliance culture by adopting a holistic top-down approach within the organisation. At the apex, the Group set an appropriate 'tone from the top', where the Board and Shariah Committee play their oversight role on the Shariah governance in the Group. The Group also held Board and Shariah Committee engagement sessions or Joint Board meeting between Board of Directors and Board Shariah Committee which serve as a platform for effective communication between Board, Shariah Committee and Senior management on oversight over Shariah governance.

# Board Shariah Committee's Report

The Group also continues capacity building programmes to inculcate strong shariah knowledge within the Group. The Group has supported CIMB Islamic and CIMB Bank staff to enroll in relevant certification programmes such as Intermediate Qualification in Islamic Finance (IQIF), Certified Professional Shariah Auditor (CPSA), Certified Shariah Advisor (CSA) and others. The Bank Group conducted training session by representative from the Board Shariah Committee with all staff where the Board Shariah Committee Member shared about the theme around embracing Shariah-compliance culture, Islamic Social finance etc. In addition, Chairman Board Shariah Committee also visited one of CIMB branches to promote Shariah-compliance culture among the frontline staff.

All in all, the Management of the Group is responsible and accountable to the Board to ensure that the Islamic banking and finance businesses of CIMB Group are conducted in accordance with the requirement of Shariah. It is our responsibility to form an independent opinion of the state of Shariah compliancy of the business and its operations and advise the Board accordingly. Based on the internal controls that have been put in place by the Management, in our opinion, to the best of our knowledge, the Group has complied with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia and by all other financial regulators (where relevant), as well as Shariah decisions made by us (excluding PT Bank CIMB Niaga Tbk), and nothing has come to the Board Shariah Committee's attention that causes the committee to believe that the operations, business, affairs and activities of the Group's Islamic banking and finance business involve any material Shariah non-compliances.

In our opinion:

1. The contracts, transactions and dealings entered into by the Group during the financial year ended 31 December 2022 that were presented to us were done in compliance with Shariah;
2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah;
3. There were no earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes; and
4. The zakat calculation is in compliance with Shariah principles.

We have actively monitored and overseen the independent work carried out for Shariah review and Shariah audit functions by the relevant functionaries under the established system of internal control, which included the examination, on a test basis, of each type of transaction, of relevant documentation and procedures adopted by the Group. We are satisfied that the Management has planned and performed the necessary review and audit so as to obtain all the information and explanations which are considered necessary to provide us with sufficient evidence to give reasonable assurance that the Group has not violated Shariah.

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Group for the financial year ended 31 December 2022 were conducted in conformity with Shariah.

On behalf of the Board Shariah Committee

**Associate Professor Dr. Mohamed Fairooz Abdul Khir**
Chairman

**Dr. Ahmad Sufian Che Abdullah**
Member

Kuala Lumpur
8 March 2023

# Independent Auditors' Report

**to the members of CIMB Group Holdings Berhad**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OUR OPINION

In our opinion, the financial statements of CIMB Group Holdings Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### WHAT WE HAVE AUDITED

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 35 to 338.

### BASIS FOR OPINION

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

### OUR AUDIT APPROACH

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

### KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

# Independent Auditors' Report

**to the members of CIMB Group Holdings Berhad**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### GROUP KEY AUDIT MATTERS

| Key audit matters | How our audit addressed the key audit matters |
| --- | --- |
| **EXPECTED CREDIT LOSSES FOR LOANS, ADVANCES AND FINANCING AND DEBT INSTRUMENTS MEASURED AT AMORTISED COST**<br><br>Refer to accounting policy I(i) and Notes 7, 9, 25(a), 41, 42 and 54(a) of the financial statements.<br><br>We focused on this area due to the size of the carrying value of loans, advances and financing and debt instruments measured at amortised cost, which represented 69% of total assets of the Group.<br><br>In addition, the expected credit loss ("ECL") impairment model under MFRS 9 "Financial Instruments" requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.<br><br>The significant judgements in applying the accounting requirements for measuring ECL include the following:<br>• Building the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of the model;<br>• Identification of loans, advances and financing and debt instruments at amortised cost that have experienced a significant increase in credit risk; and<br>• Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors, probability weighted multiple scenarios and ECL overlay adjustments made. | We performed the following audit procedures:<br>• Understood and tested the relevant controls over identification of loans, advances and financing and debt instruments at amortised cost that have experienced significant increase in credit risk or objective evidence of impairment and the calculation of the impairment loss.<br>• Examined a sample of loans, advances and financing and debt instruments at amortised cost with focused on loans, advances and financing and debt instruments at amortised cost identified by the Group as having lower credit quality, rescheduled and restructured, borrowers in high risk industries impacted by COVID-19, and formed our own judgement as to whether there was a significant increase in credit risk or any objective evidence of impairment.<br>• Where objective evidence of impairment was identified by the Group and impairment loss was individually calculated, we assessed the adequacy of impairment allowance by examining both the quantum and timing of future cash flows used by the Group in the impairment loss calculation, challenging the assumptions and comparing estimates to external evidence where available. We also re-performed the calculations of the discounted cash flows.<br>• Assessed and tested the methodologies and significant modelling assumptions inherent within the ECL models applied against the requirements of MFRS 9.<br>• Tested the design and operating effectiveness of the controls relating to:<br>– Governance over ECL model development and model refinements, including model build, model approval, model monitoring, model validation and model overlay; and<br>– Data used to determine the allowances for credit losses including the completeness and accuracy of the key inputs and assumptions used into respective ECL models.<br>• Assessed and considered reasonableness of forward-looking forecasts assumptions.<br>• Assessed the reasonableness and tested the identification and calculation of the overlay adjustment to the ECL due to the impact of COVID-19.<br>• Checked the accuracy of data and calculation of the ECL amount, on a sample basis.<br>• Involved our financial risk modelling experts and IT specialists in areas such as reviewing appropriateness of the ECL models and data reliability.<br><br>The assessment and conclusion on the more judgemental interpretations made by management were discussed with the Audit Committee.There were instances where the quantum of impairment required was different from that determined by management due to variance in the inputs used for ECL calculations purposes.<br><br>Based on the procedures above, we did not find any material exceptions to the Group's assessment on impairment of loans, advances and financing and debt instruments at amortised cost. |

# Independent Auditors' Report

**to the members of CIMB Group Holdings Berhad**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

| Key audit matters | How our audit addressed the key audit matters |
|---|---|
| **ACCOUNTING AND VALUATION FOR COMPLEX FINANCIAL INSTRUMENT**<br>Refer to accounting policy E and Notes 4, 54(c), 57.4.1 and 57.4.3 of the financial statements.<br><br>We focused on this area as the accounting and valuation for certain financial instruments, were based on significant judgements and estimates made by the Group.<br><br>The fair value of the complex financial instrument is determined using probability weighted scenarios where management exercised judgement and used observable market data to derive the valuation for each scenario where possible. Where observable market data are not available, management exercised judgement in establishing fair values. | We performed the following audit procedures:<br>• Checked that the accounting recognition and measurement for this complex financial instrument is consistent with the accounting standards and relevant disclosures have been made in the financial statements.<br>• Compared the key inputs used by the Group to measure the complex financial instrument against observable market data.<br>• Assessed and considered reasonableness of management's judgement and assumptions used.<br>• Performed an independent valuation of the complex financial instrument.<br><br>Based on the procedures performed, we did not find any material exceptions in the accounting for and estimates used in the valuation of this complex financial instrument. |
| **ASSESSMENT OF THE CARRYING VALUE OF GOODWILL AND ITS IMPAIRMENT**<br>Refer to accounting policy M(a), V and Notes 19, 54(b) of the financial statements.<br><br>The Group recorded goodwill of RM6,382 million as at 31 December 2022 which arose from a number of acquisitions in prior years.<br><br>For purposes of the annual impairment assessment of goodwill, the Group has assessed the recoverable amount of each cash generating unit ("CGU") with allocated goodwill based on the higher of the value-in-use ("VIU") and fair value less cost of disposal.<br><br>The Group determined that the recoverable amount of all CGUs was based on VIU which involves estimation of future cash flows. This estimation is inherently uncertain and requires significant judgement on both future cash flows and the discount rate applied to the future cash flows. Therefore, the extent of judgement and the size of the goodwill resulted in this matter being identified as an area of audit focus. | We performed the following audit procedures:<br>• Assessed that each CGU represents the smallest identifiable group of assets that generate independent cash flows based on our understanding of the business model of the Group.<br>• Compared the cash flow projections of each CGU to the approved budget for the respective CGU.<br>• Compared previous cash flow projections to actual results of each CGU to assess the reasonableness of assumptions used in the cash flow projections.<br>• Independently computed discount rates which reflect the specific risks relating to each CGU based on publicly available information.<br>• Assessed the reasonableness of the terminal growth rates based on historical results, economic outlook and industry forecasts.<br>• Independently performed a sensitivity analysis over projected cash flows, terminal growth rates and discount rates used in deriving the VIU to assess the potential impact of a reasonable possible change to any of these assumptions on the recoverable amount of each CGU.<br><br>Based on the procedures performed, we did not find any material exceptions to the conclusions made by the Group on the impairment assessment of goodwill as at 31 December 2022. |

We have determined that there are no key audit matters to report for the Company.

# Independent Auditors' Report

**to the members of CIMB Group Holdings Berhad**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITORS' REPORT THEREON

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Board Shariah Committee's Report, which we obtained prior to the date of this auditors' report, and 2022 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

### RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

# Independent Auditors' Report

**to the members of CIMB Group Holdings Berhad**

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

### AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 13 to the financial statements.

## OTHER MATTERS

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

PricewaterhouseCoopers PLT

**PricewaterhouseCoopers PLT**
LLP0014401-LCA & AF 1146
Chartered Accountants

**Soo Hoo Khoon Yean**
02682/10/2023 J
Chartered Accountant

Kuala Lumpur
8 March 2023

# Consolidated Statement of Financial Position

**as at 31 December 2022**

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and short-term funds | 2 | **44,008,860** | 45,669,511 |
| Reverse repurchase agreements/reverse Collateralised Commodity Murabahah | | **9,751,262** | 5,885,498 |
| Deposits and placements with banks and other financial institutions | 3 | **3,096,482** | 4,613,720 |
| Financial investments at fair value through profit or loss | 4 | **33,200,263** | 40,279,244 |
| Debt instruments at fair value through other comprehensive income | 5 | **58,375,661** | 60,119,486 |
| Equity instruments at fair value through other comprehensive income | 6 | **300,669** | 323,105 |
| Debt instruments at amortised cost | 7 | **64,533,424** | 56,006,340 |
| Derivative financial instruments | 8 | **18,072,158** | 11,989,597 |
| Loans, advances and financing | 9 | **394,557,180** | 364,684,772 |
| Other assets | 10 | **13,601,102** | 11,256,072 |
| Tax recoverable | | **339,068** | 674,935 |
| Deferred tax assets | 11 | **1,910,929** | 1,670,475 |
| Statutory deposits with central banks | 12 | **10,905,070** | 4,676,200 |
| Investment in associates | 14 | **41,786** | 770,801 |
| Investment in joint ventures | 15 | **2,425,221** | 2,181,345 |
| Property, plant and equipment | 16 | **2,055,881** | 2,068,976 |
| Right-of-use assets | 17 | **600,402** | 679,582 |
| Investment properties | 18 | **–** | – |
| Goodwill | 19 | **6,382,440** | 6,444,100 |
| Intangible assets | 20 | **1,798,512** | 1,857,470 |
| | | **665,956,370** | 621,851,229 |
| Non-current assets held for sale | 55 | **764,855** | 55,829 |
| **Total assets** | | **666,721,225** | 621,907,058 |
| **LIABILITIES** | | | |
| Deposits from customers | 21 | **432,949,983** | 422,418,092 |
| Investment accounts of customers | 22 | **13,684,632** | 10,427,167 |
| Deposits and placements of banks and other financial institutions | 23 | **34,189,249** | 30,701,895 |
| Repurchase agreements/Collateralised Commodity Murabahah | | **35,923,201** | 29,184,383 |
| Financial liabilities designated at fair value through profit or loss | 24 | **11,063,853** | 6,856,782 |
| Derivative financial instruments | 8 | **17,460,533** | 10,895,455 |
| Bills and acceptances payable | | **2,002,427** | 2,035,009 |
| Other liabilities | 25 | **25,160,638** | 15,830,825 |
| Lease liabilities | 26 | **500,138** | 575,805 |
| Recourse obligation on loans and financing sold to Cagamas | 27 | **650,667** | 998,246 |
| Provision for taxation and zakat | | **109,651** | 214,336 |
| Deferred tax liabilities | 11 | **44,852** | 44,149 |
| Bonds, Sukuk and debentures | 29 | **9,918,209** | 13,379,042 |
| Other borrowings | 30 | **8,264,785** | 8,108,472 |
| Subordinated obligations | 31 | **11,014,515** | 10,128,585 |
| | | **602,937,333** | 561,798,243 |
| Non-current liabilities held for sale | 55 | **39** | 67 |
| **Total liabilities** | | **602,937,372** | 561,798,310 |

# Consolidated Statement of Financial Position

**as at 31 December 2022 (Continued)**

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **EQUITY** | | | |
| **Capital and reserves attributable to owners of the Parent** | | | |
| Ordinary share capital | 32 | **29,094,547** | 27,099,681 |
| Reserves | 34 | **33,397,265** | 31,764,188 |
| Less: Shares held under trust | 35(a) | **(563)** | (563) |
| Treasury shares, at cost | 35(b) | **(43)** | (43) |
| | | **62,491,206** | 58,863,263 |
| Perpetual preference shares | 33 | **200,000** | 200,000 |
| Non-controlling interests | | **1,092,647** | 1,045,485 |
| **Total equity** | | **63,783,853** | 60,108,748 |
| **Total equity and liabilities** | | **666,721,225** | 621,907,058 |
| **Commitments and contingencies** | 50 | **1,371,423,297** | 1,213,155,193 |
| **Net assets per share attributable to owners of the Parent (RM)** | | **5.86** | 5.76 |

# Consolidated Statement of Income

**for the financial year ended 31 December 2022**

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| Interest income | 36(a) | **17,847,429** | 15,588,087 |
| Interest income for financial assets at fair value through profit or loss | 36(b) | **791,617** | 569,677 |
| Interest expense | 37 | **(7,016,125)** | (5,221,273) |
| Net interest income (before modification loss) | | **11,622,921** | 10,936,491 |
| Modification loss | 38 | **6,707** | (62,078) |
| Net interest income (after modification loss) | | **11,629,628** | 10,874,413 |
| Income from Islamic banking operations | 58 | **3,999,849** | 3,533,481 |
| Net non-interest income | 39 | **4,208,039** | 5,105,046 |
| | | **19,837,516** | 19,512,940 |
| Overheads | 40 | **(9,345,507)** | (9,418,949) |
| Profit before expected credit losses | | **10,492,009** | 10,093,991 |
| Expected credit losses on loans, advances and financing | 41 | **(1,952,725)** | (2,613,587) |
| Expected credit losses made for commitments and contingencies | 25(a) | **(30,756)** | (110,222) |
| Other expected credit losses and impairment allowances made | 42 | **(177,757)** | (433,525) |
| Impairment of goodwill | 19 | **–** | (1,215,197) |
| | | **8,330,771** | 5,721,460 |
| Share of results of joint ventures | 15 | **(26,022)** | 64,223 |
| Share of results of associates | 14 | **66,261** | 3,795 |
| Profit before taxation and zakat | | **8,371,010** | 5,789,478 |
| Taxation and zakat | 44 | **(2,778,079)** | (1,396,853) |
| Profit for the financial year | | **5,592,931** | 4,392,625 |
| Profit attributable to: | | | |
| Owners of the Parent | | **5,439,863** | 4,295,334 |
| Non-controlling interests | | **153,068** | 97,291 |
| | | **5,592,931** | 4,392,625 |
| **Earnings per share attributable to ordinary equity holders of the Parent (sen)** | | | |
| – Basic | 45(a) | **52.18** | 42.86 |
| – Diluted | 45(b) | **52.09** | 42.86 |

# Consolidated Statement of Comprehensive Income

**for the financial year ended 31 December 2022**

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| Profit for the financial year | | **5,592,931** | 4,392,625 |
| Other comprehensive (expense)/income: | | | |
| **Items that will not be reclassified to profit or loss** | | | |
| Remeasurement of post employment benefits obligation | | **2,419** | 28,044 |
| – Actuarial gain | | **361** | 27,635 |
| – Income tax effects | | **767** | (1,044) |
| – Currency translation difference | | **1,291** | 1,453 |
| Fair value changes on financial liabilities designated at fair value attributable to own credit risk | | **(154,013)** | (72,510) |
| – Net loss from change in fair value attributable to own credit risk | | **(160,499)** | (74,787) |
| – Currency translation difference | | **6,486** | 2,277 |
| Equity instruments at fair value through other comprehensive income | | **(21,044)** | 22,689 |
| – Net (loss)/gain from change in fair value | | **(16,343)** | 29,275 |
| – Income tax effects | | **(11)** | (4,979) |
| – Currency translation difference | | **(4,690)** | (1,607) |
| | | **(172,638)** | (21,777) |
| **Items that may be reclassified subsequently to profit or loss** | | | |
| Debt instruments at fair value through other comprehensive income | | **(886,883)** | (1,038,852) |
| – Net loss from change in fair value | | **(1,097,535)** | (739,202) |
| – Realised loss/(gain) transferred to statement of income on disposal | | **16,558** | (511,806) |
| – Changes in expected credit losses | | **(25,068)** | (35,067) |
| – Income tax effects | | **209,486** | 241,479 |
| – Currency translation difference | | **9,676** | 5,744 |
| Net investment hedge | | **(295,066)** | (180,083) |
| Hedging reserve – cash flow hedge | | **(1,256)** | (16,162) |
| – Net loss from change in fair value | | **(1,654)** | (19,557) |
| – Income tax effects | | **398** | 3,395 |
| Deferred hedging cost | | **21,353** | 59,600 |
| – Net gain from change in fair value | | **20,122** | 63,977 |
| – Income tax effects | | **1,231** | (4,377) |
| Exchange fluctuation reserve | | **35,719** | 79,232 |
| Share of other comprehensive income/(expense) of | | | |
| – Associates | 14 | **8,713** | 162 |
| – Joint ventures | 15 | **1,723** | (6,882) |
| | | **(1,115,697)** | (1,102,985) |
| Other comprehensive expense during the financial year, net of tax | | **(1,288,335)** | (1,124,762) |
| Total comprehensive income for the financial year | | **4,304,596** | 3,267,863 |
| Total comprehensive income attributable to: | | | |
| Owners of the Parent | | **4,211,208** | 3,190,291 |
| Non-controlling interests | | **93,388** | 77,572 |
| | | **4,304,596** | 3,267,863 |

# Company Statement of Financial Position

**as at 31 December 2022**

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and short-term funds | 2 | **474,259** | 93,674 |
| Debt instruments at fair value through other comprehensive income | 5 | **1,737,110** | 1,778,168 |
| Debt instruments at amortised cost | 7 | **7,813,401** | 6,798,814 |
| Other assets | 10 | **83,364** | 84,101 |
| Amount owing by subsidiaries | | **209** | 183 |
| Tax recoverable | | **185,361** | 185,354 |
| Investment in subsidiaries | 13 | **34,666,619** | 32,873,956 |
| Property, plant and equipment | 16 | **266** | 413 |
| Right-of-use assets | 17 | **430** | 430 |
| Investment properties | 18 | **327** | 345 |
| | | **44,961,346** | 41,815,438 |
| Non-current assets held for sale | 55 | **–** | 3,768 |
| **Total assets** | | **44,961,346** | 41,819,206 |
| **LIABILITIES** | | | |
| Other liabilities | 25 | **12,762** | 3,158 |
| Amount owing to subsidiaries | | **531** | 13,389 |
| Deferred tax liabilities | 11 | **3** | 227 |
| Other borrowings | 30 | **3,956,970** | 4,707,895 |
| Subordinated obligations | 31 | **10,627,596** | 9,609,761 |
| **Total liabilities** | | **14,597,862** | 14,334,430 |
| **EQUITY** | | | |
| Ordinary share capital | 32 | **29,094,547** | 27,099,681 |
| Reserves | 34 | **1,268,980** | 385,138 |
| Less: Treasury shares, at cost | 35(b) | **(43)** | (43) |
| **Total equity** | | **30,363,484** | 27,484,776 |
| **Total equity and liabilities** | | **44,961,346** | 41,819,206 |

# Company Statement of Income

**for the financial year ended 31 December 2022**

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| Interest income | 36(a) | **388,181** | 405,633 |
| Interest expense | 37 | **(556,391)** | (583,304) |
| Net interest expense | | **(168,210)** | (177,671) |
| Net non-interest income | 39 | **3,718,881** | 584,188 |
| | | **3,550,671** | 406,517 |
| Overheads | 40 | **(30,839)** | (36,054) |
| Profit before expected credit losses | | **3,519,832** | 370,463 |
| Other expected credit losses and impairment allowances (made)/written back | 42 | **(2,553)** | 20,659 |
| Profit before taxation | | **3,517,279** | 391,122 |
| Taxation | 44 | **(1,560)** | 469 |
| Profit for the financial year | | **3,515,719** | 391,591 |

# Company Statement of Comprehensive Income

**for the financial year ended 31 December 2022**

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Profit for the financial year | **3,515,719** | 391,591 |
| Other comprehensive income: | | |
| **Items that may be reclassified subsequently to profit or loss** | | |
| Debt instruments at fair value through other comprehensive income | **(41,762)** | (75,286) |
| – Net loss from change in fair value | **(40,906)** | (61,667) |
| – Changes in expected credit losses | **(856)** | (13,619) |
| Other comprehensive expense during the financial year, net of tax | **(41,762)** | (75,286) |
| Total comprehensive income for the financial year | **3,473,957** | 316,305 |

# Consolidated Statement of Changes in Equity

**for the financial year ended 31 December 2022**

| The Group | Note | Ordinary share capital RM'000 | Statutory reserve RM'000 | Capital reserve RM'000 | Exchange fluctuation reserve RM'000 | Shares held under trust RM'000 | Treasury shares RM'000 | Fair value reserve: Debt instruments at fair value through other comprehensive income RM'000 | Fair value reserve: Equity instruments at fair value through other comprehensive income RM'000 | Other reserves RM'000 | Share-based payment reserve RM'000 | Regulatory reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Perpetual preference shares RM'000 | Non-controlling interests RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ← Attributable to owners of the Parent | | | | | | | | | | | | → | | | |
| At 1 January 2022 | | 27,099,681 | 152,997 | 207,419 | 462,900 | (563) | (43) | (556,531) | (217,545) | (1,315,309) | 86,595 | 129,286 | 32,814,376 | 58,863,263 | 200,000 | 1,045,485 | 60,108,748 |
| Profit for the financial year | | - | - | - | - | - | - | - | - | - | - | - | 5,439,863 | 5,439,863 | - | 153,068 | 5,592,931 |
| Other comprehensive income/(expense) (net of tax) | | - | - | - | 79,579 | - | - | (860,897) | (21,156) | (425,839) | (342) | - | - | (1,228,655) | - | (59,680) | (1,288,335) |
| Debt instruments at fair value through other comprehensive income | | - | - | - | - | - | - | (860,897) | - | - | - | - | - | (860,897) | - | (25,986) | (886,883) |
| Equity instruments at fair value through other comprehensive income | | - | - | - | - | - | - | - | (21,156) | - | - | - | - | (21,156) | - | 112 | (21,044) |
| Fair value changes on financial liabilities designated at fair value relating to own credit risk | | - | - | - | - | - | - | - | - | (152,670) | - | - | - | (152,670) | - | (1,343) | (154,013) |
| Net investment hedge | | - | - | - | - | - | - | - | - | (295,066) | - | - | - | (295,066) | - | - | (295,066) |
| Hedging reserve - cash flow hedge | | - | - | - | - | - | - | - | - | (1,063) | - | - | - | (1,063) | - | (193) | (1,256) |
| Deferred hedging cost | | - | - | - | - | - | - | - | - | 21,353 | - | - | - | 21,353 | - | - | 21,353 |
| Remeasurement of post employment benefits obligations | | - | - | - | - | - | - | - | - | 914 | - | - | - | 914 | - | 1,505 | 2,419 |
| Currency translation difference | | - | - | - | 69,692 | - | - | - | - | 144 | (342) | - | - | 69,494 | - | (33,775) | 35,719 |
| Share of other comprehensive (expense)/income of | | | | | | | | | | | | | | | | | |
| - Associates | | - | - | - | 8,713 | - | - | - | - | - | - | - | - | 8,713 | - | - | 8,713 |
| - Joint ventures | | - | - | - | 1,174 | - | - | - | - | 549 | - | - | - | 1,723 | - | - | 1,723 |
| Total comprehensive income/(expense) for the financial year | | - | - | - | 79,579 | - | - | (860,897) | (21,156) | (425,839) | (342) | - | 5,439,863 | 4,211,208 | - | 93,388 | 4,304,596 |
| Second interim dividend for the financial year ended 31 December 2021 | 46 | - | - | - | - | - | - | - | - | - | - | - | (1,282,792) | (1,282,792) | - | - | (1,282,792) |
| First interim dividend for the financial year ended 31 December 2022 | 46 | - | - | - | - | - | - | - | - | - | - | - | (1,361,653) | (1,361,653) | - | - | (1,361,653) |

# Consolidated Statement of Changes in Equity

**for the financial year ended 31 December 2022**

| The Group | Note | Ordinary share capital RM'000 | Statutory reserve RM'000 | Capital reserve RM'000 | Exchange fluctuation reserve RM'000 | Shares held under trust RM'000 | Treasury shares RM'000 | Fair value reserve: Debt instruments at fair value through other comprehensive income RM'000 | Fair value reserve: Equity instruments at fair value through other comprehensive income RM'000 | Other reserves RM'000 | Share-based payment reserve RM'000 | Regulatory reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Perpetual preference shares RM'000 | Non-controlling interests RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ← Attributable to owners of the Parent → | | | | | | | | | | | | | | | |
| Non-controlling interests share of dividend | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (51,235) | (51,235) |
| Transfer to statutory reserve | | - | 13,836 | - | - | - | - | - | - | - | - | - | (13,836) | - | - | - | - |
| Transfer to capital reserve | | - | - | 35,207 | - | - | - | - | - | - | - | - | (35,207) | - | - | - | - |
| Issuance of shares arising from: | | | | | | | | | | | | | | | | | |
| - dividend reinvestment scheme | 32 | 1,994,866 | - | - | - | - | - | - | - | - | - | - | - | 1,994,866 | - | - | 1,994,866 |
| Acquisition of equity interest from non-controlling interests | | - | - | - | - | - | - | - | - | - | - | - | (1,391) | (1,391) | - | (1,727) | (3,118) |
| Contributions by non-controlling interests | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 5,926 | 5,926 |
| Share-based payment expense | 40, 48 | - | - | - | - | - | - | - | - | - | 77,415 | - | - | 77,415 | - | - | 77,415 |
| Purchase of shares in relation to Equity Ownership Plan ("EOP") | | - | - | - | - | - | - | - | - | (13,770) | - | - | - | (13,770) | - | - | (13,770) |
| Shares released under employee benefit schemes | | - | - | - | - | - | - | - | - | 53,631 | (48,330) | - | - | 5,301 | - | (72) | 5,229 |
| Shares of resigned staff under Equity Ownership Plan | | - | - | - | - | - | - | - | - | - | (1,241) | - | - | (1,241) | - | - | (1,241) |
| Net non-controlling interests share of subsidiary treasury shares | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 882 | 882 |
| Total transactions with owners recognised directly in equity | | 1,994,866 | 13,836 | 35,207 | - | - | - | - | - | 39,861 | 27,844 | - | (2,694,879) | (583,265) | - | (46,226) | (629,491) |
| Transfer to regulatory reserve | | - | - | - | - | - | - | - | - | - | - | 288,707 | (288,707) | - | - | - | - |
| Transfer of realised loss upon disposal of equity investments at fair value through other comprehensive income to retained earnings | | - | - | - | - | - | - | - | (280) | - | - | - | 280 | - | - | - | - |
| At 31 December 2022 | | 29,094,547 | 166,833 | 242,626 | 542,479 | (563) | (43) | (1,417,428) | (238,981) | (1,701,287) | 114,097 | 417,993 | 35,270,933 | 62,491,206 | 200,000 | 1,092,647 | 63,783,853 |

# Consolidated Statement of Changes in Equity

**for the financial year ended 31 December 2022**

| The Group | Note | Ordinary share capital RM'000 | Statutory reserve RM'000 | Capital reserve RM'000 | Exchange fluctuation reserve RM'000 | Shares held under trust RM'000 | Treasury shares RM'000 | Fair value reserve: Debt instruments at fair value through other comprehensive income RM'000 | Fair value reserve: Equity instruments at fair value through other comprehensive income RM'000 | Other reserves RM'000 | Share-based payment reserve RM'000 | Regulatory reserve RM'000 | Retained earnings RM'000 | Total RM'000 | Perpetual preference shares RM'000 | Non-controlling interests RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | ← Attributable to owners of the Parent → | | | | | | | | | | | | | | | |
| At 1 January 2021 | | 25,843,808 | 148,117 | 207,419 | 421,265 | (563) | (43) | 465,293 | (248,084) | (1,171,120) | 75,612 | 233,441 | 29,950,496 | 55,925,641 | 200,000 | 1,048,481 | 57,174,122 |
| Profit for the financial year | | - | - | - | - | - | - | - | - | - | - | - | 4,295,334 | 4,295,334 | - | 97,291 | 4,392,625 |
| Other comprehensive (expense)/income (net of tax) | | - | (25) | - | 75,816 | - | - | (1,021,824) | 22,369 | (181,712) | 339 | (6) | - | (1,105,043) | - | (19,719) | (1,124,762) |
| Debt instruments at fair value through other comprehensive income | | - | - | - | - | - | - | (1,021,827) | - | - | - | - | - | (1,021,827) | - | (17,025) | (1,038,852) |
| Equity instruments at fair value through other comprehensive income | | - | - | - | - | - | - | - | 22,369 | - | - | - | - | 22,369 | - | 320 | 22,689 |
| Fair value changes on financial liabilities designated at fair value relating to own credit risk | | - | - | - | - | - | - | - | - | (70,240) | - | - | - | (70,240) | - | (2,270) | (72,510) |
| Net investment hedge | | - | - | - | - | - | - | - | - | (180,083) | - | - | - | (180,083) | - | - | (180,083) |
| Hedging reserve - cash flow hedge | | - | - | - | - | - | - | - | - | (15,191) | - | - | - | (15,191) | - | (971) | (16,162) |
| Deferred hedging cost | | - | - | - | - | - | - | - | - | 59,600 | - | - | - | 59,600 | - | - | 59,600 |
| Remeasurement of post employment benefits obligations | | - | - | - | - | - | - | - | - | 26,554 | - | - | - | 26,554 | - | 1,490 | 28,044 |
| Currency translation difference | | - | - | - | 81,672 | - | - | - | - | (1,517) | 340 | - | - | 80,495 | - | (1,263) | 79,232 |
| Share of other comprehensive (expense)/ income of | | | | | | | | | | | | | | | | | |
| - Associates | | - | - | - | 162 | - | - | - | - | - | - | - | - | 162 | - | - | 162 |
| - Joint ventures | | - | (25) | - | (6,018) | - | - | 3 | - | (835) | (1) | (6) | - | (6,882) | - | - | (6,882) |
| Total comprehensive (expense)/income for the financial year | | - | (25) | - | 75,816 | - | - | (1,021,824) | 22,369 | (181,712) | 339 | (6) | 4,295,334 | 3,190,291 | - | 77,572 | 3,267,863 |
| Interim dividend for the financial year ended 31 December 2020 | 46 | - | - | - | - | - | - | - | - | - | - | - | (477,295) | (477,295) | - | - | (477,295) |
| First interim dividend for the financial year ended 31 December 2021 | 46 | - | - | - | - | - | - | - | - | - | - | - | (1,045,481) | (1,045,481) | - | - | (1,045,481) |

# Consolidated Statement of Changes in Equity

**for the financial year ended 31 December 2022**

| | | ← Attributable to owners of the Parent | | | | | | | | | | | | → | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | | Fair value reserve | | | | | | | | | |
| **The Group** | **Note** | **Ordinary share capital RM'000** | **Statutory reserve RM'000** | **Capital reserve RM'000** | **Exchange fluctuation reserve RM'000** | **Shares held under trust RM'000** | **Treasury shares RM'000** | **Debt instruments at fair value through other comprehensive income RM'000** | **Equity instruments at fair value through other comprehensive income RM'000** | **Other reserves RM'000** | **Share-based payment reserve RM'000** | **Regulatory reserve RM'000** | **Retained earnings RM'000** | **Total RM'000** | **Perpetual preference shares RM'000** | **Non-controlling interests RM'000** | **Total RM'000** |
| Non-controlling interests share of dividend | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | (33,609) | (33,609) |
| Transfer to statutory reserve | | - | 4,905 | - | - | - | - | - | - | - | - | - | (4,905) | - | - | - | - |
| Issuance of shares arising from: | | | | | | | | | | | | | | | | | |
| - dividend reinvestment scheme | 32 | 1,255,873 | - | - | - | - | - | - | - | - | - | - | - | 1,255,873 | - | - | 1,255,873 |
| Rights issue of a subsidiary | | - | - | - | - | - | - | - | | - | - | - | - | - | - | 2 | 2 |
| Share-based payment expense | 40, 48 | - | - | - | - | - | - | - | - | - | 82,459 | - | - | 82,459 | - | - | 82,459 |
| Purchase of shares in relation to Equity Ownership Plan ("EOP") | | - | - | - | - | - | - | - | - | (28,277) | - | - | - | (28,277) | - | - | (28,277) |
| Shares released under employee benefit schemes | | - | - | - | - | - | - | - | - | 64,053 | (69,435) | - | - | (5,382) | - | (98) | (5,480) |
| Disposal and deemed disposal of subsidiaries | | - | - | - | (34) | - | - | - | - | - | (2,858) | - | - | (2,892) | - | (46,923) | (49,815) |
| Net non-controlling interests share of subsidiary treasury shares | | - | - | - | - | - | - | - | - | - | - | - | - | - | - | 60 | 60 |
| Disposal of joint ventures | | - | - | - | (34,147) | - | - | - | 245 | 1,747 | 478 | 3 | - | (31,674) | - | - | (31,674) |
| Total transactions with owners recognised directly in equity | | 1,255,873 | 4,905 | - | (34,181) | - | - | - | 245 | 37,523 | 10,644 | 3 | (1,527,681) | (252,669) | - | (80,568) | (333,237) |
| Transfer from regulatory reserve | | - | - | - | - | - | - | - | - | - | - | (104,152) | 104,152 | - | - | - | - |
| Transfer of realised loss upon disposal of equity investments at fair value through other comprehensive income to retained earnings | | - | - | - | - | - | - | - | 7,925 | - | - | - | (7,925) | - | - | - | - |
| At 31 December 2021 | | 27,099,681 | 152,997 | 207,419 | 462,900 | (563) | (43) | (556,531) | (217,545) | (1,315,309) | 86,595 | 129,286 | 32,814,376 | 58,863,263 | 200,000 | 1,045,485 | 60,108,748 |

# Company Statement of Changes in Equity

**for the financial year ended 31 December 2022**

| The Company | Note | Ordinary share capital RM'000 | Capital reserve RM'000 | Treasury shares RM'000 | Fair value reserve – debt instruments at fair value through other comprehensive income RM'000 | Share-based payment reserve RM'000 | Retained earnings RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| | | ← Non-distributable | | | | → | Distributable | |
| At 1 January 2022 | | 27,099,681 | 55,982 | (43) | 28,228 | 33,487 | 267,441 | 27,484,776 |
| Profit for the financial year | | – | – | – | – | – | 3,515,719 | 3,515,719 |
| Other comprehensive expense (net of tax) | | – | – | – | (41,762) | – | – | (41,762) |
| Debt instruments at fair value through other comprehensive income | | – | – | – | (41,762) | – | – | (41,762) |
| Total comprehensive (expense)/income for the financial year | | – | – | – | (41,762) | – | 3,515,719 | 3,473,957 |
| Second interim dividend for the financial year ended 31 December 2021 | 46 | – | – | – | – | – | (1,282,792) | (1,282,792) |
| First interim dividend for the financial year ended 31 December 2022 | 46 | – | – | – | – | – | (1,361,653) | (1,361,653) |
| Capital contribution to subsidiaries | | – | – | – | – | 54,330 | – | 54,330 |
| Issue of shares arising from: | | | | | | | | |
| – dividend reinvestment scheme | 32 | 1,994,866 | – | – | – | – | – | 1,994,866 |
| At 31 December 2022 | | 29,094,547 | 55,982 | (43) | (13,534) | 87,817 | 1,138,715 | 30,363,484 |

# Company Statement of Changes in Equity

**for the financial year ended 31 December 2022**

| | | Non-distributable | | | | | Distributable | |
|---|---|---|---|---|---|---|---|---|
| **The Company** | **Note** | **Ordinary share capital RM'000** | **Capital reserve RM'000** | **Treasury shares RM'000** | **Fair value reserve – debt instruments at fair value through other comprehensive income RM'000** | **Share-based payment reserve RM'000** | **Retained earnings RM'000** | **Total RM'000** |
| At 1 January 2021 | | 25,843,808 | 55,982 | (43) | 103,514 | – | 1,398,626 | 27,401,887 |
| Profit for the financial year | | – | – | – | – | – | 391,591 | 391,591 |
| Other comprehensive income (net of tax) | | – | – | – | (75,286) | – | – | (75,286) |
| Debt instruments at fair value through other comprehensive income | | – | – | – | (75,286) | – | – | (75,286) |
| Total comprehensive (expense)/ income for the financial year | | – | – | – | (75,286) | – | 391,591 | 316,305 |
| Interim dividend for the financial year ended 31 December 2020 | 46 | – | – | – | – | – | (477,295) | (477,295) |
| First interim dividend for the financial year ended 31 December 2021 | 46 | – | – | – | – | – | (1,045,481) | (1,045,481) |
| Capital contribution to subsidiaries | | – | – | – | – | 33,487 | – | 33,487 |
| Issue of shares arising from: | | | | | | | | |
| – dividend reinvestment scheme | 32 | 1,255,873 | – | – | – | – | – | 1,255,873 |
| At 31 December 2021 | | 27,099,681 | 55,982 | (43) | 28,228 | 33,487 | 267,441 | 27,484,776 |

# Consolidated Statement of Cash Flows

**for the financial year ended 31 December 2022**

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before taxation and zakat | | **8,371,010** | 5,789,478 |
| Adjustments for: | | | |
| Accretion of discounts less amortisation of premiums | 36 | **227,902** | 442,256 |
| Other expected credit losses | 42 | **177,757** | 433,525 |
| Expected credit losses on loans, advances and financing | 41 | **2,611,007** | 3,279,220 |
| Expected credit losses made for commitments and contingencies | 25(a) | **30,756** | 110,222 |
| Amortisation of intangible assets | 40 | **595,649** | 714,578 |
| Depreciation of property, plant and equipment | 40 | **300,917** | 276,272 |
| Depreciation of right-of-use assets | 40 | **215,723** | 231,948 |
| Dividends from financial investments at fair value through profit or loss | 39 | **(48,574)** | (57,746) |
| Dividends from equity instruments at fair value through other comprehensive income | 39 | **(2,736)** | (2,614) |
| (Gain)/loss on disposal/dilution of interest in joint ventures and associates | 39 | **(10,814)** | 6,022 |
| Loss/(gain) on deemed disposal and disposal of interest in subsidiaries | 39 | **363** | (1,156,486) |
| Gain on disposal of property, plant and equipment/assets held for sale | 39 | **(27,215)** | (42,671) |
| Loss on sale of financial investments at fair value through profit or loss | 39 | **1,067,080** | 367,525 |
| Gain/(loss) on sale of debt instruments at fair value through other comprehensive income | 39 | **32,936** | (450,247) |
| Gain on redemption of debt instruments at amortised cost | 39 | **(12,740)** | (7,020) |
| Gain on disposal of loans, advances and financing | 39 | **(37,170)** | (32,251) |
| Gain on sale of derivative financial instruments | 39 | **(5,327,351)** | (2,591,840) |
| Loss/(gain) on disposal of foreclosed assets | 39 | **6,514** | (313) |
| Impairment of goodwill | 19 | **–** | 1,215,197 |
| Interest income on debt instruments at fair value through other comprehensive income | 36(a) | **(2,040,550)** | (1,838,211) |
| Interest income on debt instruments at amortised cost | 36(a) | **(1,834,030)** | (1,703,664) |
| Interest expense on subordinated obligations | 37 | **403,779** | 438,418 |
| Interest expense on bonds, Sukuk and debentures | 37 | **364,114** | 285,978 |
| Interest expense on other borrowings | 37 | **226,121** | 201,535 |
| Interest expenses on lease liabilities | 37 | **18,845** | 20,708 |
| Interest expense on recourse obligation on loan and financing sold to Cagamas | 37 | **26,454** | 42,516 |
| Net gain arising from hedging activities | 39 | **(32,266)** | (5,206) |
| Property, plant and equipment written off | 40 | **2,786** | 3,713 |
| Intangible assets written off | 40 | **1,632** | 65,904 |
| Share-based payment expense | 48 | **77,415** | 82,459 |
| Share of results of associates | 14 | **(66,261)** | (3,795) |
| Share of results of joint ventures | 15 | **26,022** | (64,223) |
| Unrealised gain on financial liabilities designated at fair value through profit or loss | 39 | **(356,161)** | (211,148) |
| Unrealised loss on foreign exchange | 39 | **2,061,552** | 1,597,242 |
| Unrealised loss/(gain) on revaluation of derivative financial instruments | 39 | **518,328** | (1,091,022) |
| Unrealised loss on revaluation of financial investments at fair value through profit or loss | 39 | **68,972** | 671,017 |
| Unrealised loss/(gain) from loans, advances and financing at fair value through profit or loss | 39 | **1,208** | (1,482) |
| Modification (gain)/loss | 38 | **(6,707)** | 62,078 |
| | | **(738,743)** | 1,288,394 |
| | | **7,632,267** | 7,077,872 |
| **DECREASE IN OPERATING ASSETS** | | | |
| Reverse repurchase agreements | | **(3,865,764)** | 947,422 |
| Deposits and placements with banks and other financial institutions with original maturity of more than three months | | **(946,086)** | (695,115) |
| Cash and short-term funds with original maturity of more than three months | | **1,741,680** | (1,549,322) |
| Financial investments at fair value through profit or loss | | **5,363,410** | 948,647 |
| Loans, advances and financing | | **(32,511,210)** | (14,105,407) |
| Other assets | | **(3,454,525)** | 2,909,684 |
| Derivative financial instruments | | **5,186,935** | 2,179,872 |
| Statutory deposits with central banks | | **(6,228,870)** | (264,611) |
| | | **(34,714,430)** | (9,628,830) |

# Consolidated Statement of Cash Flows

**for the financial year ended 31 December 2022**

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **INCREASE IN OPERATING LIABILITIES** | | | |
| Deposits from customers | | **10,531,891** | 19,367,455 |
| Investment accounts of customers | | **3,257,465** | 7,748,297 |
| Deposits and placements of banks and other financial institutions | | **3,487,354** | (1,087,096) |
| Financial liabilities designated at fair value through profit or loss | | **4,563,232** | 3,051,000 |
| Repurchase agreements/Collateralised commodity murabahah | | **6,738,818** | 1,037,802 |
| Bills and acceptances payable | | **(32,582)** | (174,707) |
| Other liabilities | | **9,105,967** | (2,474,463) |
| | | **37,652,145** | 27,468,288 |
| Cash flows generated from operations | | **10,569,982** | 24,917,330 |
| Taxation paid | | **(2,474,389)** | (1,745,098) |
| Net cash flows generated from operating activities | | **8,095,593** | 23,172,232 |
| **INVESTING ACTIVITIES** | | | |
| Distributions and capital repayment from associates | 14 | **19,726** | 39,562 |
| Dividend from an associate | 14 | **36,250** | – |
| Dividend from joint venture | 15 | **60,000** | 59,880 |
| Dividends from financial investments at fair value through profit or loss | 39 | **48,574** | 57,746 |
| Dividends from equity instruments at fair value through other comprehensive income | 39 | **2,736** | 2,614 |
| Investment in associates | 14 | **(9,102)** | (761,100) |
| Investment in joint ventures | 15 | **(326,868)** | (48,593) |
| Interest income received from debt instruments at fair value through other comprehensive income | 36(a) | **2,040,550** | 1,838,211 |
| Interest income received from debt instruments at amortised cost | 36(a) | **1,834,030** | 1,703,664 |
| Net purchase of debt instruments at fair value through other comprehensive income | | **(371,093)** | (14,394,773) |
| Net proceed of equity instruments at fair value through other comprehensive income | | **(19,865)** | 35,583 |
| Net purchase of debt instruments at amortised cost | | **(8,589,736)** | (227,218) |
| Net addition of right-of-use assets | | **(7,100)** | (127,478) |
| Net proceeds from disposal of joint venture | | **–** | 720,651 |
| Net cash outflow from disposal of subsidiaries | 56 | **–** | (323,246) |
| Proceeds from disposal of property, plant and equipment/asset held for sale | | **45,348** | 424,215 |
| Purchase of property, plant and equipment | 16 | **(350,560)** | (367,571) |
| Proceeds from disposal of intangible assets | | **1,137** | 52,296 |
| Purchase of intangible assets | 20 | **(549,941)** | (676,550) |
| Net cash flows used in investing activities | | **(6,135,914)** | (11,992,107) |

# Consolidated Statement of Cash Flows

**for the financial year ended 31 December 2022**

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **FINANCING ACTIVITIES** | | | |
| Contribution from non-controlling interests | | **5,926** | 2 |
| Dividends paid to non-controlling interests | | **(51,235)** | (33,609) |
| Dividends paid to shareholders | 46 | **(649,579)** | (266,902) |
| Interest paid on bonds, Sukuk and debentures | (i) | **(309,729)** | (242,529) |
| Interest paid on commercial papers and medium term notes | (i) | **(114,019)** | (61,620) |
| Interest paid on subordinated obligations | (i) | **(403,636)** | (464,145) |
| Interest paid on term loan facility and other borrowings | (i) | **(86,346)** | (138,948) |
| Interest paid on recourse loans sold to Cagamas | (i) | **(27,766)** | (48,630) |
| Proceeds from issuance of commercial papers and medium term notes | (i) | **–** | 3,000,805 |
| Proceeds from issuance of bonds, Sukuk and debentures | (i) | **5,619,953** | 3,423,493 |
| Proceeds from issuance of subordinated obligations | (i) | **2,500,000** | 350,000 |
| Proceeds from revolving credit and overdraft | (i) | **–** | 106,759 |
| Proceeds from term loan facility and other borrowings | (i) | **4,449,409** | 491,714 |
| Repayment of lease obligation | (i) | **(213,975)** | (121,075) |
| Redemption/repayment of bonds, Sukuk and debentures | (i) | **(9,116,594)** | (2,577,405) |
| Repayment of commercial papers and medium term notes | (i) | **(764,568)** | – |
| Repayment of recourse loans sold to Cagamas | (i) | **(320,007)** | (1,074,014) |
| Redemption/repayment of subordinated obligations | (i) | **(1,493,556)** | (2,924,239) |
| Repayment of term loan facility and other borrowings | (i) | **(3,675,958)** | (6,006,900) |
| Net cash flows used in financing activities | | **(4,651,680)** | (6,587,243) |
| **Net (decrease)/increase in cash and cash equivalents during the financial year** | | **(2,692,001)** | 4,592,882 |
| Effects of exchange rate changes | | **309,843** | 319,689 |
| **Cash and short-term funds at beginning of the financial year** | | **46,106,715** | 41,194,144 |
| | | **43,724,557** | 46,106,715 |
| Monies held in trust | | **(685,485)** | (680,986) |
| **Cash and cash equivalents at end of the financial year** | | **43,039,072** | 45,425,729 |
| **Cash and cash equivalents comprise:** | | | |
| Cash and short-term funds | 2 | **44,008,860** | 45,669,511 |
| Deposits and placements with banks and other financial institutions | 3 | **3,096,482** | 4,613,720 |
| | | **47,105,342** | 50,283,231 |
| Less: Cash and short-term funds and deposits and placements with financial institutions, with original maturity of more than three months | | **(3,380,785)** | (4,176,516) |
| Monies held in trust | | **(685,485)** | (680,986) |
| **Cash and cash equivalents at end of financial year** | | **43,039,072** | 45,425,729 |

# Company Statement of Cash Flows

**for the financial year ended 31 December 2022**

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **OPERATING ACTIVITIES** | | | |
| Profit before taxation | | **3,517,279** | 391,122 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 40 | **147** | 554 |
| Depreciation of right-of-use assets | 40 | **–** | 10 |
| Depreciation of investment properties | 40 | **18** | 18 |
| Dividends from subsidiaries | 39 | **(3,131,843)** | (582,565) |
| Gain on disposal of property, plant and equipment/asset held for sale | 39 | **(4,232)** | – |
| Interest expense on term loan | 37 | **–** | 70,704 |
| Interest expense on commercial papers and medium term notes | 37 | **127,312** | 61,791 |
| Interest expense on subordinated obligations | 37 | **429,079** | 450,809 |
| Interest income from debt intruments at fair value through other comprehensive income and debt instruments at amortised cost | 36(a) | **(380,279)** | (402,337) |
| Gain on disposal of a subsidiary | 39 | **(581,774)** | – |
| Other expected credit losses and impairment allowances | 42 | **2,553** | (20,659) |
| Unrealised gain on foreign exchange | | **(684)** | (469) |
| | | **(3,539,703)** | (422,144) |
| | | **(22,424)** | (31,022) |
| **INCREASE IN OPERATING ASSETS** | | | |
| Amount due from subsidiaries | | **(12,884)** | 12,791 |
| Other assets | | **1,082,580** | (601) |
| | | **1,069,696** | 12,190 |
| **INCREASE/(DECREASE) IN OPERATING LIABILITIES** | | | |
| Other liabilities | | **10,639** | (3,022) |
| | | **10,639** | (3,022) |
| Cash flows generated from/(used in) operations | | **1,057,911** | (21,854) |
| Taxation paid | | **(1,791)** | (1,009) |
| Net cash flows generated from/(used in) operating activities | | **1,056,120** | (22,863) |
| **INVESTING ACTIVITIES** | | | |
| Acquisition of additional interest in subsidiaries | 13 | **(2,237,719)** | (371,894) |
| Dividends from subsidiaries | 39 | **3,131,843** | 582,565 |
| Proceeds from disposal of property, plant and equipment/asset held for sale | | **8,000** | – |
| Interest received from financial investments | | **362,436** | 409,412 |
| Net proceeds from disposal of debt instruments at fair value through other comprehensive income | | **–** | 1,400,000 |
| Net purchase of debt instruments at amortised cost | | **(1,000,000)** | (90,000) |
| Net cash flows generated from investing activities | | **264,560** | 1,930,083 |
| **FINANCING ACTIVITIES** | | | |
| Dividends paid to shareholders | 46 | **(649,579)** | (266,902) |
| Interest paid on commercial papers and medium term notes | (i) | **(128,589)** | (60,815) |
| Interest paid on term loan | (i) | **–** | (72,675) |
| Interest paid on subordinated obligations | (i) | **(411,244)** | (457,757) |
| Repayment of term loan facility | (i) | **–** | (3,000,000) |
| Proceeds from issuance of commercial papers and medium term notes | (i) | **–** | 3,000,000 |
| Proceeds from issuance of subordinated obligations | (i) | **2,500,000** | 100,000 |

# Company Statement of Cash Flows

for the financial year ended 31 December 2022

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **FINANCING ACTIVITIES (CONTINUED)** | | | |
| Repayment of commercial papers and medium term notes | (i) | **(750,000)** | – |
| Repayment of subordinated obligations | (i) | **(1,500,000)** | (1,400,000) |
| Net cash flows used in financing activities | | **(939,412)** | (2,158,149) |
| **Net increase/(decrease) in cash and cash equivalents during the financial year** | | **381,268** | (250,929) |
| **Effects of exchange rate changes** | | **(683)** | – |
| **Cash and cash equivalents at beginning of the financial year** | | **93,674** | 344,603 |
| **Cash and cash equivalents at end of the financial year** | 2 | **474,259** | 93,674 |

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

| | The Group | | | | | | The Company | | |
|---|---|---|---|---|---|---|---|---|---|
| | Recourse obligation on loans and financing sold to Cagamas RM'000 | Bonds, Sukuk and debentures RM'000 | Other borrowings RM'000 | Subordinated obligations RM'000 | Lease liabilities RM'000 | Total RM'000 | Other borrowings RM'000 | Subordinated obligations RM'000 | Total RM'000 |
| **At 1 January 2022** | **998,246** | **13,379,042** | **8,108,472** | **10,128,585** | **575,805** | **33,190,150** | **4,707,895** | **9,609,761** | **14,317,656** |
| **Proceeds from issuance** | **-** | **5,619,953** | **4,449,409** | **2,500,000** | **-** | **12,569,362** | **-** | **2,500,000** | **2,500,000** |
| **Repayment and redemption** | **(320,007)** | **(9,116,594)** | **(4,440,526)** | **(1,493,556)** | **(213,975)** | **(15,584,658)** | **(750,000)** | **(1,500,000)** | **(2,250,000)** |
| **Interest paid** | **(27,766)** | **(309,729)** | **(200,365)** | **(403,636)** | **-** | **(941,496)** | **(128,589)** | **(411,244)** | **(539,833)** |
| **Exchange fluctuation** | **-** | **301,238** | **121,674** | **(2,406)** | **-** | **420,506** | **-** | **-** | **-** |
| **Other non cash movement** | **194** | **44,299** | **226,121** | **285,528** | **138,308** | **694,450** | **127,664** | **429,079** | **556,743** |
| **At 31 December 2022** | **650,667** | **9,918,209** | **8,264,785** | **11,014,515** | **500,138** | **30,348,314** | **3,956,970** | **10,627,596** | **14,584,566** |
| At 1 January 2021 | 2,110,668 | 12,463,964 | 10,405,959 | 12,808,510 | 543,224 | 38,332,325 | 4,708,893 | 10,916,708 | 15,625,601 |
| Proceeds from issuance | – | 3,423,493 | 3,599,278 | 350,000 | – | 7,372,771 | 3,000,000 | 100,000 | 3,100,000 |
| Repayment and redemption | (1,074,014) | (2,577,405) | (6,006,900) | (2,924,239) | (121,075) | (12,703,633) | (3,000,000) | (1,400,000) | (4,400,000) |
| Interest paid | (48,630) | (242,529) | (200,568) | (464,145) | – | (955,872) | (133,490) | (457,757) | (591,247) |
| Exchange fluctuation | – | 176,069 | 106,914 | 2,717 | – | 285,700 | – | – | – |
| Other non cash movement | 10,222 | 135,450 | 203,789 | 355,742 | 153,656 | 858,859 | 132,492 | 450,810 | 583,302 |
| At 31 December 2021 | 998,246 | 13,379,042 | 8,108,472 | 10,128,585 | 575,805 | 33,190,150 | 4,707,895 | 9,609,761 | 14,317,656 |

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

The following accounting policies have been used consistently in dealing with items that are considered material in relation to the Financial Statements except as disclosed in the Financial Statements.

## A BASIS OF PREPARATION

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

The Financial Statements have been prepared under historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss, debts instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, derivatives financial instruments, investment properties, non-current assets/disposal groups held for sale and financial liabilities designated at fair value through profit or loss.

The Financial Statements incorporate those activities relating to Islamic banking which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic Securities under the Shariah principles.

The preparation of Financial Statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of income and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements, are disclosed in Note 54.

### (A) STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATION THAT ARE EFFECTIVE AND APPLICABLE TO THE GROUP AND THE COMPANY

The new accounting standards, amendments to published standards and interpretation that are effective and applicable to the Group and the Company for the financial year beginning 1 January 2022 are as follows:

- Amendment to MFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021"
- Amendments to MFRS 116 "Proceeds before intended use"
- Amendments to MFRS 3 "Reference to Conceptual Framework"
- Amendments to MFRS 137 "Onerous Contracts – Cost of Fulfilling a Contract"
- Annual improvements to MFRS 9 "Fees in the 10% test for derecognition of financial liabilities"
- Annual Improvements to MFRS 1 "Subsidiary as First-time Adopter"
- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives
- Annual Improvements to MFRS 141 "Taxation in Fair Value Measurements"

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

### (B) STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS THAT ARE APPLICABLE TO THE GROUP AND THE COMPANY BUT NOT YET EFFECTIVE

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

#### (I) FINANCIAL YEAR BEGINNING ON/AFTER 1 JANUARY 2023

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

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

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## A BASIS OF PREPARATION (CONTINUED)

### (B) STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS THAT ARE APPLICABLE TO THE GROUP AND THE COMPANY BUT NOT YET EFFECTIVE (CONTINUED)

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

#### (I) FINANCIAL YEAR BEGINNING ON/AFTER 1 JANUARY 2023 (CONTINUED)

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

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

  The amendments to MFRS 101 require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications. The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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

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

  The adoption of the above new accounting standards, amendments to published standards and interpretations are not expected to give rise to any material financial impact to the Group and the Company.

#### (II) FINANCIAL YEAR BEGINNING ON/AFTER 1 JANUARY 2024

- **Amendments to MFRS 101 "Classification of liabilities as current or non-current"**

  The amendments clarify that a liability is classified as non-current if an entity has a substantive right at the end of the reporting period to defer settlement for at least 12 months after the reporting period.

  If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the lender does not test compliance until a later date.

  The assessment of whether an entity has the right to defer settlement of a liability at the reporting date is not affected by expectations of the entity or events after the reporting date.

  In addition, the amendments clarify that when a liability could be settled by the transfer of an entity's own equity instruments (e.g. a conversion option in a convertible bond), conversion option that is not an equity instrument as defined in MFRS 132 'Financial Instruments: Presentation' is considered in the current or non-current classification of the convertible instrument.

  The amendments shall be applied retrospectively.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## A BASIS OF PREPARATION (CONTINUED)

### (B) STANDARDS, AMENDMENTS TO PUBLISHED STANDARDS AND INTERPRETATIONS THAT ARE APPLICABLE TO THE GROUP AND THE COMPANY BUT NOT YET EFFECTIVE (CONTINUED)

The Group and the Company will apply these standards, amendments to published standards from: (Continued)

#### (II) FINANCIAL YEAR BEGINNING ON/AFTER 1 JANUARY 2024 (CONTINUED)

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

  The Amendments to MFRS 16 Lease liability in a sale and leaseback specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the "lease payments" or "revised lease payments" in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

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

## B ECONOMIC ENTITIES IN THE GROUP

### (A) SUBSIDIARIES

The consolidated Financial Statements include the Financial Statements of the Company and all its subsidiaries made up to the end of the financial year.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct relevant activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations.

Under the acquisition method of accounting, the consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in the business combination are, with limited exception measured initially at their fair value on the date of acquisition.

The Group applies predecessor accounting to account for business combinations under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. They are recognised at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to conform with the accounting policies adopted by the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities of the acquired entity is recognised as an adjustment to equity. No additional goodwill is recognised. The acquired entity's results and balance sheet are incorporated prospectively from the date on which the business combination between entities under common control occurred.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in acquiree (if any), and the fair value of the Group's previously held equity interest in acquiree (if any), over the fair value of the acquiree's identifiable net assets acquired is recorded as goodwill. The accounting policy for goodwill is set out in Note M(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in statement of income on the acquisition date.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date, any gains or losses arising from such re-measurement are recognised in statement of income.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

### (A) SUBSIDIARIES (CONTINUED)

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

All material transactions, balances and unrealised gains on transactions between group companies are eliminated and the consolidated Financial Statements reflect external transactions only. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of income, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

### (B) CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

Transactions with non-controlling interests that do not result in loss in control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

### (C) DISPOSAL OF SUBSIDIARIES

When the Group ceases to consolidate because of loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in statement of income. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of income.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

### (D) JOINT ARRANGEMENTS

A joint arrangement is an arrangement of which there is contractually agreed sharing of control by the Group with one or more parties, where decisions about the relevant activities relating to the joint arrangement require unanimous consent of the parties sharing control. The classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint venture is a joint arrangement whereby the joint venturers have rights to the net assets of the arrangement. A joint operation is a joint arrangement whereby the joint operators have rights to the assets and obligations for the liabilities, relating to the arrangement.

The Group's interests in joint ventures are accounted for in the consolidated Financial Statements by using the equity method of accounting, after initially being recognised at cost in the consolidated statement of financial position. Under the equity method, the investment in a joint venture is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the joint venture in statement of income, and the Group's share of movements in other comprehensive income of the joint venture in other comprehensive income.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

### (D) JOINT ARRANGEMENTS (CONTINUED)

Dividends received or receivable from a joint venture are recognised as a reduction in the carrying amount of the investment. The cumulative post acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition, net of accumulated impairment loss (if any). When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures, including any long-term interests that, in substance, form part of the Group's net investment in the joint ventures, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of results of joint ventures' in the statement of income.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of income.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to statement of income where appropriate.

### (E) ASSOCIATES

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. The Group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment loss.

Investments in associates are accounted for using equity method of accounting. Under the equity method, the investment is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in statement of income, and the Group's share of post-acquisition movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of results of associates' in the statement of income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## B ECONOMIC ENTITIES IN THE GROUP (CONTINUED)

### (E) ASSOCIATES (CONTINUED)

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amount previously recognised in the other comprehensive income is reclassified to statement of income where appropriate.

Dilution gains and losses arising from investments in associates are recognised in the statement of income.

### (F) INTERESTS IN SUBSIDIARIES, JOINT ARRANGEMENTS AND ASSOCIATES

In the Company's separate financial statements, investments in subsidiaries, joint arrangements and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, joint arrangements and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in statement of income.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

## C RECOGNITION OF INTEREST/PROFIT INCOME AND INTEREST/PROFIT EXPENSE

Interest and profit income and expense for all interest/profit-bearing financial instruments are recognised within "interest income", "interest expense" and "income from Islamic banking operations" respectively in the statement of income using the effective interest/profit method.

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

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

Income from Islamic banking business is recognised on an accrual basis in accordance with the principles of Shariah.

## D RECOGNITION OF FEES AND OTHER INCOME

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

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

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

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## D RECOGNITION OF FEES AND OTHER INCOME (CONTINUED)

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

Dividends are recognised when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

Dividend income received from subsidiary companies, joint venture, associated companies, financial assets at fair value through profit or loss and financial investments at fair value through other comprehensive income are recognised as non-interest income in statements of income. Dividends that clearly represent a recovery of part of the cost of investment is recognised in other comprehensive income if it relates to an investment in equity instruments measured at fair value through other comprehensive income.

## E FINANCIAL ASSETS

### (A) CLASSIFICATION

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

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

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

#### BUSINESS MODEL ASSESSMENT

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

#### ASSESSMENT WHETHER CONTRACTUAL CASH FLOWS ARE SOLELY PAYMENTS OF PRINCIPAL AND INTEREST ("SPPI")

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

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

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

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

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## E FINANCIAL ASSETS (CONTINUED)

### (A) CLASSIFICATION (CONTINUED)

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

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

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

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

### (B) RECOGNITION AND INITIAL MEASUREMENT

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

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

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

### (C) SUBSEQUENT MEASUREMENT

#### DEBT INSTRUMENTS

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

**(i) Amortised cost**

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

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

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

When the Group and the Company hold more than one investment in the same security, they are deemed to be disposed of on a first-in, first-out basis. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in non-interest income. Interest/profit income from these financial assets is included in interest/finance income using the effective interest/profit rate method.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## E FINANCIAL ASSETS (CONTINUED)

### (C) SUBSEQUENT MEASUREMENT (CONTINUED)

#### DEBT INSTRUMENTS (CONTINUED)

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

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

#### EQUITY INSTRUMENTS

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

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

### (D) RECLASSIFICATION OF FINANCIAL ASSETS

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

### (E) MODIFICATION OF LOANS/FINANCING

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

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

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

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## E FINANCIAL ASSETS (CONTINUED)

### (E) MODIFICATION OF LOANS/FINANCING

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

The impact of modifications of financial assets is disclosed in Note 38. The 'phase 2' amendments for financial assets affected by IBOR reform is disclosed in Note Q.

## F FINANCIAL LIABILITIES

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

### (A) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

- Eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases. Certain structured investments with embedded callable range accrual swaps are designated by the Group under this criterion. The interest payable on these structured investments has been hedged with trading derivatives. An accounting mismatch would arise if the structured investments were accounted for at amortised cost, because the related derivatives are measured at fair value with changes in the fair value recognised in the statements of income. By designating the structured investments at fair value, the movement in the fair value of the structured investments will also be recognised in the statement of income;
- Applies to groups of financial liabilities that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy; and
- Relates to financial liabilities containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## F FINANCIAL LIABILITIES (CONTINUED)

### (A) FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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

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

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

### (B) FINANCIAL LIABILITIES AT AMORTISED COST

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, repurchase agreements, bills and acceptances payable, sundry creditors, collateral pledged for derivative transactions, bonds, Sukuk and debentures, other borrowings, subordinated obligations, lease liabilities and recourse obligations on loans and financing sold to Cagamas. The 'phase 2' amendments for financial liabilities affected by IBOR reform is disclosed in Note Q.

## G DERECOGNITION OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES OTHER THAN ON A MODIFICATION

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group and the Company test control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

Collateral furnished by the Group and the Company under standard repurchase agreements transactions is not derecognised because the Group and the Company retain substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

## H OFFSETTING FINANCIAL INSTRUMENTS

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

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## I IMPAIRMENT OF FINANCIAL ASSETS

The Group and the Company assess on a forward looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost, FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

### (I) FINANCIAL ASSETS ACCOUNTED FOR AT AMORTISED COST, FVOCI AND WITH THE EXPOSURE ARISING FROM LOAN COMMITMENTS AND FINANCIAL GUARANTEE CONTRACTS.

The Group and the Company use general 3-stage approach for financial assets accounted for at amortised cost, FVOCI and with the exposure arising from loan commitments and financial guarantee contracts which reflect their credit risk and how the ECL is determined for each of those categories.

A summary of the assumptions underpinning the Group's and the Company's expected credit loss model is as follows:

**(a) Stage 1: 12-months ECL**

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-month ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

**(b) Stage 2: Lifetime ECL – not credit impaired**

Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.

**(c) Stage 3: Lifetime ECL – credit impaired**

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

The Group and the Company account for their credit risk by appropriately providing for ECL on a timely basis. In calculating the ECL rates, the Group and the Company consider historical loss rates for each category of customers, and adjusts for forward looking macroeconomic data.

### (II) OTHER ASSETS

For the other assets that are within the scope of MFRS 15 such as amount due from broker and other debtors, the Group and the Company apply simplified approach as permitted by MFRS 9, which requires an entity to recognise a loss allowance based on lifetime ECL at each reporting date. MFRS 9 allows the use of practical expedients when measuring ECL and states that a provision matrix is an example of such expedient for trade receivables. An entity that applies a provision matrix may use historical loss experience on its trade receivables, and adjust historical loss rates to reflect information about current conditions and reasonable and supportable forecasts of future economic conditions.

## J SALE AND REPURCHASE AGREEMENTS/COLLATERALISED COMMODITY MURABAHAH

Securities purchased under resale agreements ("reverse repurchase agreements") are securities which the Group had purchased with a commitment to re-sell at future dates. The commitment to re-sell the securities is reflected as an asset on the statements of financial position.

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

The difference between sale and repurchase price as well as purchase and resale price is treated as interest and accrued over the life of the resale/repurchase agreement/collateralised commodity murabahah using the effective yield method.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## K PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are initially stated at cost, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of income during the financial period in which they are incurred.

Freehold land and capital work-in-progress are not depreciated. Other property, plant and equipment are depreciated on a straight line basis to allocate the cost of the assets to their residual values over their estimated useful lives, summarised as follows:

| | |
|---|---|
| Buildings on freehold land | 20 to 50 years |
| Buildings on leasehold land 50 years or more | 40-50 years or over the remaining period of the lease, whichever is shorter |
| Buildings on leasehold land less than 50 years | 40-50 years or over the remaining period of the lease, whichever is shorter |
| Office equipment, furniture and fixtures | |
| – office equipment | 3-10 years |
| – furniture and fixtures | 5-10 years |
| Renovations | 5-19 years |
| Computer equipment and hardware | |
| – servers and hardware | 3-7 years |
| – ATM machine | 5-10 years |
| Computer equipment and software under lease | 7 years or over the period of the lease, whichever is shorter |
| Motor vehicles | 5 to 8 years |
| General plant and machinery | 5 years |

Depreciation on capital work-in-progress commences when the assets are ready for their intended use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment are reviewed for impairment at the end of each reporting period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in non-interest income.

## L INVESTMENT PROPERTIES

Investment properties, comprising principally land and office buildings, are held for long term rental yields or for capital appreciation or both, and are not occupied by the Group and the Company.

Investment properties of the Company are stated at cost less accumulated depreciation and accumulated impairment loss. The freehold land is not depreciated. The buildings on freehold land are depreciated on a straight line basis over their estimated useful lives of 33.3 years.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in statement of income in the period of the retirement or disposal.

At the Group level, investment properties of the Company are classified as property, plant and equipment as the properties are rented out to an entity within the Group.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## L INVESTMENT PROPERTIES (CONTINUED)

Investment properties of the Group are stated at fair value, representing the open-market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. Changes in fair values are recorded in the statements of income as part of other income.

Subsequent expenditure is recognised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss as a net gain/loss from fair value adjustment on investment property.

## M INTANGIBLE ASSETS

### (A) GOODWILL

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units ("CGU"), or groups of CGUs, that is expected to benefit from the business combination in which goodwill arose, identified according to operating segment.

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

Goodwill on acquisitions of associates and joint arrangements respectively are included in investments in associates and joint arrangements. Such goodwill is tested for impairment as part of the overall balance.

### (B) OTHER INTANGIBLE ASSETS

Other intangible assets include customer relationships, core deposits, computer software and license and club debentures. Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, when it is probable that future economic benefits attributable to the assets will flow to the Group and the Company. The value of intangible assets which are acquired in a business combination is generally determined using fair value at acquisition. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Intangible assets that have an indefinite useful life, or are not yet ready for use, are tested for impairment annually. This impairment test may be performed at any time during the year, provided it is performed at the same time every year. An intangible asset recognised during the current period is tested before the end of the current year.

Intangible assets that have a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, and are amortised over their estimated useful lives.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## M INTANGIBLE ASSETS (CONTINUED)

### (B) OTHER INTANGIBLE ASSETS (CONTINUED)

Intangible assets are amortised over their finite useful lives as follows:

| | |
|---|---|
| Customer relationships: | |
| – Credit card | 12 years |
| Core deposits | 8 – 20 years |
| Computer software | 3 – 15 years |

During the financial year ended 31 December 2021, management initiated review of useful life taking into account industry experience and technology changes. As a result, useful life of certain computer software were revised from 3-15 years to 3-10 years.

## N LEASES – THE GROUP AND THE COMPANY AS LESSEE

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

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

### LEASE TERM

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

### ROU ASSETS

ROU assets are initially measured at cost comprising the following:

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

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

### LEASE LIABILITIES

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

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

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

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## N LEASES – THE GROUP AND THE COMPANY AS LESSEE (CONTINUED)

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

The Group presents the lease liabilities as a separate line item in the statement of financial position. Interest expense on the lease liability is presented under net interest income in the statement of income.

### SHORT TERM LEASES AND LEASES OF LOW VALUE ASSETS

The Group elects to apply MFRS 16 recognition exemption such as short-term leases and leases for which the underlying asset is of low value. Short-term leases are leases with a lease term of 12 months or less with no purchase option. Low-value assets comprise IT equipment and small items of office furniture with value of RM20,000 (or equivalent to USD5,000) or below. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

## O LEASES – THE GROUP AND THE COMPANY AS LESSOR

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

### (A) FINANCE LEASE

The Group classifies a lease as a finance lease if the lease transfers substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group derecognises the underlying asset and recognises a receivable at an amount equal to the net investment in a finance lease. Net investment in a finance lease is measured at an amount equal to the sum of the present value of lease payments from lessee and the unguaranteed residual value of the underlying asset. Initial direct costs are also included in the initial measurement of the net investment. The net investments is subject to MFRS 9 impairment. In addition, the Group reviews regularly the estimated unguaranteed residual value.

Lease income is recognised over the term of the lease using the net investment method so as to reflect a constant periodic rate of return. The Group revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

### (B) OPERATING LEASE

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating lease as lease income on a straight-line basis over the lease term. When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

## P BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represent the Group's own bills and acceptances rediscounted and outstanding in the market.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## Q DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate except for assets/liabilities that are classified as Level 3 fair value hierarchy. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statement of income.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises the fair value of derivatives in the statement of income immediately.

The Group designates certain derivatives to manage its exposure to foreign currency and interest rate risks. The instruments used included interest rate swap, cross currency interest rate swap and currency swap.

The Group documents at the inception of the hedging transaction, the risk management objective and strategy and the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 8.

### (A) FAIR VALUE HEDGE

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the statement of income over the period to maturity based on recalculated effective interest rate method. The adjustment to the carrying amount of a hedged equity security remains as part of the carrying amount until the disposal of the equity security.

### (B) CASH FLOW HEDGE

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in equity. The gain and loss relating to ineffective portion is recognised immediately in the statement of income. Amounts accumulated in equity are recycled to the statement of income in the periods in which the hedged item will affect the statement of income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the statement of income. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the statement of income. The Group assesses the recoverability of the balance in one or more future periods when the cash flow hedge reserve is in a loss position.

### (C) NET INVESTMENT HEDGE

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. When forward contracts are used to hedge net investment in foreign operation, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of income. The change in the forward element of the contract that relates to the hedged item is recognised in other comprehensive income and accumulated in costs of hedging reserve within equity.

Gains and losses accumulated in the equity are recycled to the statement of income when the foreign operation is partially disposed or sold. The Group assesses the recoverability of the balance in one or more future periods when the net investment hedge reserve is in a loss position.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## Q DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

Interbank offered rates (IBORs), such as the London Interbank Offered Rate (LIBOR), play a critical role in global financial markets, serving as reference rates for derivatives, loans and securities, and as parameters in the valuation of financial instruments.

In recent years, regulators, central banks and market participants have been working towards a transition to alternative risk-free benchmark reference rates (RFRs) and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted in replacement of IBORs.

In response to the uncertainty about the long-term viability of these benchmark rates, and LIBOR in particular, the International Accounting Standards Board (IASB) has established a project to consider the financial reporting implications of the reform. The transition from IBORs is expected to have an impact on various elements of financial instrument accounting, including hedge accounting, as well as fair value methodologies and disclosures.

BNM has announced the launch of the Malaysia Overnight Rate (MYOR) as the new alternative risk-free benchmark reference rates (RFRs) for Malaysia and the MYOR will run in parallel to the existing Kuala Lumpur Interbank Offered Rate (KLIBOR) with periodic reviews to ensure that the financial benchmark rates remain robust and reflective of an active underlying market. The Group has discontinued the publication of the 2- and 12-month KLIBOR tenors, which are the least referenced rates in the market for financial contracts, on 1 January 2023. The remaining one-, three- and six-month KLIBOR tenors, will continue to reflect an active underlying market.

### IMPACT OF IBOR REFORM ON GROUP'S HEDGING RELATIONSHIP

The Group has hedge accounted relationships referencing IBORs, with the most significant interest rate benchmarks to which the Group's hedging relationships are exposed to are MYR KLIBOR, USD LIBOR, SGD SOR, THBFIX and IDR JIBOR.

The Group's risk exposures that is directly affected by the interest rate benchmark reform is the fair value hedge of the following financial instruments. These hedging relationships are designated using interest rate swaps, for changes attributable to MYR KLIBOR, USD LIBOR and SGD SOR that are respective current benchmark interest rate. Additional information about the Group's exposure to IBOR reform is presented in Note 8.

| Hedged items | The Group |
|---|---|
| Fixed rate liabilities | MYR6,925,000,000 |
| Fixed rate senior bonds | HKD1,578,000,000<br>MYR2,458,400,000<br>USD20,000,000 |
| Fixed rate financial investments at fair value through other comprehensive income | MYR10,516,800,000<br>SGD87,500,000<br>USD189,800,000 |
| Fixed rate financial investments at amortised cost | MYR50,000,000 |
| Fixed rate loans | MYR1,329,000,000<br>SGD100,000,000<br>USD11,908,000 |

The Group also applied cash flow hedge to the following financial instruments and it has designated the swap in a cash flow hedge of the variability in cash flows of the loan, due to changes in USD LIBOR and THBFIX that is the respective current benchmark interest rate. However, as part of the reforms noted above, the authority has decided to no longer compel panel bank to participate in the USD LIBOR submission process after end of 30 June 2023 and cease to oversight of these benchmark interest rates. Regulatory authorities and private sector working groups have been discussing alternative benchmark rates for USD LIBOR. It is expected that USD SOFR (secured overnight financing rate) will replace USD LIBOR.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## Q DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

### IMPACT OF IBOR REFORM ON GROUP'S HEDGING RELATIONSHIP (CONTINUED)

| Hedged items | The Group |
|---|---|
| Floating rate loans | USD275,224,000 |
| Floating rate bills and acceptances | USD109,000,000 |

The Group will continue to record any ongoing hedge ineffectiveness, including that generated by changes as a result of interest rate reform, within the Income Statement. One of the source of ineffectiveness would be due to the IBOR reform takes effect at a different time and have a different impact on the hedged items (loans, bonds and debentures as well as debt instruments at FVOCI) and hedging instruments (the derivatives used to hedge the relevant hedged items).

### MANAGING THE PROCESS TO TRANSITION

The Group has established a steering committee to oversee the Group's IBORs transition plan. This steering committeee has put in place a transition project includes the assessment and actions necessary to accommodate the transition to RFRs as they apply internal process and systems in pricing, risk management, and valuation models, as well as managing related tax and accounting implications. The Group is continuing to monitor market developments in relation to the transition to RFRs from IBOR rates and their impact on the Group's financial assets and liabilities to ensure that there are no unexpected consequences or disruption from the transition.

The Group adopted the Phase 2 amendments and applied the practical expedient to update the effective interest rate for instruments measured at amortised cost to account for the changes in contractual cash flows that is a direct consequence of interbank offered rate ('IBOR') reform. As a result, no immediate gain or loss is recognised in profit or loss.

The amendments also provide reliefs that enable and require the Group to continue the MFRS 9 hedge accounting in circumstances when the Group updates the hedge documentation to reflect changes in hedged items and hedging instruments which are required by IBOR reform.

The adoption of the amendments has no impact on the opening retained earnings since 2021 because none of the IBOR based contracts of the Group were modified. For contracts modified as a result of IBOR reform during the year, the Group applies the Phase 2 amendments as described below.

### HEDGE RELATIONSHIPS

Since 2021, the Group has adopted the hedge accounting reliefs provided by 'phase 2' of the amendments for hedge designation. When the phase 1 amendments cease to apply, the Group will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of these changes:

(i) designate an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;

(ii) amend the description of the hedged item, including the description of the designated portion of the fair value being hedged; or

(iii) amend the description of the hedging instrument. The Group will update its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made.

These amendments to the hedge documentation do not require the Group to discontinue its hedge relationships. The Group has not made any amendments to its hedge documentation in the reporting period relating to IBOR reform.

Since 2021, changes required to systems, processes and models have been identified and fully implemented. There have been specific communications with counterparties, but specific changes to contracts required by IBOR reform have not yet been agreed.

The Group has identified that the areas of most significant risk arising from the replacement of LIBORs are: updating systems and processes which capture LIBORs referenced contracts; amendments to those contracts, or existing fallback/transition clauses not operating as anticipated; mismatches in timing of derivatives and loans transitioning from LIBORs and the resulting impact on economic risk management; and updating hedge designations. The Group continues to engage with industry participants and the regulator authorities, to ensure an orderly transition to RFRs and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with LIBORs replacement.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## Q DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

### FINANCIAL INSTRUMENTS MEASURED USING AMORTISED COST MEASUREMENT

'Phase 2' of the amendments requires that, for financial instruments measured using amortised cost measurement, changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. These expedients are only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately preceding the change).

Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedients is first applied to the changes required by interest rate benchmark reform, including updating the instrument's effective interest rate. Any additional changes are accounted for in the normal way (that assessed for modification or derecognition, with the resulting modification gain/loss recognised immediately in profit or loss where the instrument is not derecognised).

Since 2021, the Group has applied the practical expediens offered under 'phase 2' of the amendments on the financial instruments in the following section.

### EFFECT OF IBOR REFORM

The following tables contain details of all financial instruments that the Group and Company held at 31 December 2022 which are referenced to USD LIBOR and MYR KLIBOR have not yet transitioned to alternative benchmark rates; and USD LIBOR with maturity after June 2023.

| | The Group<br>Notional amount of which: Have yet to transition to an alternative benchmark rate as at 31 December 2022 | | | |
|---|---|---|---|---|
| | USD LIBOR | | MYR KLIBOR | |
| | Asset<br>RM'000 | Liability<br>RM'000 | Asset<br>RM'000 | Liability<br>RM'000 |
| **Non-derivatives assets and liabilities** | | | | |
| Bonds/Sukuk and notes | **545,043** | **3,591,429** | **625,000** | **6,627,220** |
| Deposit from customers | **–** | **22,003** | **1,504** | **1,747,801** |
| Loans/financing | **7,509,618** | **–** | **3,790,720** | **–** |
| Other assets | **175,620** | **–** | **–** | **160,020** |
| Other liabilities | **–** | **478,565** | **–** | **–** |
| Derivatives | **51,288,110** | **54,476,592** | **75,986,197** | **63,272,416** |

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## Q DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

### EFFECT OF IBOR REFORM (CONTINUED)

| | The Group Notional amount of which USD LIBOR with maturity after June 2023 | |
|---|---|---|
| | **Asset RM'000** | **Liability RM'000** |
| **Non-derivatives assets and liabilities** | | |
| Bonds/Sukuk and notes | **545,043** | **3,591,429** |
| Deposit from customers | **–** | **21,138** |
| Loans/financing | **6,892,230** | **–** |
| Other assets | **175,620** | **–** |
| Other liabilities | **–** | **478,565** |
| Derivatives | **34,363,368** | **37,160,621** |

## R CURRENCY TRANSLATIONS

### (A) FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the Financial Statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Financial Statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

### (B) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in statement of income, and other changes in the carrying amount are recognised in equity.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities, such as equity instruments held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as fair value through other comprehensive income are included in the revaluation reserve of equity instruments at fair value through other comprehensive income.

### (C) GROUP COMPANIES

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statements of financial position;
- income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## R CURRENCY TRANSLATIONS (CONTINUED)

### (C) GROUP COMPANIES (CONTINUED)

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

## S INCOME AND DEFERRED TAXES

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

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

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

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

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

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

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

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

In order to support the Government's initiative to assist parties affected by the pandemic, the Finance Act 2021 has introduced a special one-off tax for year of assessment ('YA') 2022 which is called "Cukai Makmur" be imposed on non-Micro, Small and Medium Enterprises companies which generate high profits during the period of the pandemic. Chargeable income in excess of RM100.0 million will be charged an income tax rate of 33% for YA 2022.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## T SHARE CAPITAL

### (A) CLASSIFICATION

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the contractual arrangement of the particular instrument.

### (B) SHARE ISSUE COSTS

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### (C) DIVIDENDS

Dividends on ordinary shares and non-redeemable preference shares with discretionary dividends are recognised as a liability when the shareholders' right to receive the dividend is established. Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

### (D) REPURCHASE, DISPOSAL AND REISSUE OF SHARE CAPITAL (TREASURY SHARES)

Where any company within the Group purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

### (E) EARNINGS PER SHARE

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group and the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares

### (F) DILUTED EARNINGS PER SHARE

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares

## U EMPLOYEE BENEFITS

### (A) SHORT-TERM EMPLOYEE BENEFITS

The Group and the Company recognise a liability and an expense for bonuses. The Group and the Company recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Company.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## U EMPLOYEE BENEFITS (CONTINUED)

### (B) POST EMPLOYMENT BENEFITS

The Group and the Company have various post employment benefit schemes. These benefits plans are either defined contribution or defined benefit plans.

#### DEFINED CONTRIBUTION PLANS

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's and the Company's contributions to defined contribution plans are charged to the statement of income. Once the contributions have been paid, the Group and the Company have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

#### DEFINED BENEFIT PLANS

Defined benefit plan is a pension plan that is not a defined contribution plan. Defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The defined benefit liability recognised in the statement of financial position is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets, together with adjustments for actuarial gains/losses and unrecognised past service cost.

The Group determines the present value of the defined benefit obligation and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the end of the reporting period.

The defined benefit obligation, calculated using the projected credit unit method, is determined by independent actuaries, by discounting estimated future cash outflows using market rates on government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

### (C) OTHER LONG TERM EMPLOYEE BENEFITS

The cost of long term employee benefits (for example, long term service leave) is accrued to match the rendering of the services by the employees concerned using a basis similar to that for defined benefit plans for the liability which is not expected to be settled within 12 months, except that remeasurements are recognised immediately in profit or loss.

### (D) TERMINATION BENEFITS

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Company recognise termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## U EMPLOYEE BENEFITS (CONTINUED)

### (E) SHARE-BASED COMPENSATION BENEFITS

#### LONG TERM INCENTIVE PLAN ("LTIP")

The Group implements a Long Term Incentive Plan (LTIP), which is awarded to employees who hold senior management positions and key roles within the CIMB Group and its subsidiary companies, and who fulfil the eligibility criteria and have been approved for participation by the LTIP Committee. Any LTIP awards made to Executive Directors (or any persons connected to the directors) is subject to the approval of the shareholders at a general meeting.

The LTIP, which is valid for 7 years from the implementation date, comprises of 2 performance-based plans – the Employee Share Option Scheme (ESOS) and the Share Grant Plan (SGP). Details of the key features of ESOS and SGP are set out in Note 48.

The fair value of the employee services received in exchange for the grant of the share options and shares is recognised as an expense in the statements of income over the vesting periods of the grant with a corresponding increase to share-based payment reserve within equity.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options and shares granted, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share options and shares that are expected to vest. At each reporting date, the Group revises its estimates of the number of share options and shares that are expected to vest. It recognises the impact of the revision of original estimates, if any, in the statements of income, with a corresponding adjustment to share-based payment reserve in equity.

#### EMPLOYEE OWNERSHIP PLAN ("EOP")

The Group operates an equity-settled, share-based compensation plan, where ordinary shares of the Company are purchased from the market at market value and awarded to the eligible executive employees.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the award is fully released to relevant employees ('the final release date'). The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense in statement of income over the period of release, based on the best available estimate of the number of shares expected to be released at each of the relevant release date. On the final release date, the estimate will be revised to equal the actual number of shares that are ultimately released to the employees.

## V IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows ("cash-generating units"). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the statement of income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the statements of income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## W FORECLOSED ASSETS

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

## X PROVISIONS

Provisions are recognised by the Group and the Company when all of the following conditions have been met:

(i) the Group and the Company have a present legal or constructive obligation as a result of past events;

(ii) it is probable that an outflow of resources to settle the obligation will be required; and

(iii) a reliable estimate of the amount of obligation can be made.

Where the Group and the Company expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present values of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## Y FINANCIAL GUARANTEE CONTRACTS

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

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

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

## Z CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash in hand, bank balances and deposit placements with original maturity of three months or less.

# Summary of Significant Group Accounting Policies

**for the financial year ended 31 December 2022**

## AA SEGMENT REPORTING

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

Intra-segment revenue and costs are eliminated at head office. Income and expenses directly associated with each segment are included in determining business segment performance.

## AB CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group. As this may result in the recognition of income that may never be realised, contingent assets are not recognised in the Group's Financial Statements but disclosed where inflows of economic benefits are probable, but not virtually certain.

Contingent liabilities, which do not include financial guarantee contracts, are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured.

Contingent liabilities are not recognised in the Financial Statements but are disclosed unless the probability of settlement is remote.

## AC NON-CURRENT ASSETS/DISPOSAL GROUPS HELD FOR SALE

Non-current assets/disposal groups are classified as assets held for sale and stated at the lower of carrying amount and fair value less cost to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use.

## AD TRUST ACTIVITIES

The Group acts as trustees and in other fiduciary capabilities that result in holding or placing of assets on behalf of individuals, trust and other institutions. These assets and income arising thereon are excluded from the Financial Statements, as they are not assets of the Group.

## AE FINANCING ASSISTANCE SCHEME

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

The benefit of government schemes that addresses identified costs or expenses incurred by the Group is recognised in the profit or loss in the same financial period when the cost or expenses are recognised, when the required conditions are fulfilled in accordance with MFRS 120 Accounting for Government Grants and Disclosure of Government Assistance.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 1 GENERAL INFORMATION

The principal activity of the Company is investment holding. The principal activities of the significant subsidiaries as set out in Note 13 to the Financial Statements, consist of commercial banking, investment banking, Islamic banking, offshore banking, debt factoring, trustee and nominee services, property ownership and management and the provision of other related financial services. There was no significant change in the nature of these activities during the financial year.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Bursa Malaysia Securities Berhad.

The address of the registered office and principal place of business of the Company is Level 13, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur, Malaysia.

## 2 CASH AND SHORT-TERM FUNDS

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Cash and balances with banks and other financial institutions | | **10,805,507** | 9,840,845 | **122,716** | 14,033 |
| Money at call and deposit placements maturing within one month | | **33,205,881** | 35,831,150 | **351,543** | 79,641 |
| | | **44,011,388** | 45,671,995 | **474,259** | 93,674 |
| Less: Expected credit losses | 3(a) | **(2,528)** | (2,484) | **–** | – |
| | | **44,008,860** | 45,669,511 | **474,259** | 93,674 |

Included in the Group's cash and short-term funds are:

(i) Monies held in trust in relation to the Group's unutilised value of contactless smart cards and amounts due to service providers for value utilised:

| | The Group | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Money held in trust for unutilised value of contactless smart cards and amounts due to service providers for value utilised | **257,322** | 47,778 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | Note | The Group 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| Licensed banks | | **2,685,829** | 3,627,532 |
| Licensed investment banks | | **344,000** | 511,347 |
| Bank Negara Malaysia and other central banks | | **18,854** | 476,804 |
| Other financial institutions | | **50,160** | – |
| | | **3,098,843** | 4,615,683 |
| Less: Expected credit losses | 3(a) | **(2,361)** | (1,963) |
| | | **3,096,482** | 4,613,720 |

Included in deposits and placements with banks and other financial institutions are monies held in trust in relation to the Group's unutilised value of contactless smart cards and amounts due to service providers for value utilised of RM428,163,000 (2021: RM633,208,000).

## 3(A) EXPECTED CREDIT LOSSES MOVEMENT

Expected credit losses movement for money at call and deposits and placements with banks and other financial institutions:

| | The Group 12-month expected credit losses (Stage 1) RM'000 | Lifetime expected credit losses – not credit impaired (Stage 2) RM'000 | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 1 January 2022** | **2,046** | **–** | **2,401** | **4,447** |
| **Total charge to Statement of Income:** | **137** | **–** | **–** | **137** |
| New financial assets originated | **1,085** | **–** | **–** | **1,085** |
| Financial assets that have been derecognised | **(294)** | **–** | **–** | **(294)** |
| Change in credit risk | **(654)** | **–** | **–** | **(654)** |
| Exchange fluctuation | **178** | **–** | **127** | **305** |
| **At 31 December 2022** | **2,361** | **–** | **2,528** | **4,889** |
| At 1 January 2021 | 119 | – | 2,316 | 2,435 |
| Total charge to Statement of Income: | (517) | – | – | (517) |
| New financial assets originated | 890 | – | – | 890 |
| Financial assets that have been derecognised | (99) | – | – | (99) |
| Change in credit risk | (1,308) | – | – | (1,308) |
| Exchange fluctuation | 2,444 | – | 85 | 2,529 |
| At 31 December 2021 | 2,046 | – | 2,401 | 4,447 |

As at 31 December 2022, the gross exposures of money at call that are credit impaired is RM2,528,000 (2021: RM2,401,000).

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 4 FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| **Money market instruments:** | | |
| **Unquoted** | | |
| Malaysian Government Securities | **3,141,965** | 2,063,110 |
| Cagamas bonds | **1,021,901** | 865,744 |
| Khazanah bonds | **1,987** | 63,381 |
| Malaysian Government treasury bills | **1,265,864** | 151,173 |
| Bank Negara Malaysia monetary notes | **1,094,640** | 2,290,759 |
| Negotiable instruments of deposit | **193,586** | 3,909,653 |
| Other Government securities | **3,022,373** | 5,405,014 |
| Government Investment Issues | **3,080,842** | 2,611,716 |
| Other Government treasury bills | **10,370,577** | 9,884,399 |
| Commercial papers | **24,753** | 1,479,300 |
| Promissory Notes | **295,529** | 398,711 |
| | **23,514,017** | 29,122,960 |
| **Quoted securities:** | | |
| *In Malaysia:* | | |
| Shares | **988,048** | 1,115,967 |
| *Outside Malaysia:* | | |
| Shares | **352,026** | 290,468 |
| | **1,340,074** | 1,406,435 |
| **Unquoted securities:** | | |
| *In Malaysia:* | | |
| Corporate bond and Sukuk | **3,103,138** | 3,030,818 |
| Shares | **1,054,046** | 1,001,003 |
| Unit trusts | **93,128** | 85,627 |
| *Outside Malaysia:* | | |
| Corporate bond | **1,535,979** | 3,822,467 |
| Shares | **3,385** | 1,960 |
| Private equity funds | **139,499** | 175,649 |
| Other Government bonds | **2,416,997** | 1,632,325 |
| | **8,346,172** | 9,749,849 |
| | **33,200,263** | 40,279,244 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| **Fair value** | | | | |
| **Money market instruments:** | | | | |
| **Unquoted** | | | | |
| Malaysian Government Securities | **5,107,076** | 4,832,000 | **-** | - |
| Cagamas bonds | **396,349** | 270,955 | **-** | - |
| Negotiable instruments of deposit | **232,584** | 470,384 | **-** | - |
| Other Government securities | **7,618,254** | 5,114,067 | **-** | - |
| Government investment Issues | **6,427,540** | 5,712,395 | **-** | - |
| Other Government treasury bills | **140,102** | - | **-** | - |
| | **19,921,905** | 16,399,801 | **-** | - |
| **Unquoted securities:** | | | | |
| *In Malaysia:* | | | | |
| Corporate bond and Sukuk | **20,139,108** | 21,951,483 | **1,737,110** | 1,778,168 |
| *Outside Malaysia:* | | | | |
| Corporate bond and Sukuk | **9,618,028** | 10,371,627 | **-** | - |
| Bank Indonesia certificates | **-** | 194,652 | **-** | - |
| Other Government bonds | **8,696,620** | 11,201,923 | **-** | - |
| | **38,453,756** | 43,719,685 | **1,737,110** | 1,778,168 |
| | **58,375,661** | 60,119,486 | **1,737,110** | 1,778,168 |

Securities and money market instruments amounting to RM5,403 million (2021: RM6,083 million) invested by asset management companies on behalf of the Group.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Expected credit losses movement for debt instruments at fair value through other comprehensive income:

The carrying amount of debt instruments at fair value through other comprehensive income is equivalent to their fair value. The loss allowance is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

| | The Group | | | |
|---|---|---|---|---|
| | 12-month expected credit losses (Stage 1) RM'000 | Lifetime expected credit losses – not credit impaired (Stage 2) RM'000 | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Total RM'000 |
| **At 1 January 2022** | **41,798** | **1,748** | **20,849** | **64,395** |
| Changes in expected credit losses due to transfer within stages: | **(54)** | **54** | **–** | **–** |
| Transferred to Stage 1 | **116** | **(116)** | **–** | **–** |
| Transferred to Stage 2 | **(170)** | **170** | **–** | **–** |
| **Total charge to Statement of Income:** | **(3,645)** | **(574)** | **(20,849)** | **(25,068)** |
| New financial assets purchased | **29,665** | **–** | **–** | **29,665** |
| Financial assets that have been derecognised | **(5,712)** | **(7)** | **–** | **(5,719)** |
| Writeback in respect of full recoveries | **–** | **–** | **(20,849)** | **(20,849)** |
| Change in credit risk | **(27,598)** | **(567)** | **–** | **(28,165)** |
| Exchange fluctuation | **1,889** | **1** | **–** | **1,890** |
| **At 31 December 2022** | **39,988** | **1,229** | **–** | **41,217** |
| **At 1 January 2021** | 40,076 | 24,223 | 20,849 | 85,148 |
| Changes in expected credit losses due to transfer within stages: | (527) | 527 | – | – |
| Transferred to Stage 2 | (527) | 527 | – | – |
| **Total charge to Statement of Income:** | (11,698) | (23,369) | – | (35,067) |
| New financial assets purchased | 105,563 | – | – | 105,563 |
| Financial assets that have been derecognised | (28,081) | (24,584) | – | (52,665) |
| Change in credit risk | (89,180) | 1,215 | – | (87,965) |
| Exchange fluctuation | 13,947 | 367 | – | 14,314 |
| **At 31 December 2021** | 41,798 | 1,748 | 20,849 | 64,395 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Expected credit losses movement for debt instruments at fair value through other comprehensive income: (Continued)

| | The Company | | | |
|---|---|---|---|---|
| | 12-month expected credit losses (Stage 1) RM'000 | Lifetime expected credit losses – not credit impaired (Stage 2) RM'000 | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Total RM'000 |
| **At 1 January 2022** | **12,328** | **–** | **–** | **12,328** |
| **Total charge to Statement of Income:** | **(856)** | **–** | **–** | **(856)** |
| Change in credit risk | **(856)** | **–** | **–** | **(856)** |
| **At 31 December 2022** | **11,472** | **–** | **–** | **11,472** |
| | | | | |
| **At 1 January 2021** | 25,947 | – | – | 25,947 |
| **Total charge to Statement of Income:** | (13,619) | – | – | (13,619) |
| Change in credit risk | (13,619) | – | – | (13,619) |
| **At 31 December 2021** | 12,328 | – | – | 12,328 |

Gross carrying amount movement for debt instruments at fair value through other comprehensive income:

| | The Group | |
|---|---|---|
| | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Total RM'000 |
| **At 1 January 2022** | **20,849** | **20,849** |
| Amount recovered | **(20,849)** | **(20,849)** |
| **At 31 December 2022** | **–** | **–** |
| | | |
| **At 1 January 2021/31 December 2021** | 20,849 | 20,849 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 5 DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

### IMPACT OF MOVEMENTS IN GROSS CARRYING AMOUNT ON EXPECTED CREDIT LOSSES

**2022:**

Stage 1 expected credit losses ("ECL") decreased by RM2 million for the Group during the financial year, mainly due to change in credit risk and derecognition of financial assets, offset by the new financial assets purchased.

**2021:**

Stage 1 expected credit losses ("ECL") increased by RM2 million for the Group during the financial year, mainly due to recognition of GCA from new financial assets purchased, offset by the change in credit risk.

Stage 2 ECL decreased by RM22 million mainly due to the derecognition of financial assets.

## 6 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| **Quoted securities** | | |
| *In Malaysia* | | |
| Shares | **22,264** | 30,039 |
| *Outside Malaysia* | | |
| Shares | **1,860** | 1,981 |
| Property fund | **-** | 5,492 |
| | **24,124** | 37,512 |
| **Unquoted securities** | | |
| *In Malaysia* | | |
| Shares | **265,578** | 265,418 |
| Property funds | **189** | 189 |
| *Outside Malaysia* | | |
| Shares | **10,705** | 12,759 |
| Private equity funds | **73** | 7,227 |
| | **276,545** | 285,593 |
| | **300,669** | 323,105 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 6 EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Equity instruments at fair value through other comprehensive income comprise of the following individual investments:

| | Note | The Group 2022 RM'000 | The Group 2021 RM'000 |
|---|---|---|---|
| **Quoted securities** | | | |
| Compact Metal Industries Ltd | | **72** | 83 |
| Premier Products Limited | | **1,788** | 1,898 |
| Sub Sri Thai Property Fund | (a) | **–** | 5,492 |
| Tune Protect Group Berhad | | **22,264** | 30,039 |
| | | **24,124** | 37,512 |
| **Unquoted securities** | | | |
| Tabung Pemulihan Perumahan Terbengkalai | | **93,571** | 93,376 |
| Swift | | **2,383** | 2,383 |
| Financial Park (Labuan) Sdn Bhd | | **164,323** | 164,323 |
| Global Maritime Ventures Bhd | | **3,409** | 3,409 |
| Perbadanan Nasional Berhad | | **3,926** | 3,926 |
| Redcliff Enterprise Overseas Ltd, BVI | | **73** | 7,227 |
| Others | (b) | **8,860** | 10,949 |
| | | **276,545** | 285,593 |
| Total | | **300,669** | 323,105 |

(a) During the financial year, a subsidiary of the Group has disposed its holding in Sub Sri Thai Property Fund due to favourable market opportunities with a gain on disposal of RM280,000. The fair value of the fund prior to disposal is RM5,175,000.

(b) Included in others are unquoted equity instruments at fair value through other comprehensive income involved mainly in financial institution and manufacturing sectors.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 7 DEBT INSTRUMENTS AT AMORTISED COST

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| **Money market instruments:** | | | | |
| **Unquoted** | | | | |
| Malaysian Government securities | **9,262,963** | 7,086,208 | **-** | - |
| Cagamas bonds | **503,023** | 245,668 | **-** | - |
| Other Government treasury bills | **5,144,798** | 3,834,187 | **-** | - |
| Other Government securities | **3,535,311** | 2,022,944 | **-** | - |
| Malaysian Government investment issue | **16,658,815** | 15,617,821 | **-** | - |
| Khazanah bonds | **202,027** | 235,345 | **-** | - |
| Negotiable instruments of deposit | **-** | 127,679 | **-** | - |
| | **35,306,937** | 29,169,852 | **-** | - |
| **Unquoted securities** | | | | |
| *In Malaysia* | | | | |
| Corporate bond and Sukuk | **19,812,585** | 18,195,695 | **7,864,777** | 6,846,781 |
| *Outside Malaysia* | | | | |
| Corporate bond and Sukuk | **4,208,523** | 4,166,266 | **-** | - |
| Other Government bonds | **5,757,420** | 5,091,327 | **-** | - |
| | **29,778,528** | 27,453,288 | **7,864,777** | 6,846,781 |
| Total | **65,085,465** | 56,623,140 | **7,864,777** | 6,846,781 |
| Amortisation of premium, net of accretion of discount | **32,998** | 30,445 | **-** | - |
| Less: Expected credit losses | **(585,039)** | (647,245) | **(51,376)** | (47,967) |
| | **64,533,424** | 56,006,340 | **7,813,401** | 6,798,814 |

Securities and money market instruments amounting to RM1,327 million (2021: RM1,280 million) invested by asset management companies on behalf of the Group.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 7 DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

Expected credit losses movement for debt instruments at amortised cost:

| | The Group | | | |
|---|---|---|---|---|
| | 12-month expected credit losses (Stage 1) RM'000 | Lifetime expected credit losses – not credit impaired (Stage 2) RM'000 | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Total RM'000 |
| **At 1 January 2022** | **1,878** | **31,265** | **614,102** | **647,245** |
| Changes in expected credit losses due to transfer within stages: | **983** | **(983)** | **–** | **–** |
| Transferred to Stage 1 | **1,275** | **(1,275)** | **–** | **–** |
| Transferred to Stage 2 | **(292)** | **292** | **–** | **–** |
| **Total charge to Statement of Income:** | **2,294** | **(26,093)** | **(78,158)** | **(101,957)** |
| New financial assets purchased | **12,829** | **–** | **–** | **12,829** |
| Financial assets that have been derecognised | **(1,295)** | **(52)** | **–** | **(1,347)** |
| Change in credit risk | **(9,240)** | **(26,041)** | **(78,158)** | **(113,439)** |
| Exchange fluctuation | **323** | **(14)** | **(154)** | **155** |
| Other movements | **–** | **–** | **39,596** | **39,596** |
| **At 31 December 2022** | **5,478** | **4,175** | **575,386** | **585,039** |
| | | | | |
| **At 1 January 2021** | 9,096 | 735,922 | 11,471 | 756,489 |
| Changes in expected credit losses due to transfer within stages: | 84 | (453,608) | 453,524 | – |
| Transferred to Stage 1 | 228 | (228) | – | – |
| Transferred to Stage 2 | (144) | 144 | – | – |
| Transferred to Stage 3 | – | (453,524) | 453,524 | – |
| **Total charge to Statement of Income:** | (7,363) | 39,210 | 156,042 | 187,889 |
| New financial assets purchased | 12,819 | – | – | 12,819 |
| Financial assets that have been derecognised | (615) | – | – | (615) |
| Change in credit risk | (19,567) | 39,210 | 156,042 | 175,685 |
| Write-offs | – | – | (7,020) | (7,020) |
| Exchange fluctuation | 61 | – | 85 | 146 |
| Other movements | – | (290,259) | – | (290,259) |
| **At 31 December 2021** | 1,878 | 31,265 | 614,102 | 647,245 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 7 DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

Expected credit losses movement for debt instruments at amortised cost: (Continued)

| | The Company | | | |
|---|---|---|---|---|
| | 12-month expected credit losses (Stage 1) RM'000 | Lifetime expected credit losses – not credit impaired (Stage 2) RM'000 | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Total RM'000 |
| **At 1 January 2022** | **47,967** | **–** | **–** | **47,967** |
| **Total charge to Statement of Income:** | **3,409** | **–** | **–** | **3,409** |
| Change in credit risk | **3,409** | **–** | **–** | **3,409** |
| **At 31 December 2022** | **51,376** | **–** | **–** | **51,376** |
| **At 1 January 2021** | 55,022 | – | – | 55,022 |
| **Total charge to Statement of Income:** | (7,055) | – | – | (7,055) |
| Change in credit risk | (7,055) | – | – | (7,055) |
| **At 31 December 2021** | 47,967 | – | – | 47,967 |

Gross carrying amount movement for debt instruments at amortised cost:

| | The Group | |
|---|---|---|
| | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Total RM'000 |
| **At 1 January 2022** | **1,231,144** | **1,231,144** |
| Other changes in debts instruments | **31,094** | **31,094** |
| Exchange fluctuation | **23,987** | **23,987** |
| **At 31 December 2022** | **1,286,225** | **1,286,225** |
| **At 1 January 2021** | 11,471 | 11,471 |
| Transfer within stages | 1,226,546 | 1,226,546 |
| Write-offs | (7,020) | (7,020) |
| Other changes in debts instruments | 5,578 | 5,578 |
| Exchange fluctuation | (5,431) | (5,431) |
| **At 31 December 2021** | 1,231,144 | 1,231,144 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 7 DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

### IMPACT OF MOVEMENTS IN GROSS CARRYING AMOUNT ON EXPECTED CREDIT LOSSES

**2022:**

Stage 2 ECL decreased by RM27 million mainly due to derecognition of financial assets during the year, offset by debt instrument migrated from Stage 1 to Stage 2 arising from deterioration in credit quality.

Stage 3 ECL decreased by RM39 million mainly due to improvement in credit quality.

**2021:**

Stage 2 ECL decreased by RM705 million mainly due to debt instrument migrated from Stage 2 to Stage 3 arising from deterioration in credit quality, partially offset with conversion of debt instrument to loans, advances and financing.

Stage 3 ECL increased by RM603 million mainly due to debt instrument migrated from Stage 2 to Stage 3 arising from deterioration in credit quality.

## 8 DERIVATIVE FINANCIAL INSTRUMENTS

The following tables summarise the contractual or underlying principal amounts of trading derivatives and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding as at statements of financial position date, and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Derivative Financial Instruments" Assets and Liabilities respectively.

| | The Group | | |
|---|---|---|---|
| | | Fair values | |
| **2022** | **Principal amount RM'000** | **Assets RM'000** | **Liabilities RM'000** |
| **Trading derivatives** | | | |
| Foreign exchange derivatives | | | |
| Currency forwards | **48,694,551** | **368,281** | **(1,019,865)** |
| – Less than 1 year | **44,708,456** | **281,464** | **(923,450)** |
| – 1 year to 3 years | **3,111,231** | **55,382** | **(60,457)** |
| – More than 3 years | **874,864** | **31,435** | **(35,958)** |
| Currency swaps | **435,187,275** | **7,617,122** | **(7,532,870)** |
| – Less than 1 year | **428,871,925** | **7,583,733** | **(7,259,719)** |
| – 1 year to 3 years | **3,259,077** | **27,446** | **(103,433)** |
| – More than 3 years | **3,056,273** | **5,943** | **(169,718)** |
| Currency spots | **5,379,541** | **12,683** | **(11,524)** |
| – Less than 1 year | **5,379,541** | **12,683** | **(11,524)** |
| Currency options | **10,445,744** | **113,495** | **(107,449)** |
| – Less than 1 year | **6,686,813** | **58,255** | **(55,832)** |
| – 1 year to 3 years | **2,035,617** | **36,964** | **(34,694)** |
| – More than 3 years | **1,723,314** | **18,276** | **(16,923)** |
| Cross currency interest rate swaps | **105,351,157** | **3,159,323** | **(3,583,947)** |
| – Less than 1 year | **29,007,703** | **698,777** | **(896,998)** |
| – 1 year to 3 years | **40,916,752** | **1,219,193** | **(1,391,635)** |
| – More than 3 years | **35,426,702** | **1,241,353** | **(1,295,314)** |
| | **605,058,268** | **11,270,904** | **(12,255,655)** |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

| | The Group | | |
|---|---|---|---|
| | | Fair values | |
| 2022 | Principal amount RM'000 | Assets RM'000 | Liabilities RM'000 |
| **Trading derivatives (Continued)** | | | |
| Interest rate derivatives | | | |
| Interest rate swaps | 564,413,013 | 5,086,564 | (4,290,392) |
| – Less than 1 year | 275,857,945 | 539,288 | (530,380) |
| – 1 year to 3 years | 147,121,574 | 1,360,983 | (1,084,930) |
| – More than 3 years | 141,433,494 | 3,186,293 | (2,675,082) |
| Interest rate futures | 1,172,683 | 9,827 | (1,911) |
| – Less than 1 year | 1,172,683 | 9,827 | (1,911) |
| Interest rate options | 363,623 | 6,617 | (1,621) |
| – 1 year to 3 years | 363,623 | 6,617 | (1,621) |
| | 565,949,319 | 5,103,008 | (4,293,924) |
| Equity related derivatives | | | |
| Equity futures | 2,986 | 2 | (20) |
| – Less than 1 year | 2,986 | 2 | (20) |
| Equity options | 2,603,830 | 113,091 | (166,414) |
| – Less than 1 year | 2,150,148 | 101,450 | (162,852) |
| – 1 year to 3 years | 360,385 | 11,072 | (3,348) |
| – More than 3 years | 93,297 | 569 | (214) |
| Equity swaps | 446,653 | 16,891 | (21,206) |
| – Less than 1 year | 161,018 | 7,775 | (1,476) |
| – 1 year to 3 years | 285,635 | 9,116 | (19,730) |
| | 3,053,469 | 129,984 | (187,640) |
| Commodity related derivatives | | | |
| Commodity options | 330,903 | 2,956 | (4,174) |
| – Less than 1 year | 330,903 | 2,956 | (4,174) |
| Commodity swaps | 822,386 | 24,374 | (23,182) |
| – Less than 1 year | 822,386 | 24,374 | (23,182) |
| Commodity futures | 93,052 | 2,477 | (1,006) |
| – Less than 1 year | 93,052 | 2,477 | (1,006) |
| | 1,246,341 | 29,807 | (28,362) |
| Credit related contract | | | |
| Credit default swaps | 2,493,237 | 20,571 | (15,135) |
| – Less than 1 year | 12,642 | 246 | – |
| – 1 year to 3 years | 1,011,983 | 9,128 | (2,229) |
| – More than 3 years | 1,468,612 | 11,197 | (12,906) |
| Total return swaps | 20,200 | – | (477) |
| – More than 3 years | 20,200 | – | (477) |
| | 2,513,437 | 20,571 | (15,612) |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

| | The Group | | |
|---|---|---|---|
| | | Fair values | |
| 2022 | Principal amount RM'000 | Assets RM'000 | Liabilities RM'000 |
| **Trading derivatives (Continued)** | | | |
| Bond contract | | | |
| Bond forward | 2,781,813 | 299,346 | (30,676) |
| – Less than 1 year | 882,451 | 71,035 | (15,526) |
| – 1 year to 3 years | 1,529,310 | 198,034 | (11,690) |
| – More than 3 years | 370,052 | 30,277 | (3,460) |
| **Hedging derivatives** | | | |
| Interest rate swaps | 36,228,517 | 900,845 | (390,416) |
| – Less than 1 year | 4,439,055 | 14,059 | (18,138) |
| – 1 year to 3 years | 11,690,612 | 132,801 | (100,946) |
| – More than 3 years | 20,098,850 | 753,985 | (271,332) |
| Currency swaps | 7,358,750 | 101,806 | (158,669) |
| – Less than 1 year | 7,358,750 | 101,806 | (158,669) |
| Cross currency interest rate swaps | 3,405,249 | 215,887 | (99,579) |
| – Less than 1 year | 441,209 | 45,650 | (2,188) |
| – 1 year to 3 years | 1,487,628 | 77,912 | (51,846) |
| – More than 3 years | 1,476,412 | 92,325 | (45,545) |
| | 46,992,516 | 1,218,538 | (648,664) |
| Total derivative assets/(liabilities) | 1,227,595,163 | 18,072,158 | (17,460,533) |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

| | | The Group | |
|---|---|---|---|
| | | Fair values | |
| **2021** | **Principal amount RM'000** | **Assets RM'000** | **Liabilities RM'000** |
| **Trading derivatives** | | | |
| Foreign exchange derivatives | | | |
| Currency forwards | 48,268,030 | 273,110 | (504,818) |
| – Less than 1 year | 44,880,812 | 255,157 | (375,141) |
| – 1 year to 3 years | 2,744,734 | 12,317 | (75,023) |
| – More than 3 years | 642,484 | 5,636 | (54,654) |
| Currency swaps | 462,821,680 | 5,105,674 | (4,362,735) |
| – Less than 1 year | 461,052,106 | 5,071,526 | (4,328,502) |
| – 1 year to 3 years | 1,674,882 | 33,322 | (33,138) |
| – More than 3 years | 94,692 | 826 | (1,095) |
| Currency spots | 3,567,881 | 2,411 | (2,683) |
| – Less than 1 year | 3,567,881 | 2,411 | (2,683) |
| Currency options | 9,957,690 | 85,491 | (107,761) |
| – Less than 1 year | 5,025,423 | 21,894 | (41,606) |
| – 1 year to 3 years | 3,763,207 | 40,733 | (35,420) |
| – More than 3 years | 1,169,060 | 22,864 | (30,735) |
| Cross currency interest rate swaps | 103,324,627 | 2,217,248 | (2,448,209) |
| – Less than 1 year | 30,266,673 | 450,747 | (819,096) |
| – 1 year to 3 years | 35,233,715 | 915,623 | (680,226) |
| – More than 3 years | 37,824,239 | 850,878 | (948,887) |
| | 627,939,908 | 7,683,934 | (7,426,206) |
| Interest rate derivatives | | | |
| Interest rate swaps | 390,444,647 | 3,180,687 | (2,666,625) |
| – Less than 1 year | 135,607,771 | 246,056 | (234,571) |
| – 1 year to 3 years | 128,331,197 | 791,777 | (786,651) |
| – More than 3 years | 126,505,679 | 2,142,854 | (1,645,403) |
| Interest rate futures | 10,776,877 | 5,097 | (11,590) |
| – Less than 1 year | 4,985,334 | 4,451 | (10,773) |
| – 1 year to 3 years | 3,916,583 | 646 | (231) |
| – More than 3 years | 1,874,960 | – | (586) |
| Interest rate options | 573,385 | – | (4) |
| – Less than 1 year | 573,385 | – | (4) |
| | 401,794,909 | 3,185,784 | (2,678,219) |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

| | The Group | | |
|---|---|---|---|
| | | Fair values | |
| **2021** | **Principal amount RM'000** | **Assets RM'000** | **Liabilities RM'000** |
| **Trading derivatives (Continued)** | | | |
| Equity related derivatives | | | |
| Equity futures | 6,635 | 25 | (1) |
| – Less than 1 year | 6,635 | 25 | (1) |
| Index futures | 86,994 | 949 | (344) |
| – Less than 1 year | 86,994 | 949 | (344) |
| Equity options | 3,573,508 | 239,628 | (97,392) |
| – Less than 1 year | 3,341,932 | 234,979 | (88,474) |
| – 1 year to 3 years | 141,574 | 2,445 | (6,714) |
| – More than 3 years | 90,002 | 2,204 | (2,204) |
| Equity swaps | 318,757 | 4,168 | (37,814) |
| – Less than 1 year | 11,742 | – | (228) |
| – 1 year to 3 years | 214,663 | 4,029 | (37,586) |
| – More than 3 years | 92,352 | 139 | – |
| | 3,985,894 | 244,770 | (135,551) |
| Commodity related derivatives | | | |
| Commodity options | 8,351,321 | 146,506 | (153,068) |
| – Less than 1 year | 8,351,321 | 146,506 | (153,068) |
| Commodity swaps | 845,600 | 46,861 | (52,785) |
| – Less than 1 year | 818,500 | 45,692 | (51,124) |
| – 1 year to 3 years | 27,100 | 1,169 | (1,661) |
| Commodity futures | 379,825 | 15,422 | (6,619) |
| – Less than 1 year | 379,825 | 15,422 | (6,619) |
| | 9,576,746 | 208,789 | (212,472) |
| Credit related contract | | | |
| Credit default swaps | 3,564,557 | 47,678 | (35,529) |
| – Less than 1 year | 338,534 | 799 | (12) |
| – 1 year to 3 years | 143,061 | 1,969 | (503) |
| – More than 3 years | 3,082,962 | 44,910 | (35,014) |
| Total return swaps | 20,500 | – | (1,248) |
| – More than 3 years | 20,500 | – | (1,248) |
| | 3,585,057 | 47,678 | (36,777) |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

| | The Group | | |
|---|---|---|---|
| | | Fair values | |
| **2021** | **Principal amount RM'000** | **Assets RM'000** | **Liabilities RM'000** |
| **Trading derivatives (Continued)** | | | |
| Bond contract | | | |
| Bond forward | 3,033,180 | 164,834 | (115,204) |
| – Less than 1 year | 1,178,155 | 23,382 | (92,431) |
| – 1 year to 3 years | 1,262,148 | 99,231 | (18,664) |
| – More than 3 years | 592,877 | 42,221 | (4,109) |
| **Hedging derivatives** | | | |
| Interest rate swaps | 30,246,111 | 333,317 | (248,412) |
| – Less than 1 year | 7,540,968 | 72,435 | (24,417) |
| – 1 year to 3 years | 6,422,345 | 60,052 | (49,702) |
| – More than 3 years | 16,282,798 | 200,830 | (174,293) |
| Currency swaps | 4,543,474 | 43,058 | (8,797) |
| – Less than 1 year | 4,543,474 | 43,058 | (8,797) |
| Cross currency interest rate swaps | 3,375,973 | 77,433 | (33,817) |
| – Less than 1 year | 104,740 | 6,583 | (894) |
| – 1 year to 3 years | 1,416,719 | 55,693 | (4,033) |
| – More than 3 years | 1,854,514 | 15,157 | (28,890) |
| | 38,165,558 | 453,808 | (291,026) |
| Total derivative assets/(liabilities) | 1,088,081,252 | 11,989,597 | (10,895,455) |

### (I) FAIR VALUE HEDGES

The Group uses interest rate swaps to hedge its exposure to changes in the fair value of loans, subordinated obligations, negotiable instruments of deposits issued, bills and acceptance payables and bonds in respect of benchmark interest rate.

The Group uses cross currency interest rate swap to hedge foreign currency risk from the issuance of senior bond and debentures issued denominated in foreign currencies. The foreign currency risk component is managed and mitigated by the use of cross currency swaps, which exchange fixed interest payments in foreign currencies for floating interest payment in MYR.

The Group's hedge accounting policy only allows for effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessment to ensure that an economic relationship exists between the hedged item and hedging instrument. The hedge effectiveness is assessed by comparing changes in the fair value of the hedged items attributable to changes in the benchmark rate of interest with changes in the fair value of the interest rate swaps and cross currency interest rate swaps.

The Group establishes the hedge ratio by matching the notional of the derivatives with the principal of the underlying being hedged. Ineffectiveness is recognised on hedge where the change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of the above interest rate risk, this may arise if differences arise between the credit risk inherent within the hedged item and the hedging instrument. The Group uses collateral/credit enhancement to mitigate the risk. However, the remaining risk can result in hedge ineffectiveness.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### (I) FAIR VALUE HEDGES (CONTINUED)

The main source of ineffectiveness that are expected to affect the hedging relationship during the financial year are:

- The effect of the counterparty and the Group's own credit risk on the fair value of the interest rate swap and cross currency swap, which is not reflected in the fair value of the hedged item attributable to the change in interest rate; and
- Differences in maturities and reset dates of the interest rate swaps and the fixed rate bonds or liabilities.

### (II) CASH FLOWS HEDGE

The Group uses cross currency swaps and interest rate swaps to hedge the foreign currency risks (mainly USD) from floating rate inter branch lending denominated in USD. The foreign currency risk component is managed and mitigated by the use of cross currency swaps, which exchange floating rate payments in USD for floating rate payments in MYR and it is determined as the change in cash flows of the USD inter branch lending arising solely from changes in USD.

The effectiveness is assessed by comparing the changes in fair value of the cross currency swap with changes in fair value of the hedged item attributable to the hedged risk using the hypothetical derivative method.

The Group established the hedging ratio by matching the notional of the derivative with the principal of the hedged item. Possible sources of ineffectiveness are as follow:

- Differences in timing of cash flows between hedged item and cross currency swaps,
- Hedging derivatives with non-zero fair value at the inception as a hedging instrument and

Counterparty credit risk which impacts the fair value of cross currency swaps but not the hedged items.

### (III) NET INVESTMENT HEDGE

The Group uses non-derivative financial liability and currency swaps to hedge the foreign exchange rate exposure arising from net investment in foreign operations that have a different functional currency from the Group. The Group has investment in foreign operations which is consolidated in its financial statements and whose functional currencies are GBP, HKD, SGD and USD.

The risk arises from the fluctuation in spot exchange rates between the functional currency of the foreign operations and the Group's functional currency. The hedged risk is the risk of weakening foreign currencies against MYR that will result in reduction in the carrying amount of the Group's net investment in foreign operations.

The Group assesses effectiveness by comparing past changes in the carrying amount of the financial liability that attributable to a change in the spot rate (the offset method). The Group only designates the spot element of the forward foreign exchange contract. Changes in the fair value of the hedging instrument attributable to changes in forward points and the effect of discounting are recognised in profit and loss account which does not included in the hedge effectiveness assessment.

The Group establishes the hedging ratio by matching the notional of the forward contracts with the designated net assets of the foreign operation. There is no ineffectiveness arises from hedge of net investment in foreign operations. The foreign currency risk component is determined as the change in the carrying amount of net assets of the foreign operations arising solely from changes in spot foreign currency exchange rates.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The Group uses the following items as hedging instruments:

| | | | The Group | | | | |
|---|---|---|---|---|---|---|---|
| | | | Maturity | | | | |
| **31 December 2022** | **Risk** | **Hedge type** | **Less than 1 month** | **1-3 months** | **More than 3 months-less than 1 year** | **1-5 years** | **More than 5 years** |
| Interest rate swaps | Interest rate | Fair value & cash flow hedge | **46,061** | **559,181** | **3,789,501** | **24,265,098** | **7,524,364** |
| Cross currency interest rate swaps | Interest rate & foreign currency | Fair value & cash flow hedge | **-** | **441,210** | **-** | **2,840,933** | **123,106** |
| Deposits and placement of bank and other financial institutions* | Foreign currency | Fair value & net investment hedge | **309,621** | **592,686** | **-** | **-** | **-** |
| Currency swaps | Foreign currency | Cash flow & net investment hedge | **846,512** | **3,637,487** | **2,874,751** | **-** | **-** |
| Deposit from customers* | Foreign currency | Net investment hedge | **-** | **175,620** | **-** | **-** | **-** |

| | | | The Group | | | | |
|---|---|---|---|---|---|---|---|
| | | | Maturity | | | | |
| **31 December 2021** | **Risk** | **Hedge type** | **Less than 1 month** | **1-3 months** | **More than 3 months-less than 1 year** | **1-5 years** | **More than 5 years** |
| Interest rate swaps | Interest rate | Fair value & cash flow hedge | 103,333 | 1,613,074 | 4,573,713 | 15,219,149 | 7,437,627 |
| Cross currency interest rate swaps | Interest rate & foreign currency | Fair value & cash flow hedge | – | – | 83,792 | 3,229,880 | 117,309 |
| Bonds and debentures | Foreign currency | Net investment hedge | – | 1,250,850 | – | – | – |
| Currency swaps | Foreign currency | Net investment hedge | 1,558,112 | 1,342,925 | 1,642,437 | – | – |
| Deposits and placement of bank and other financial institutions* | Foreign currency | Net investment hedge | – | 14,868 | – | – | – |
| Deposit from customers* | Foreign currency | Net investment hedge | – | – | 603,201 | – | – |

** This is fixed rate borrowing*

The average rate for major currencies of the final exchange of cross currency interest rate swaps and currency swaps designated in hedge accounting relationships is as follows:

| | **31 December 2022** | **31 December 2021** |
|---|---|---|
| HKD:MYR | **0.536** | 0.536 |
| GBP:MYR | **5.130** | 5.808 |
| SGD:MYR | **3.173** | 3.120 |
| USD:MYR | **4.320** | 4.219 |
| USD:THB | **32.696** | 32.560 |

The average executed rate for interest rate swaps in hedge accounting relationships for major currencies is as follows:

| | **31 December 2022** | **31 December 2021** |
|---|---|---|
| HKD interest rates | **0.92%** | 0.92% |
| MYR Interest rates | **3.52%** | 3.48% |
| SGD interest rates | **1.27%** | 1.27% |
| USD interest rates | **2.12%** | 2.28% |
| THB interest rates | **2.33%** | 2.54% |
| IDR interest rates | **6.25%** | 7.55% |
| AUD interest rates | **3.22%** | – |
| EUR interest rates | **0.28%** | – |
| JPY interest rates | **0.07%** | – |
| NZD interest rates | **4.41%** | – |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows:

| | | | The Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Fair values* | | Changes in fair value used for calculating hedge ineffectiveness | Hedge ineffectiveness recognised in profit or loss** | Changes in fair value recognised in OCI | Amount reclassified from hedge reserve to profit or loss** | National amount directly impacted by IBOR reform |
| **31 December 2022** | | | Nominal amount RM'000 | Assets RM'000 | Liabilities RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest rate swaps | Interest rate | Fair value & cash flow hedge | **36,184,205** | **900,845** | **(390,414)** | **335,305** | **31,837** | **2,297** | **63** | **21,392,330** |
| Cross currency interest rate swaps | Interest rate & foreign currency | Fair value & cash flow hedge | **3,405,249** | **215,887** | **(99,579)** | **(86,376)** | **(401)** | **(3,806)** | **(34,403)** | **3,405,249** |
| Deposits and placement of bank and other financial institutions | Foreign currency | Fair value & net investment hedge | **902,307** | **-** | **-** | **(22,141)** | **-** | **26,833** | **-** | **-** |
| Currency swaps | Foreign currency | Cash flow & net investment hedge | **7,358,750** | **101,806** | **(158,669)** | **(247,740)** | **-** | **253,467** | **(3,674)** | **-** |
| Bonds and debentures | Foreign currency | Net investment hedge | **-** | **-** | **-** | **(11,475)** | **-** | **11,475** | **-** | **-** |
| Deposit from customers | Foreign currency | Net investment hedge | **175,620** | **-** | **-** | **(3,291)** | **-** | **3,291** | **-** | **-** |

Of the RM21,392,330,000 nominal amount of interest rates swaps above,
RM19,659,200,000 related to MYR interest rate swaps and RM1,841,800,000 will mature before the anticipated MYR KLIBOR replacement in 2023
RM29,840,000 related to AUD interest rate swaps, RM Nil will mature before the anticipated AUD LIBOR replacement in 2023;
RM654,639,000 related to SGD interest rate swaps and RM Nil will mature before the anticipated SGD SOR replacement in 2023;
RM682,131,000 related to USD interest rate swaps and RM470,987,000 will mature before the anticipated USD LIBOR replacement in 2023;
RM366,520,000 related to IDR interest rate swaps and RM Nil will mature before the anticipated IDR JIBOR replacement in 2023

Of the RM3,405,249,000 nominal amount of cross currency interest rate swaps above,
RM888,494,000 related to HKD cross currency interest rate swaps and RM Nil will mature before the anticipated USD LIBOR replacement in 2023;
RM2,516,755,000 related to USD/THB cross currency interest rate swaps and RM441,210,000 will mature before the anticipated USD LIBOR replacement in 2023.

| | | | The Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | | | Fair values* | | Changes in fair value used for calculating hedge ineffectiveness | Hedge ineffectiveness recognised in profit or loss** | Changes in fair value recognised in OCI | Amount reclassified from hedge reserve to profit or loss** | National amount directly impacted by IBOR reform |
| **31 December 2021** | | | Nominal amount RM'000 | Assets RM'000 | Liabilities RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest rate swaps | Interest rate | Fair value & cash flow | 28,946,896 | 335,654 | (239,718) | 176,422 | 3,358 | (3,878) | - | 24,874,801 |
| Cross currency interest rate swaps | Interest rate & foreign currency | Fair value & cash flow hedge | 3,430,981 | 92,787 | 7,289 | (13,339) | 1,848 | (17,427) | 4,122 | 3,430,981 |
| Currency forward | Foreign currency | Cash flow hedge | - | - | - | - | (230) | 230 | (230) | - |
| Bonds and debentures | Foreign currency | Net investment hedge | 1,250,850 | - | - | (46,426) | - | 46,426 | - | - |
| Currency swaps | Foreign currency | Net investment hedge | 4,543,473 | 43,943 | (8,797) | (81,050) | - | 81,050 | - | - |
| Deposits and placement of bank and other financial institutions | Foreign currency | Net investment hedge | 14,868 | - | - | (1,261) | - | 1,261 | - | |
| Deposit from customers | Foreign currency | Net investment hedge | 603,202 | - | - | (51,346) | - | 51,346 | - | - |

Of the RM24,874,801,000 nominal amount of MYR interest rate swaps above,
RM19,631,638,000 related to MYR interest rate swaps and RM3,776,038,000 will mature before the anticipated MYR KLIBOR replacement in 2022;
RM951,824,000 related to SGD interest rate swaps and RM88,775,000 will mature before the anticipated SGD SOR replacement in 2022;
RM3,984,201,000 related to USD interest rate swaps and RM1,733,985,000 will mature before the anticipated USD LIBOR replacement in 2022;
RM307,138,000 related to THB interest rate swaps and RM Nil will mature before the anticipated USD LIBOR replacement in 2022.

Of the RM3,430,981,000 nominal amount of cross currency interest rate swaps above,
RM843,885,000 related to HKD cross currency interest rate swaps and RM Nil will mature before the anticipated USD LIBOR replacement in 2022;
RM2,587,096,000 related to USD/THB cross currency interest rate swaps and RM Nil will mature before the anticipated USD LIBOR replacement in 2022;

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows: (Continued)

In calculating the change in fair value attributable to the hedged risk for the fixed-rate loans and fixed rate bonds, the Group has made the following assumptions that reflect its current expectations:

- The Group has applied the assumptions afforded by IFRS/MFRS 9 6.8 where applicable;
- The Group will cease applying IFRS/MFRS 9 6.8 prospectively when the uncertainty arises from IBOR reform is no longer exist and/or when the hedging relationship discontinued;
- No other changes to the terms of the hedged items are anticipated.

* All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position. However, the amounts presented here is netted off with the partial unwind interest rate swaps but the disclosure in Note 8 are presented on gross basis.
** All hedge ineffectiveness are recognised in the "Net non-interest income" in the statement of income.
*** All hedge ineffectiveness and reclassification from the "net investment hedge reserve" to profit or loss are recognised in the "Net non-interest income" in the statement of income.

The amounts relating to items designated as hedged items were as follows:

| | | | The Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **31 December 2022** | | | **Carrying amount** | | **Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item** | | **Change in fair value used for calculating hedge ineffectiveness** | **Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses** | **Hedge reserve** | **Balance remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied** |
| **Hedge Items** | **Risk** | **Hedge Type** | **Assets RM'000** | **Liabilities RM'000** | **Assets RM'000** | **Liabilities RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Loans, advances and financing | Interest rate & foreign currency | Fair value & cash flow hedge | **2,003,958** | **-** | **35** | **(99,942)** | **(26,696)** | **24** | **(19,286)** | **-** |
| Recourse obligation on loans and financing sold to Cagamas | Interest rate | Fair value hedge | **-** | **(489,977)** | **-** | **(12,546)** | **26,259** | **-** | **-** | **-** |
| Other liabilities | Interest rate | Fair value hedge | **-** | **(819,009)** | **3,686** | **(8)** | **3,794** | **-** | **-** | **-** |
| Subordinated obligations | Interest rate | Fair value & cash flow hedge | **-** | **(7,995,877)** | **109,184** | **(68)** | **115,442** | **-** | **3,887** | **-** |
| Bonds and debentures | Interest rate & foreign currency | Fair value & cash flow hedge | **2,696,836** | **(5,374,538)** | **258,226** | **(13,833)** | **321,162** | **-** | **3,156** | **-** |
| Debt instruments at fair value through other comprehensive income | Interest rate | Fair value hedge | **19,321,455** | **-** | **58,898** | **(678,661)** | **(701,206)** | **66** | **-** | **-** |
| Debt instruments at amortised cost | Interest rate | Fair value hedge | **103,985** | **-** | **-** | **(4,975)** | **(4,091)** | **-** | **-** | **-** |
| GBP net investment | Foreign currency | Net investment hedge | **-** | **-** | **-** | **-** | **(7,151)** | **-** | **2,814** | **-** |
| HKD net investment | Foreign currency | Net investment hedge | **-** | **-** | **-** | **-** | **-** | **-** | **(28,022)** | **(28,022)** |
| SGD net investment | Foreign currency | Net investment hedge | **-** | **-** | **-** | **-** | **130,275** | **-** | **(348,737)** | **-** |
| USD net investment | Foreign currency | Net investment hedge | **-** | **-** | **-** | **-** | **171,942** | **-** | **(1,226,173)** | **(467,272)** |
| Deposits and placement of bank and other financial institutions | Foreign currency | Cash flow hedge | **-** | **-** | **-** | **-** | **(5,727)** | **-** | **-** | **-** |
| Bills and acceptances payable | Foreign currency | Cash flow hedge | **-** | **(479,236)** | **-** | **-** | **(3,908)** | **-** | **6,956** | **-** |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The amounts relating to items designated as hedged items were as follows: (Continued)

| | | | The Group | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **31 December 2021** | | | **Carrying amount** | | **Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item** | | **Change in fair value used for calculating hedge ineffectiveness** | **Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses** | **Hedge reserve** | **Balance remaining in the hedge reserve from hedging relationships for which hedge accounting is no longer applied** |
| **Hedge Items** | **Risk** | **Hedge Type** | **Assets RM'000** | **Liabilities RM'000** | **Assets RM'000** | **Liabilities RM'000** | **RM'000** | **RM'000** | **RM'000** | **RM'000** |
| Loans, advances and financing | Interest rate & foreign currency | Fair value & cash flow hedge | 1,334,060 | - | 1,654 | (26,434) | (36,970) | 33 | (15,730) | - |
| Deposits and placement of bank and other financial institutions | Interest rate | Fair value hedge | - | - | - | - | 347 | - | - | - |
| Recourse obligation on loans and financing sold to Cagamas | Interest rate | Fair value hedge | - | (837,796) | - | (38,805) | 32,295 | - | - | - |
| Subordinated obligations | Interest rate | Fair value & cash flow hedge | - | (6,505,052) | 18,566 | (26,313) | 66,530 | - | 5,230 | - |
| Bonds, Sukuk and debentures | Interest rate & foreign currency | Fair value & cash flow hedge | - | (6,032,595) | 17,504 | (92,202) | 148,255 | 97 | 10,706 | - |
| Debt instruments at amortised cost | Interest rate | Fair value hedge | 50,963 | - | - | (111) | (111) | - | - | - |
| Debt instruments at fair value through other comprehensive income | Interest rate | Fair value hedge | 15,698,643 | - | 182,218 | (109,966) | (385,134) | 2,753 | - | - |
| GBP net investment | Foreign currency | Net investment hedge | - | - | - | - | 3,811 | - | 4,337 | - |
| HKD net investment | Foreign currency | Net investment hedge | - | - | - | - | 2,517 | - | 28,022 | 28,022 |
| SGD net investment | Foreign currency | Net investment hedge | - | - | - | - | 20,316 | - | 218,462 | - |
| USD net investment | Foreign currency | Net investment hedge | - | - | - | - | 153,439 | - | 1,054,232 | 467,272 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 8 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

### (IV) RECONCILIATION OF COMPONENTS OF EQUITY

The following table provides a reconciliation by risk category of components of equity and analysis of OCI items (net of tax) resulting from hedge accounting:

| | The Group | |
|---|---|---|
| | **Net investment hedge RM'000** | **Cash flows hedge RM'000** |
| **At 1 January 2022** | **(1,153,099)** | **8,388** |
| Effective portion of changes in fair value: | | |
| – Interest rate risk | **–** | **2,297** |
| – Interest rate/foreign currency risk | **–** | **(3,758)** |
| Net loss on hedge of net investment in foreign operations | **(295,066)** | **–** |
| Cost of hedging | **19,675** | **447** |
| Income tax effects | **–** | **1,629** |
| Exchange fluctuation | **–** | **144** |
| **At 31 December 2022** | **(1,428,490)** | **9,147** |
| **At 1 January 2021** | (1,014,444) | 6,584 |
| Effective portion of changes in fair value: | | |
| – Interest rate risk | – | (3,878) |
| – Interest rate/USD foreign currency risk | – | (12,627) |
| – Interest rate/MYR foreign currency risk | – | 1,811 |
| Net amount reclassified to profit or loss: | – | (3,892) |
| Net gain on hedge of net investment in foreign operations: | (180,083) | – |
| Cost of hedging | 41,088 | 22,890 |
| Income tax effects | – | (983) |
| Exchange fluctuation | – | (1,517) |
| Disposal of a joint venture | 1,747 | – |
| Share of joint venture | (1,817) | – |
| Share of associate | 410 | – |
| **At 31 December 2021** | (1,153,099) | 8,388 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 9 LOANS, ADVANCES AND FINANCING

### (I) BY TYPE:

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| **At amortised cost** | | |
| Overdrafts | **4,941,495** | 4,745,193 |
| Term loans/financing | | |
| – Housing loans/financing | **131,209,391** | 121,680,843 |
| – Syndicated term loans | **21,904,930** | 17,205,940 |
| – Hire purchase receivables | **26,064,935** | 24,098,907 |
| – Lease receivables | **217,887** | 149,074 |
| – Factoring receivables | **193,113** | 108,698 |
| – Other term loans/financing | **154,908,116** | 150,407,952 |
| Bills receivable | **6,761,901** | 6,884,735 |
| Trust receipts | **2,683,230** | 2,701,349 |
| Claims on customers under acceptance credits | **4,105,031** | 3,463,342 |
| Staff loans [of which RM2,970,659 (2021: RM3,062,694) are loans to Directors (including Directors of subsidiaries)] | **1,761,101** | 1,710,211 |
| Credit card receivables | **9,334,399** | 8,379,069 |
| Revolving credits | **42,813,681** | 36,075,522 |
| Share margin financing | **50,346** | 63,946 |
| Gross loans, advances and financing at amortised cost | **406,949,556** | 377,674,781 |
| Fair value changes arising from fair value hedge | **(99,907)** | (24,781) |
| | **406,849,649** | 377,650,000 |
| Less: | | |
| – Expected credit losses | **(12,400,021)** | (13,323,081) |
| Net loans, advances and financing at amortised cost | **394,449,628** | 364,326,919 |
| **At fair value through profit or loss** | | |
| Term loans/financing | | |
| – Syndicated term loan | **107,552** | 357,853 |
| Gross loans, advances and financing at fair value through profit or loss | **107,552** | 357,853 |
| Total net loans, advances and financing | **394,557,180** | 364,684,772 |
| **Total gross loans, advances and financing:** | | |
| – At amortised cost | **406,949,556** | 377,674,781 |
| – At fair value through profit or loss | **107,552** | 357,853 |
| | **407,057,108** | 378,032,634 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 9 LOANS, ADVANCES AND FINANCING (CONTINUED)

### (I) BY TYPE: (CONTINUED)

(a) Included in the Group's loans, advances and financing balances are RM21,919,000 (2021: RM23,684,000) of reinstated loans which were previously impaired and written off prior to 2005. The reinstatement of these loans has been approved by BNM on 5 February 2010 and was done selectively on the basis of either full settlement of arrears or upon regularised payments of rescheduled loan repayments.

(b) The Group has undertaken a fair value hedge on the interest rate risk of RM1,786,866,000 (2021: RM1,353,719,000) loans, advances and financing using interest rate swaps.

(c) Included in the loans, advances and financing of the Group at 31 December 2022 is financing which is disclosed as "Restricted Agency Investment Account" ("RAIA") in the financial statements of CIMB Islamic amounting to RM11,280,429,000 (2021: RM10,248,755,000). RAIA arrangement is with CIMB Bank's wholly owned subsidiary, CIMB Islamic, and the contract is based on the Wakalah principle where CIMB Bank solely provide the funds, whilst the assets are managed by CIMB Islamic (as the Wakeel or agent). In the arrangement, CIMB Islamic has transferred substantially all the risk and rewards of ownership of the Investment (i.e the financing facility) to CIMB Bank. Accordingly, the underlying assets (including the undisbursed portion of the financing commitment) and expected credit losses arising thereon, if any, are recognised and accounted for by CIMB Bank.

### (II) BY TYPE OF CUSTOMER:

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Domestic banking financial institutions | **353,649** | 331,689 |
| Domestic non-bank financial institutions | | |
| – Stockbroking companies | **390,700** | 8,005 |
| – Others | **5,931,557** | 5,757,202 |
| Domestic business enterprises | | |
| – Small medium enterprises | **52,961,537** | 50,591,611 |
| – Others | **63,842,297** | 61,916,846 |
| Government and statutory bodies | **11,813,303** | 10,043,045 |
| Individuals | **214,310,312** | 199,982,760 |
| Other domestic entities | **15,980,825** | 11,877,650 |
| Foreign entities | **41,472,928** | 37,523,826 |
| Gross loans, advances and financing | **407,057,108** | 378,032,634 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 9 LOANS, ADVANCES AND FINANCING (CONTINUED)

### (III) BY INTEREST/PROFIT RATE SENSITIVITY:

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Fixed rate | | |
| – Housing loans | **6,748,169** | 5,318,245 |
| – Hire–purchase receivables | **19,711,850** | 18,920,957 |
| – Other fixed rate loans | **50,868,798** | 43,301,652 |
| Variable rate | | |
| – BLR plus/BFR plus | **122,277,864** | 125,868,417 |
| – Cost plus | **57,474,041** | 49,707,733 |
| – Other variable rates | **149,976,386** | 134,915,630 |
| Gross loans, advances and financing | **407,057,108** | 378,032,634 |

### (IV) BY ECONOMIC PURPOSES:

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Personal use | **21,261,070** | 22,018,829 |
| Credit card | **9,334,399** | 8,379,069 |
| Purchase of consumer durables | **671,284** | 242,000 |
| Construction | **12,851,633** | 14,039,720 |
| Residential property (Housing) | **132,022,436** | 122,156,586 |
| Non-residential property | **34,488,187** | 31,956,554 |
| Purchase of fixed assets other than land and building | **15,231,052** | 12,641,424 |
| Mergers and acquisitions | **2,301,167** | 3,164,943 |
| Purchase of securities | **22,653,271** | 23,610,624 |
| Purchase of transport vehicles | **26,262,111** | 24,085,306 |
| Working capital | **99,188,624** | 85,909,439 |
| Other purpose | **30,791,874** | 29,828,140 |
| Gross loans, advances and financing | **407,057,108** | 378,032,634 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 9 LOANS, ADVANCES AND FINANCING (CONTINUED)

### (V) BY GEOGRAPHICAL DISTRIBUTION:

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Malaysia | **253,322,993** | 238,014,490 |
| Indonesia | **60,073,967** | 56,576,930 |
| Thailand | **33,022,208** | 30,727,520 |
| Singapore | **37,060,832** | 33,079,131 |
| United Kingdom | **4,667,221** | 3,799,797 |
| Hong Kong | **1,516,160** | 1,309,610 |
| China | **3,325,093** | 3,310,490 |
| Other countries | **14,068,634** | 11,214,666 |
| Gross loans, advances and financing | **407,057,108** | 378,032,634 |

### (VI) BY RESIDUAL CONTRACTUAL MATURITY:

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Within one year | **88,412,486** | 87,723,465 |
| One year to less than three years | **30,915,249** | 24,148,032 |
| Three years to less than five years | **43,465,298** | 36,701,434 |
| Five years and more | **244,264,075** | 229,459,703 |
| Gross loans, advances and financing | **407,057,108** | 378,032,634 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 9 LOANS, ADVANCES AND FINANCING (CONTINUED)

### (VII) BY ECONOMIC SECTOR

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Primary agriculture | **11,487,021** | 10,138,258 |
| Mining and quarrying | **4,826,294** | 4,768,308 |
| Manufacturing | **29,975,693** | 27,183,545 |
| Electricity, gas and water supply | **5,835,764** | 6,435,297 |
| Construction | **13,109,378** | 12,740,224 |
| Transport, storage and communications | **14,003,587** | 11,374,141 |
| Education, health and others | **19,456,379** | 18,447,390 |
| Wholesale and retail trade, and restaurants and hotels | **32,946,738** | 32,730,035 |
| Finance, insurance/takaful, real estate and business activities | **51,280,780** | 45,592,524 |
| Household | **201,360,134** | 188,211,528 |
| Others | **22,775,340** | 20,411,384 |
| Gross loans, advances and financing | **407,057,108** | 378,032,634 |

### (VIII) CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING BY ECONOMIC PURPOSE:

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Personal use | **515,312** | 444,434 |
| Credit card | **176,297** | 210,939 |
| Purchase of consumer durables | **2,005** | 2,490 |
| Construction | **392,766** | 1,464,882 |
| Residential property (Housing) | **3,104,913** | 1,791,582 |
| Non-residential property | **708,347** | 579,525 |
| Purchase of fixed assets other than land and building | **1,105,457** | 1,217,569 |
| Mergers and acquisitions | **–** | 308,533 |
| Purchase of securities | **53,934** | 185,663 |
| Purchase of transport vehicles | **313,452** | 285,425 |
| Working capital | **6,156,858** | 6,162,103 |
| Other purpose | **791,558** | 639,390 |
| Gross credit impaired loans, advances and financing | **13,320,899** | 13,292,535 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 9 LOANS, ADVANCES AND FINANCING (CONTINUED)

### (IX) CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING BY GEOGRAPHICAL DISTRIBUTION:

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Malaysia | **5,308,929** | 5,060,265 |
| Indonesia | **5,006,066** | 4,652,460 |
| Thailand | **1,321,615** | 1,288,608 |
| Singapore | **736,184** | 1,515,551 |
| United Kingdom | **8,700** | 7,658 |
| Hong Kong | **142,284** | 9 |
| China | **4,546** | 5,429 |
| Other countries | **792,575** | 762,555 |
| Gross credit impaired loans, advances and financing | **13,320,899** | 13,292,535 |

### (X) CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING BY ECONOMIC SECTOR

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Primary agriculture | **171,606** | 139,674 |
| Mining and quarrying | **1,177,565** | 1,418,398 |
| Manufacturing | **1,999,683** | 1,280,355 |
| Electricity, gas and water supply | **111** | 250,530 |
| Construction | **206,583** | 249,330 |
| Transport, storage and communications | **792,157** | 1,637,326 |
| Education, health and others | **173,114** | 207,436 |
| Wholesale and retail trade, and restaurants and hotels | **2,363,447** | 3,167,724 |
| Finance, insurance/takaful, real estate and business activities | **1,043,193** | 1,079,208 |
| Household | **3,982,303** | 2,489,810 |
| Others | **1,411,137** | 1,372,744 |
| Gross credit impaired loans, advances and financing | **13,320,899** | 13,292,535 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 9 LOANS, ADVANCES AND FINANCING (CONTINUED)

### (XI) MOVEMENTS IN THE EXPECTED CREDIT LOSSES FOR LOANS, ADVANCES AND FINANCING ARE AS FOLLOWS:

| | The Group | | | | |
|---|---|---|---|---|---|
| | 12-month expected credit losses (Stage 1) RM'000 | Lifetime expected credit losses – not credit impaired (Stage 2) RM'000 | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Purchased credit impaired RM'000 | Total RM'000 |
| **Loans, advances and financing at amortised cost** | | | | | |
| **At 1 January 2022** | 1,534,517 | 4,063,053 | 7,722,465 | 3,046 | 13,323,081 |
| Changes in expected credit losses due to transfer within stages: | 586,278 | (1,608,928) | 1,022,650 | – | – |
| Transferred to Stage 1 | 1,034,679 | (939,786) | (94,893) | – | – |
| Transferred to Stage 2 | (439,574) | 909,904 | (470,330) | – | – |
| Transferred to Stage 3 | (8,827) | (1,579,046) | 1,587,873 | – | – |
| **Total charge to Statement of Income:** | (702,900) | 1,199,606 | 2,098,251 | – | 2,594,957 |
| New financial assets originated | 959,284 | 112,225 | 84,772 | – | 1,156,281 |
| Financial assets that have been derecognised | (464,774) | (281,159) | – | – | (745,933) |
| Writeback in respect of full recoveries | – | – | (216,375) | – | (216,375) |
| Change in credit risk | (1,197,410) | 1,368,540 | 2,229,854 | – | 2,400,984 |
| Write-offs | (923) | (3,763) | (3,601,539) | (1,320) | (3,607,545) |
| Disposal of loans, advances and financing | – | – | (412,103) | – | (412,103) |
| Exchange fluctuation | 7,888 | (22,007) | 52,845 | 45 | 38,771 |
| Other movements | 721 | 1,535 | 460,604 | – | 462,860 |
| **At 31 December 2022** | 1,425,581 | 3,629,496 | 7,343,173 | 1,771 | 12,400,021 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 9 LOANS, ADVANCES AND FINANCING (CONTINUED)

### (XI) MOVEMENTS IN THE EXPECTED CREDIT LOSSES FOR LOANS, ADVANCES AND FINANCING ARE AS FOLLOWS: (CONTINUED)

| | The Group | | | | |
|---|---|---|---|---|---|
| | 12-month expected credit losses (Stage 1) RM'000 | Lifetime expected credit losses – not credit impaired (Stage 2) RM'000 | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Purchased credit impaired RM'000 | Total RM'000 |
| **Loans, advances and financing at amortised cost** | | | | | |
| **At 1 January 2021** | 2,284,597 | 2,789,443 | 6,857,633 | 3,259 | 11,934,932 |
| Changes in expected credit losses due to transfer within stages: | 847,790 | (1,493,530) | 645,740 | – | – |
| Transferred to Stage 1 | 1,782,005 | (1,644,562) | (137,443) | – | – |
| Transferred to Stage 2 | (921,438) | 1,862,332 | (940,894) | – | – |
| Transferred to Stage 3 | (12,777) | (1,711,300) | 1,724,077 | – | – |
| **Total charge to Statement of Income:** | (1,612,815) | 2,391,331 | 2,490,054 | – | 3,268,570 |
| New financial assets originated | 744,572 | 489,262 | 102,212 | – | 1,336,046 |
| Financial assets that have been derecognised | (457,468) | (636,753) | – | – | (1,094,221) |
| Writeback in respect of full recoveries | – | – | (201,055) | – | (201,055) |
| Change in credit risk | (1,899,919) | 2,538,822 | 2,588,897 | – | 3,227,800 |
| Write-offs | (1,181) | (1,223) | (1,665,621) | – | (1,668,025) |
| Disposal of loans, advances and financing | (540) | (390) | (749,022) | – | (749,952) |
| Exchange fluctuation | 10,496 | 21,528 | 82,010 | (213) | 113,821 |
| Other movements | 6,170 | 355,894 | 61,671 | – | 423,735 |
| **At 31 December 2021** | 1,534,517 | 4,063,053 | 7,722,465 | 3,046 | 13,323,081 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 9 LOANS, ADVANCES AND FINANCING (CONTINUED)

### (XII) MOVEMENTS IN CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING

Gross carrying amount movement for loans, advances and financing at amortised cost classified as credit impaired:

| | The Group | | |
|---|---|---|---|
| | **Lifetime expected credit losses – credit impaired (Stage 3) RM'000** | **Purchased credit impaired RM'000** | **Total RM'000** |
| **At 1 January 2022** | **13,285,278** | **7,257** | **13,292,535** |
| Transfer within stages | **4,600,745** | **–** | **4,600,745** |
| New financial assets originated | **171,714** | **–** | **171,714** |
| Write-offs | **(3,609,463)** | **(1,320)** | **(3,610,783)** |
| Amount fully recovered | **(609,045)** | **–** | **(609,045)** |
| Other changes in loans, advances and financing | **(197,420)** | **(96)** | **(197,516)** |
| Disposal of loans, advances and financing | **(466,527)** | **–** | **(466,527)** |
| Exchange fluctuation | **139,669** | **107** | **139,776** |
| **At 31 December 2022** | **13,314,951** | **5,948** | **13,320,899** |
| **At 1 January 2021** | 13,019,243 | 7,816 | 13,027,059 |
| Transfer within stages | 3,523,772 | – | 3,523,772 |
| New financial assets originated | 292,748 | – | 292,748 |
| Write-offs | (1,668,494) | – | (1,668,494) |
| Amount fully recovered | (783,341) | – | (783,341) |
| Other changes in loans, advances and financing | (153,527) | (49) | (153,576) |
| Disposal of loans, advances and financing | (1,033,755) | – | (1,033,755) |
| Exchange fluctuation | 88,632 | (510) | 88,122 |
| **At 31 December 2021** | 13,285,278 | 7,257 | 13,292,535 |

| | The Group | |
|---|---|---|
| | **2022** | **2021** |
| **Ratio of credit impaired loans to total gross loans, advances and financing** | **3.27%** | 3.52% |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 9 LOANS, ADVANCES AND FINANCING (CONTINUED)

### (XII) MOVEMENTS IN CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING (CONTINUED)

#### IMPACT OF MOVEMENTS IN GROSS CARRYING AMOUNT ON EXPECTED CREDIT LOSSES

**2022:**

Stage 1 ECL decreased by RM109 million as a result of RM162,522 million of loans, advances/financing that were fully repaid, having movement in the existing account balances during the financial year, and accounts migrated from Stage 1 to Stage 2 or Stage 3 due to deterioration in credit quality offset by loans, advances/financing that were newly originated or migrated into Stage 1 from Stage 2 or Stage 3 due to credit quality improvement.

Stage 2 ECL decreased by RM434 million as a result of RM41,748 million loans, advances/financing that were fully repaid, having movement in the existing account balances during the financial year, accounts migrated to Stage 1 as a result of improved credit quality loans, advances/financing and from Stage 2 to Stage 3 due to deterioration in credit quality, offset by RM37,128 million of loans, advances/financing migrating into Stage 2 and additional disbursement.

Stage 3 ECL decreased by RM381 million as a result of loans, advances and financing that were fully repaid, having movement in the existing account balances during the financial year, transferred to Stage 1 or Stage 2 and written off during the financial year of RM7,046 million. This is however offset by RM7,427 million of the Group's loans, advances and financing that were transferred into Stage 3 due to credit quality deterioration.

The amount of loans, advances and financing whose cash flows were modified of the Group during the financial year was RM1,448,576,000.

**2021:**

Stage 1 ECL decreased by RM750 million as a result of RM175,667 million of loans, advances/financing that were fully repaid, having movement in the existing account balances during the financial year, and accounts migrated from Stage 1 to Stage 2 or Stage 3 due to deterioration in credit quality, offset by loans, advances/financing that were newly originated or migrated into Stage 1 from Stage 2 or Stage 3 due to credit quality improvement.

Stage 2 ECL increased by RM1,274 million as a result of RM69,453 million of loans, advances/financing migrating into Stage 2 and additional disbursement, offset by loans, advances/financing that were fully repaid, having movement in the existing account balances during the financial year, and accounts migrated from Stage 2 to Stage 3 due to deterioration in credit quality and migrated to Stage 1 as a result of improved credit quality.

Stage 3 ECL increased by RM865 million as a result of RM7,889 million of loans, advances/financing that were transferred into Stage 3 due to credit quality deterioration, offset by loans, advances/financing that were fully repaid, having movement in the existing account balances during the financial year, and transferred to Stage 1 or Stage 2. Changes in Stage 3 ECL is also due to loans, advances/financing which ECL mostly fully provided for that were written off during the financial year.

Total ECL movements in 2021 is also affected by the increased overlay provisions on certain exposures under the targeted repayment assistance segment as well as vulnerable sectors which are deemed higher risk, as disclosed in Note 57.1.7.

The amount of loans, advances and financing whose cash flows were modified of the Group during the financial year was RM49,845,995,000.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 10 OTHER ASSETS

| | Note | The Group 2022 RM'000 | The Group 2021 RM'000 | The Company 2022 RM'000 | The Company 2021 RM'000 |
|---|---|---|---|---|---|
| Due from brokers | | **10,377** | 146,389 | **–** | – |
| Other debtors net of expected credit losses of RM701,401,000 (2021: RM522,551,000), deposits and prepayments | (a) | **3,390,389** | 3,155,487 | **83,364** | 84,101 |
| Settlement accounts | | **1,242,400** | 442,105 | **–** | – |
| Treasury related receivables | | **2,027,697** | 1,702,413 | **–** | – |
| Structured financing | | **553,415** | 601,812 | **–** | – |
| Foreclosed assets net of allowance for impairment losses of RM73,312,000 (2021: RM63,307,000) | (b) | **210,116** | 188,909 | **–** | – |
| Collateral pledged for derivative transactions | | **3,269,533** | 2,897,982 | **–** | – |
| Due from joint ventures | (c) | **2,897,175** | 2,120,975 | **–** | – |
| | | **13,601,102** | 11,256,072 | **83,364** | 84,101 |

(a) Movements of expected credit losses for other assets are as follows:

(i) Under simplified approach

| | The Group 2022 RM'000 | The Group 2021 RM'000 |
|---|---|---|
| **At 1 January** | **131,887** | 154,160 |
| Recoveries | **–** | (1) |
| Expected credit losses made during the financial year | **54,693** | 1,228 |
| Write off | **(16,693)** | (12,777) |
| Exchange fluctuation | **(13,845)** | (10,723) |
| **At 31 December** | **156,042** | 131,887 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 10 OTHER ASSETS (CONTINUED)

(a) Movements of expected credit losses for other assets are as follows: (Continued)

(ii) Under general approach

| The Group | 12-month expected credit losses (Stage 1) RM'000 | Lifetime expected credit losses – not credit impaired (Stage 2) RM'000 | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 1 January 2022** | **–** | **–** | **390,664** | **390,664** |
| **Total charge to Statement of Income:** | **23,340** | **2,000** | **129,355** | **154,695** |
| Writeback in respect of full recoveries | **–** | **–** | **(109,793)** | **(109,793)** |
| Change in credit risk | **23,340** | **2,000** | **239,148** | **264,488** |
| **At 31 December 2022** | **23,340** | **2,000** | **520,019** | **545,359** |
| **At 1 January 2021** | – | 73,434 | 253,736 | 327,170 |
| **Total charge to Statement of Income:** | – | 3,353 | 136,928 | 140,281 |
| Writeback in respect of full recoveries | – | – | (143,942) | (143,942) |
| Change in credit risk | – | 3,353 | 280,870 | 284,223 |
| Other movements | – | (76,787) | – | (76,787) |
| **At 31 December 2021** | – | – | 390,664 | 390,664 |

Included in the ECL provided in financial year ended 31 December 2022 and 31 December 2021 under general approach is related to settlement of debit card balances. See Note 52.1 (b).

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 10 OTHER ASSETS (CONTINUED)

(a) Movements of expected credit losses for other assets are as follows: (Continued)

(iii) Gross carrying amount movement of other assets classified as credit impaired:

| **The Group** | **Lifetime expected credit losses – credit impaired (Stage 3) RM'000** |
|---|---|
| **At 1 January 2022** | **421,871** |
| Transfer within stages | **223,973** |
| Amount recovered | **(125,825)** |
| **At 31 December 2022** | **520,019** |
| **At 1 January 2021** | 253,736 |
| Transfer within stages | 312,077 |
| Amount recovered | (143,942) |
| **At 31 December 2021** | 421,871 |

Impact of movements in gross carrying amount on expected credit losses:

**2022:**

Stage 1 ECL increased by RM23 million due to change in credit risk.

Stage 2 ECL increased by RM2 million during the financial year due to change in credit risk

Stage 3 ECL increased by RM129 million during the financial year arising from allowance made in relation to settlement of debit card balances and offset with recovery due to full settlement.

**2021:**

Stage 2 ECL decreased by RM73 million during the financial year due to restructured of trade receivables to loans, advance and financing during the financial year.

Stage 3 ECL increased by RM137 million during the financial year due to GCA transferred from Stage 2 to Stage 3 and offset by amount recovered during the financial year.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 10 OTHER ASSETS (CONTINUED)

(b) Foreclosed assets are stated at the lower of carrying amount and fair value less cost to sale. Independent valuation of the foreclosed properties was performed by valuers to determine the fair value of the foreclosed properties as at 31 December 2022. The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size.

Movements of allowance for impairment losses on foreclosed assets are as follows:

| | **The Group** | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| At 1 January | **63,307** | 64,096 |
| Net allowance made during the financial year | **95,988** | 119,012 |
| Recoveries | **(1,202)** | (9,938) |
| Disposal during the financial year | **(83,872)** | (120,822) |
| Exchange fluctuation | **(909)** | 10,959 |
| At 31 December | **73,312** | 63,307 |

(c) This relates to the amount due from joint venture, Proton Commerce Sdn. Bhd. ("PCSB") of which comprises of the funding to PCSB for the hire purchase business.

## 11 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts are shown in the statements of financial position, after offsetting:

| | **The Group** | | **The Company** | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Deferred tax assets | **1,910,929** | 1,670,475 | **–** | – |
| Deferred tax liabilities | **(44,852)** | (44,149) | **(3)** | (227) |
| | **1,866,077** | 1,626,326 | **(3)** | (227) |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 11 DEFERRED TAXATION (CONTINUED)

The components of deferred tax assets and liabilities during the financial year prior to offsetting of balances within the same tax jurisdiction are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| **Deferred tax assets (before offsetting)** | | | | |
| Expected credit losses | **1,061,013** | 972,932 | **–** | – |
| Fair value reserve – Debt instruments at fair value through other comprehensive income | **350,953** | 148,176 | **–** | – |
| Unutilised tax losses | **13,093** | 13,626 | **–** | – |
| Post employment benefits obligations | **87,623** | 87,315 | **–** | – |
| Provision for expenses | **455,809** | 504,016 | **–** | – |
| EOP reserves | **3,223** | 10,018 | **–** | – |
| Lease liabilities | **77,216** | 99,969 | **–** | – |
| Other temporary differences | **86,706** | 79,660 | **–** | – |
| Unutilised capital allowance | **233** | 4,266 | **–** | – |
| | **2,135,869** | 1,919,978 | **–** | – |
| Offsetting | **(224,940)** | (249,503) | **–** | – |
| **Deferred tax assets (after offsetting)** | **1,910,929** | 1,670,475 | **–** | – |
| **Deferred tax liabilities (before offsetting)** | | | | |
| Property, plant and equipment | **(159,107)** | (151,318) | **(3)** | (227) |
| Right-of-use assets | **(54,135)** | (84,173) | **–** | – |
| Fair value reserve – Equity instruments at fair value through other comprehensive income | **(37,872)** | (37,856) | **–** | – |
| Intangible assets | **(17,726)** | (17,761) | **–** | – |
| Cash flow hedge | **(952)** | (2,544) | **–** | – |
| | **(269,792)** | (293,652) | **(3)** | (227) |
| Offsetting | **224,940** | 249,503 | **–** | – |
| **Deferred tax liabilities (after offsetting)** | **(44,852)** | (44,149) | **(3)** | (227) |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 11 DEFERRED TAXATION (CONTINUED)

The gross movements on the deferred taxation account are as follows:

| The Group | Note | Expected credit losses RM'000 | Accelerated tax depreciation RM'000 | Fair value reserve: Debt instruments at fair value through other comprehensive income RM'000 | Fair value reserve: Equity instruments at fair value through other comprehensive income RM'000 | Right-of-use assets RM'000 | Other temporary differences RM'000 | Intangible assets RM'000 | Provision for expenses RM'000 | Cash flow hedge RM'000 | Post employment benefit obligations RM'000 | Lease liabilities RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Deferred tax assets/ (liabilities)** | | | | | | | | | | | | | |
| **At 1 January 2022** | | **972,932** | **(151,318)** | **148,176** | **(37,856)** | **(84,173)** | **107,570** | **(17,761)** | **504,016** | **(2,544)** | **87,315** | **99,969** | **1,626,326** |
| Credited/(charged) to statements of income | 44 | **98,328** | **32** | **3,143** | **-** | **31,375** | **(14,166)** | **(10,253)** | **(45,741)** | **-** | **735** | **(23,028)** | **40,425** |
| Over/(under) provision in prior year | | **4,681** | **(10,311)** | **-** | **-** | **(332)** | **2,634** | **10,288** | **(2,021)** | **-** | **(6)** | **(399)** | **4,534** |
| Transferred to equity | | **-** | **-** | **202,283** | **(11)** | **-** | **-** | **-** | **-** | **1,629** | **767** | **-** | **204,668** |
| Acquisition of a subsidiary | | **-** | **-** | **-** | **-** | **-** | **36** | **-** | **-** | **-** | **-** | **-** | **36** |
| Exchange difference | | **(14,928)** | **2,490** | **(2,649)** | **(5)** | **(1,005)** | **7,181** | **-** | **(445)** | **(37)** | **(1,188)** | **674** | **(9,912)** |
| **At 31 December 2022** | | **1,061,013** | **(159,107)** | **350,953** | **(37,872)** | **(54,135)** | **103,255** | **(17,726)** | **455,809** | **(952)** | **87,623** | **77,216** | **1,866,077** |
| **At 1 January 2021** | | 872,125 | (76,646) | (79,743) | (32,897) | (117,252) | (244) | (32,597) | 258,807 | (1,940) | 84,772 | 128,791 | 1,003,176 |
| Credited/(charged) to statements of income | 44 | 132,385 | (22,416) | (1,783) | - | 35,367 | 73,746 | 8,186 | 239,607 | - | 5,881 | (32,408) | 438,565 |
| (Under)/over provision in prior year | | (35,273) | (50,446) | - | - | (2,719) | 31,487 | 6,650 | 3,937 | - | 34 | 3,973 | (42,357) |
| Transferred to equity | | - | - | 238,816 | (4,979) | - | - | - | - | (983) | (1,043) | - | 231,811 |
| Exchange difference | | 3,695 | (1,810) | (9,114) | 20 | 431 | 2,581 | - | 1,665 | 379 | (2,329) | (387) | (4,869) |
| **At 31 December 2021** | | 972,932 | (151,318) | 148,176 | (37,856) | (84,173) | 107,570 | (17,761) | 504,016 | (2,544) | 87,315 | 99,969 | 1,626,326 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 11 DEFERRED TAXATION (CONTINUED)

The gross movements on the deferred taxation account are as follows (Continued):

| The Company | Note | Accelerated tax depreciation RM'000 | Total RM'000 |
|---|---|---|---|
| **Deferred tax liabilities** | | | |
| **At 1 January 2022** | | **(227)** | **(227)** |
| Charged to statements of income | 44 | **224** | **224** |
| **At 31 December 2022** | | **(3)** | **(3)** |
| **At 1 January 2021** | | (374) | (374) |
| Charged to statements of income | 44 | 147 | 147 |
| **At 31 December 2021** | | (227) | (227) |

## 12 STATUTORY DEPOSITS WITH CENTRAL BANKS

The non-interest bearing statutory deposits are maintained by certain subsidiaries with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities. The non-interest bearing statutory deposits of a foreign subsidiary and foreign branches of the banking subsidiary are maintained with respective central banks in compliance with the applicable legislation.

On 15 May 2020, BNM has issued Statutory Reserve Requirement ("SRR") guideline and with effect from 16 May 2020, banking institutions are allowed to recognise Malaysian Government Securities and Malaysian Government Issue to fully meet the SRR requirement of 2%. This flexibility is available until 31 December 2022.

## 13 INVESTMENT IN SUBSIDIARIES

| | | The Company | |
|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 |
| Ordinary shares | (i) | **15,401,834** | 13,663,501 |
| Redeemable preference shares* | | **19,183,781** | 19,183,781 |
| | | **34,585,615** | 32,847,282 |
| Capital contribution to subsidiaries@ | | **87,817** | 33,487 |
| | | **34,673,432** | 32,880,769 |
| Less: Allowance for impairment loss of a subsidiary | | **(6,813)** | (6,813) |
| | | **34,666,619** | 32,873,956 |

* Classified as cost of investment in subsidiaries due to the terms of the instruments

@ Being long term incentive plan ("LTIP") which was implemented by the Company in 2021, that is granted to CIMB Group Holdings Bhd ("CIMBGH") subsidiaries' employees

(i) During the financial year ended 31 December 2022, capital injection was made to CIMB Group Sdn Bhd amounted to RM2,237,719,000 (2021: RM371,894,000).

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

**(a) Information about principal subsidiaries:**

The direct subsidiaries of the Company are:

| Name of Subsidiary | Principal activities | Country of Incorporation/ Principal Place of Business | Percentage of equity held 2022 % | 2021 % |
|---|---|---|---|---|
| CIMB Berhad | Investment holding | Malaysia | **100** | 100 |
| CIMB Group Sdn. Bhd. | Investment holding | Malaysia | **100** | 100 |
| Commerce MGI Sdn. Bhd. | Dormant | Malaysia | **51** | 51 |
| CIMB Active Ventures Sdn. Bhd. (formerly known as Commerce Asset Realty Sdn. Bhd.) | Providing IT support and business process insourcing services | Malaysia | **100** | 100 |
| iCIMB (MSC) Sdn. Bhd. | Provision of management | Malaysia | **100** | 100 |
| SBB Berhad | Dormant | Malaysia | **100** | 100 |
| CIMB Foundation ∞ | Charitable foundation | Malaysia | **–** | – |
| Premier Fidelity Sdn. Bhd. | Promoting, arranging and managing all kinds of sports and entertainment events of the Group | Malaysia | **100** | 100 |
| SP Charitable Trust Fund ∞ # | Special purpose vehicle | | **–** | – |
| SP Charitable Trust Fund 2 ∞ # | Special purpose vehicle | | **–** | – |

∞ Consolidated in the Group as the substance of the relationship between the entities and the Company indicates that the entities are controlled by the Company

# Audited by a firm other than member firms of PricewaterhouseCoopers International Limited.

| Name of Subsidiary | Principal activities | Country of Incorporation/ Principal Place of Business | Percentage of equity held: Directly by the Company 2022 % | Directly by the Company 2021 % | Indirectly by the Company 2022 % | Indirectly by the Company 2021 % |
|---|---|---|---|---|---|---|
| The direct subsidiary of the Company is: | | | | | | |
| Touch'n Go Sdn. Bhd. ("TnG") | Establishment, operation and management of an electronic collection system for toll and transport operators | Malaysia | **–** | 85.8 | **100.0** | 14.2 |

On 13 December 2021, the Company entered into Share Purchase Agreement with CIMB Group Sdn Bhd, a direct wholly-owned subsidiary of the Company and CIMB Digital Assets Sdn Bhd (formerly known as CIMB SI 1 Sdn Bhd) ("CDA"), an indirect wholly-owned subsidiary of the Company, to dispose the entire issued and paid-up share capital of Touch 'N Go Sdn Bhd ("TNG") to CDA. The objective is to facilitate the internal restructuring exercise to consolidate the shareholding of TNG in CDA ("Proposed Internal Restructuring"). Upon the completion of the internal restructuring on 26 January 2022, TnG become the direct wholly-owned subsidiary of CDA and indirect wholly-owned subsidiary of the Company. There is no financial impact at the Group arising from the internal restructuring. At Company level, a disposal gain has been recognised as disclosed in Note 39.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

**(a) Information about principal subsidiaries (Continued):**

The subsidiaries held through CIMB Berhad are:

| Name of Subsidiary | Principal activities | Country of Incorporation/ Principal Place of Business | Percentage of equity held: Directly by CIMB Berhad 2022 % | Directly by CIMB Berhad 2021 % | Indirectly by the Company's subsidiary 2022 % | Indirectly by the Company's subsidiary 2021 % |
|---|---|---|---|---|---|---|
| CIMB Islamic Trustee Berhad | Trustee services | Malaysia | **20** | 20 | **80** | 80 |
| CIMB Commerce Trustee Berhad | Trustee services | Malaysia | **20** | 20 | **80** | 80 |

The subsidiaries held through CIMB Group Sdn. Bhd.("CIMBG") are:

| Name of Subsidiary | Principal activities | Country of Incorporation/ Principal Place of Business | Percentage of equity held: Directly by CIMBG 2022 % | Directly by CIMBG 2021 % | Through CIMBG's subsidiary company 2022 % | Through CIMBG's subsidiary company 2021 % |
|---|---|---|---|---|---|---|
| CIMB Bank Berhad ("CIMB Bank") | Commercial banking and related financial services | Malaysia | **100** | 99.9 | **-** | – |
| CIMB Investment Bank Berhad ("CIMB Investment Bank") | Investment banking and the provision of related financial services | Malaysia | **100** | 100 | **-** | – |
| PT Bank CIMB Niaga Tbk + | Commercial banking and related financial services | Indonesia | **91.5** | 91.5 | **1.0** | 1.0 |
| PT Commerce Kapital # | Investment holding | Indonesia | **99.0** | 99.0 | **1.0** | 1.0 |
| CIMB SI Sdn. Bhd. | Trading in securities and direct principal investments | Malaysia | **100** | 100 | **-** | – |
| CIMB Digital Assets Sdn. Bhd. (formerly known as CIMB SI 1 Sdn. Bhd.) | Investment holding | Malaysia | **99.99** | – | **0.01** | 100 |
| CIMB SI II Sdn. Bhd. | Investment holding | Malaysia | **100** | 100 | **-** | – |
| CIMB Private Equity Sdn. Bhd. | Investment holding | Malaysia | **100** | 100 | **-** | – |
| CIMB Asia Security (General Partner) Limited | Investment holding | Labuan, Malaysia | **-** | – | **100** | 100 |
| CIMB Real Estate Sdn. Bhd. | Real estate investment | Malaysia | **100** | 100 | **-** | – |
| CIMB-Mapletree Management Sdn. Bhd.^ | Real estate fund management | Malaysia | **-** | – | **-** | 60 |
| Sathorn Asset Management Company Limited + | Asset Management | Thailand | **-** | – | **99.9** | 99.9 |
| CIMB Strategic Assets Sdn. Bhd. | Investment holding | Malaysia | **100** | 100 | **-** | – |
| CIMB Private Equity Advisors Sdn. Bhd. | Investment advisory | Malaysia | **100** | 100 | **-** | – |
| CIG Berhad | Insurance holding company | Malaysia | **100** | 100 | **-** | – |
| Commerce Asset Ventures Sdn. Bhd. ("CAV") | Investment holding company | Malaysia | **100** | 100 | **-** | – |
| Southeast Asia Special Asset Management Berhad | To invest in, purchase or otherwise acquire and deal with non-performing loans, credit and financing facilities or debts | Malaysia | **100** | 100 | **-** | – |
| Lot A Sentral Sdn. Bhd. | Property investment | Malaysia | **-** | – | **100** | 100 |
| PT Synergy Dharma Nayaga ~ | Management consultancy | Indonesia | **-** | – | **100** | 100 |
| CIMB Investment Bank (Private) Limited+ ^^ | Stock and share broking | Sri Lanka | **45** | 45 | **-** | – |
| CIMB Capital Markets (Australia) PTY Ltd+ | Equity capital markets business | Australia | **100** | 100 | **-** | – |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

**(a) Information about principal subsidiaries (Continued):**

The subsidiaries held through CIMB Group Sdn. Bhd. ("CIMBG") are (Continued):

| Name of Subsidiary | Principal activities | Country of Incorporation/ Principal Place of Business | Percentage of equity held: Directly by CIMBG 2022 % | Directly by CIMBG 2021 % | Through CIMBG's subsidiary company 2022 % | Through CIMBG's subsidiary company 2021 % |
|---|---|---|---|---|---|---|
| CSI Investment Limited + | Investment holding | British Virgin Island | **100** | 100 | **-** | - |
| MinorCap Pte. Ltd. + | Dormant | Singapore | **-** | - | **100** | 100 |
| Southeast Asia Special Asset Vehicle Limited | Special purpose vehicle | Malaysia | **-** | - | **100** | 100 |
| CIMB Bancom Capital Corporation | Investment banking | Philippines | **60** | 60 | **-** | - |
| CIMB AI Labs Private Limited* (formerly known as Shining Star Solution and Services Private Limited) | Business support services | India | **100** | - | **-** | - |

\# Audited by a firm other than member firms of PricewaterhouseCoopers International Limited
\+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT
^ Disposed/striked off/liquidated during the financial year
^^ Under disposal/strike off/liquidation process
~ Not being audited

* Turned from associate to subsidiary with effect from 14 September 2022, following the acquisition of the remaining 51% equity interest. For details, refer Note 52.1(i).

The subsidiaries held through CIMBG's direct subsidiary, CIMB Investment Bank are:

| Name of Subsidiary | Principal activities | Country of Incorporation/ Principal Place of Business | Percentage of equity held: Directly by CIMB Investment Bank 2022 % | Directly by CIMB Investment Bank 2021 % | Through CIMB Investment Bank's subsidiary company 2022 % | Through CIMB Investment Bank's subsidiary company 2021 % |
|---|---|---|---|---|---|---|
| CIMB Holdings Sdn. Bhd. | Investment holding | Malaysia | **100** | 100 | **-** | - |
| CIMSEC Nominees (Tempatan) Sdn. Bhd. | Nominee services | Malaysia | **100** | 100 | **-** | - |
| CIMSEC Nominees (Asing) Sdn. Bhd. | Nominee services | Malaysia | **100** | 100 | **-** | - |
| CIMB EOP Management Sdn. Bhd. | Nominee services | Malaysia | **100** | 100 | **-** | - |
| CIMB Nominees (Tempatan) Sdn. Bhd.^ | Nominee services | Malaysia | **-** | 100 | **-** | - |
| CIMB Nominees (Asing) Sdn. Bhd.^ | Nominee services | Malaysia | **-** | 100 | **-** | - |
| CIMB Commerce Trustee Berhad | Trustee services | Malaysia | **-** | - | **20** | 20 |
| CIMB Islamic Trustee Berhad | Trustee services | Malaysia | **-** | - | **20** | 20 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

**(a) Information about principal subsidiaries (Continued):**

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are:

| Name of Subsidiary | Principal activities | Country of Incorporation/ Principal Place of Business | Percentage of equity held: Directly by CIMB Bank 2022 % | Directly by CIMB Bank 2021 % | Through CIMB Bank's subsidiary company 2022 % | Through CIMB Bank's subsidiary company 2021 % |
|---|---|---|---|---|---|---|
| CIMB FactorLease Berhad | Leasing, hire purchase financing, debt factoring, loan management and property management | Malaysia | **100** | 100 | **-** | – |
| CIMB Islamic Trustee Berhad | Trustee to unit trust funds, public debt financing issues and private trusts and other corporate trusts | Malaysia | **20** | 20 | **40** | 40 |
| CIMB Bank (L) Limited | Carrying on the business of a Labuan bank | Labuan, Malaysia | **100** | 100 | **-** | – |
| iCIMB (Malaysia) Sdn. Bhd. | Provision of outsourcing services | Malaysia | **100** | 100 | **-** | – |
| CIMB Group Nominees (Tempatan) Sdn Bhd | Provision of nominee services | Malaysia | **100** | 100 | **-** | – |
| CIMB Group Nominees (Asing) Sdn Bhd | Provision of nominee services | Malaysia | **100** | 100 | **-** | – |
| CIMB Islamic Bank Berhad | Islamic banking and related financial services | Malaysia | **100** | 100 | **-** | – |
| CIMB Trust Ltd. | Trustee services | Labuan, Malaysia | **100** | 100 | **-** | – |
| Bumiputra-Commerce Corporate Services Limited | Nominee services | Labuan, Malaysia | **-** | – | **100** | 100 |
| BC Management Services Limited | Nominee services | Labuan, Malaysia | **-** | – | **100** | 100 |
| CIMB Islamic Nominees (Tempatan) Sdn. Bhd. | Provision of nominee services | Malaysia | **-** | – | **100** | 100 |
| CIMB Islamic Nominees (Asing) Sdn. Bhd. | Provision of nominee services | Malaysia | **-** | – | **100** | 100 |
| S.B. Venture Capital Corporation Sdn. Bhd. | Investment holding and provision of management services | Malaysia | **100** | 100 | **-** | – |
| BHLB Properties Sdn. Bhd. | To own and manage premises and other immovable properties | Malaysia | **100** | 100 | **-** | – |
| CIMB Nominees (S) Pte. Ltd. +^^ | Provision of nominee services | Singapore | **100** | 100 | **-** | – |
| SFB Auto Berhad | Financial services | Malaysia | **100** | 100 | **-** | – |
| CIMB Bank (Vietnam) Limited # | Banking activities | Vietnam | **100** | 100 | **-** | – |
| CIMB Bank PLC + | Commercial banking and related financial services | Cambodia | **100** | 100 | **-** | – |
| CIMB Commerce Trustee Berhad | Provision of trustee, custodian and nominees services | Malaysia | **20** | 20 | **40** | 40 |
| S.B. Properties Sdn. Bhd. | Property ownership and management | Malaysia | **100** | 100 | **-** | – |
| SFB Development Sdn. Bhd. | Property investment | Malaysia | **100** | 100 | **-** | – |
| SIBB Berhad | Investment dealing | Malaysia | **80** | 80 | **-** | – |
| Perdana Nominees (Tempatan) Sdn. Bhd. | Provision of nominee services | Malaysia | **-** | – | **80** | 80 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

**(a) Information about principal subsidiaries (Continued):**

The subsidiaries held through CIMBG's direct subsidiary, CIMB Bank are (Continued):

| Name of Subsidiary | Principal activities | Country of Incorporation/ Principal Place of Business | Percentage of equity held: Directly by CIMB Bank 2022 % | Directly by CIMB Bank 2021 % | Through CIMB Bank's subsidiary company 2022 % | Through CIMB Bank's subsidiary company 2021 % |
|---|---|---|---|---|---|---|
| CIMB Thai Bank Public Company Limited + | Commercial banking | Thailand | **94.8** | 94.8 | **-** | - |
| Merdeka Kapital Berhad** | Engaged in the purchase from multi originators of receivables and the raising of funds and related activities | Malaysia | **-** | - | **-** | - |

** Consolidation of the silo of Merdeka Kapital Berhad
In 2011, CIMB Bank obtained funding through securitisation of its hire purchase receivables to Merdeka Kapital Berhad ("MKB"), a special purpose vehicle set up to undertake multi securitisation transactions. Arising from the adoption of MFRS 10 "Consolidated Financial Statements" in 2013, CIMB Bank has consolidated the silo of MKB in relation to CIMB Bank's hire purchase receivables, as this silo has been legally ring-fenced for this transaction. The securitisation transaction was completed in 2016.

On 31 March 2017, the Bank obtained new funding through securitisation of its hire purchase receivables to MKB.

+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT.
^^ Under strike off/liquidation process
^ Disposed/striked off/liquidated during the financial year
# Audited by a firm other than member firms of PricewaterhouseCoopers International Limited

The subsidiaries held through PT Bank CIMB Niaga Tbk are:

| Name of Subsidiary | Principal activities | Country of Incorporation/ Principal Place of Business | Percentage of equity held: Directly by CIMB Niaga 2022 % | Directly by CIMB Niaga 2021 % | Through CIMBG's subsidiary 2022 % | Through CIMBG's subsidiary 2021 % |
|---|---|---|---|---|---|---|
| PT CIMB Auto Finance + | Financing services | Indonesia | **83.3** | 99.9 | **-** | - |
| PT CIMB Niaga Sekuritas# | Capital market business | Indonesia | **94.8** | 94.8 | **5.2** | 5.2 |

The subsidiaries held through CIMB Thai Bank Public Company Limited are:

| Name of Subsidiary | Principal activities | Country of Incorporation/ Principal Place of Business | Percentage of equity held 2022 % | Percentage of equity held 2021 % |
|---|---|---|---|---|
| CT Coll Co. Ltd.+^ | Services of debt collection and debt restructuring | Thailand | **-** | 99.9 |
| CIMB Thai Auto Company Ltd+ | Hire purchase sale & leaseback and financial lease | Thailand | **99.9** | 99.9 |
| Worldlease Co. Ltd.+ | Hire purchase of motorcycles | Thailand | **99.9** | 99.9 |

+ Audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers PLT.
^^ Under strike off/liquidation process
# Audited by a firm other than member firms of PricewaterhouseCoopers International Limited

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

**(b) Details of subsidiaries that have material non-controlling interests:**

Set out below are the Group's subsidiaries that have material non-controlling interests:

| Name of subsidiaries | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit/(loss) allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|
| | **2022 %** | **2021 %** | **2022 %** | **2021 %** | **2022 %** | **2021 %** |
| CIMB Thai Bank Public Company Limited Group (Incorporated in the Kingdom of Thailand) | **5.2** | 5.2 | **20,088** | 13,817 | **292,170** | 275,668 |
| PT Bank CIMB Niaga Tbk Group (Incorporated in the Republic of Indonesia) | **7.5** | 7.5 | **100,887** | 90,873 | **789,080β** | 756,695β |
| TnG Group | **–** | – | **–** | (5,538)* | **–** | –* |
| Individually immaterial subsidiaries with non-controlling interests | | | | | **11,397** | 13,122 |
| | | | | | **1,092,647** | 1,045,485 |

* The loss allocated to non-controlling interest and accumulated non-controlling interest arises from a subsidiary held through TnG, namely TNG Digital ("TNGD"). The interest and voting rights held by non-controlling interest in TNGD is 49%. On 27 January 2021, TNGD diluted from 51% to approximately 47%, and subsequently reduced to 45% in November 2021. Consequently, TNGD ceased to be a subsidiary of TnG and indirect subsidiary of the Group.

β Inclusive of shares purchased arising from employee benefit scheme of RM85 million.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

**(b) Details of subsidiaries that have material non-controlling interests: (Continued)**

Summarised financial information for each subsidiary that has non-controlling interests that are material to the Group is set out below. The summarised financial information below represents amounts before inter-company eliminations.

| | CIMB Thai Bank Public Company Limited Group | | PT Bank CIMB Niaga Tbk Group | | TnG Group# | |
|---|---|---|---|---|---|---|
| (RM'000) | 2022 | 2021 | 2022 | 2021 | 2022 | 2021 |
| Total assets | **62,960,383** | 49,828,149 | **85,298,246** | 89,600,993 | **-** | – |
| Total liabilities | **(57,208,562)** | (44,477,978) | **(73,741,122)** | (78,012,612) | **-** | – |
| Net assets | **5,751,821** | 5,350,171 | **11,557,124** | 11,588,381 | **-** | – |
| Equity attributable to owners of the Company | **(5,751,821)** | (5,350,171) | **(11,533,340)** | (11,585,100) | **-** | – |
| Non-controlling interests ("NCI") | **-** | – | **(23,784)** | (3,281) | **-** | – |
| Revenue | **1,662,276** | 1,722,202 | **5,504,369** | 5,020,355 | **-** | 2,450 |
| Profit before taxation | **487,803** | 308,508 | **2,017,875** | 1,533,092 | **-** | (11,303) |
| Taxation | **(99,249)** | (41,249) | **(439,373)** | (328,783) | **-** | – |
| Other comprehensive income/(expense) | **53,476** | (489,693) | **(919,566)** | 74,168 | **-** | – |
| Total comprehensive income/(expense) | **442,030** | (222,434) | **658,936** | 1,278,477 | **-** | (11,303) |
| Net cash generated from/(used in) operating activities | **5,033,934** | 2,142,284 | **(4,661,827)** | 8,668,000 | **-** | – |
| Net cash (used in)/generated from investing activities | **(3,913,789)** | (1,614,599) | **1,690,095** | (2,643,683) | **-** | – |
| Net cash used in financing activities | **(807,110)** | (419,483) | **(1,392,347)** | (543,175) | **-** | – |
| Net increase/(decrease) in cash and cash equivalents | **313,035** | 108,202 | **(4,364,079)** | 5,481,142 | **-** | – |
| Profit/(loss) allocated to NCI of the Group | **20,088** | 13,817 | **100,887** | 90,873 | **-** | (5,538) |
| Dividends paid to NCI of the Group | **2,282** | 1,186 | **47,743** | 23,419 | **-** | – |

# The financial information presented is up to the date TNGD ceased to be a subsidiary of TnG.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 14 INVESTMENT IN ASSOCIATES

| | | The Group | |
|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 |
| **At 1 January** | | **770,801** | 45,306 |
| Share of results for the financial year | | **66,261** | 3,795 |
| Additional investment in associates | 15(b)(iv) | **9,102** | 761,100 |
| Share of other comprehensive income for the financial year | | **8,713** | 162 |
| Reclassification to non-current assets held for sale | 55 | **(757,115)** | – |
| Dividend payment | | **(36,250)** | – |
| Profit distribution | | **(19,726)** | (39,562) |
| **At 31 December** | | **41,786** | 770,801 |

**(a) Information about associates:**

The principal place of business and country of incorporation of the associates is Malaysia unless stated otherwise. All associates are measured using the equity method. There are no available quoted market prices of the associates.

The associates held through CIMBG's subsidiary, CIMB Real Estate Sdn Bhd are:

| Name of Associate | Principal activities | Country of Incorporation/ Principal Place of Business | Percentage of equity held 2022 % | 2021 % |
|---|---|---|---|---|
| CMREF 1 Sdn. Bhd.^ | Investment holding | Malaysia | **–** | 24.9 |
| Project Asia City Sdn. Bhd.^ | Property investment and management | Malaysia | **–** | 24.9 |

^ Liquidated during the financial year

The associates held through CIMBG's subsidiary, CIMB Strategic Assets Sdn Bhd are:

| Name of Associates | Principal activities | Country of Incorporation/ Principal Place of Business | Percentage of equity held 2022 % | 2021 % |
|---|---|---|---|---|
| Capital Advisors Partners Asia Sdn. Bhd. | Investment advisory services | Malaysia | **40.0** | 40.0 |
| Capital Advisors Partners Asia Pte. Ltd. | Investment advisory services | Singapore | **40.0** | 40.0 |
| Capasia Islamic Infrastructure Fund (General Partner) Limited | Managing private fund | Labuan, Malaysia | **40.0** | 40.0 |
| Capasia Asean Infrastructure Fund III (General Partner) Limited | General Partner of The CapAsia Asean, Infrastructure Fund III L.P | Labuan, Malaysia | **40.0** | 40.0 |
| AIGF Sponsor LP | Investment holding | Cayman Island | **26.3** | 26.3 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 14 INVESTMENT IN ASSOCIATES (CONTINUED)

**(a) Information about associates (Continued):**

The associates held through CIMBG are:

| Name of Associates | Principal activities | Country of Incorporation/ Principal Place of Business | 2022 % | 2021 % |
|---|---|---|---|---|
| CGS-CIMB Securities International Pte. Ltd.@ | Investment holding | Singapore | - | 25.01 |
| CGS-CIMB Securities (Singapore) Pte. Ltd.@ | Stock and sharebroking | Singapore | - | 25.01 |
| CGS-CIMB Securities (UK) Ltd.@ | Securities related business | United Kingdom | - | 25.01 |
| CGS-CIMB Securities (USA) Inc.@ | Securities related business | United States of America | - | 25.01 |
| PT CGS-CIMB Sekuritas Indonesia@ | Stockbroking | Indonesia | - | 25.01 |
| PT CGS-Konsultan Manajemen@ | Management consultant | Indonesia | - | 25.01 |
| PT CGS-CIMB Futures Indonesia@ | Futures broking | Indonesia | - | 25.01 |
| CGS-CIMB Capital Pte Ltd@ | Providing financing services | Singapore | - | 25.01 |
| CGS-CIMB Securities (Hong Kong) Limited@ | Securities broking, dealing and trading | Hong Kong | - | 25.01 |
| CGS-CIMB Securities (India) Private Limited@ | Stock and share broking | India | - | 25.01 |
| CGS-CIMB Financial Services Pte. Ltd.@ (formerly known as CGS-CIMB Research Pte. Ltd.) | Dormant | Singapore | - | 25.01 |
| CGS-CIMB Securities (Mauritius) Ltd.@ | Investment dealing | Mauritius | - | 25.01 |
| CGS-CIMB Securities (Thailand) Co. Ltd.@ | Stock and share broking | Thailand | - | 25.01 |
| CGS-CIMB Holdings Sdn Bhd@ | Investment holding | Malaysia | - | 25 |
| CGS-CIMB Securities Sdn Bhd@ | Securities and stock broking | Malaysia | - | 25 |
| CGS-CIMB Capital Sdn Bhd@ | Money lending but not commence operations | Malaysia | - | 25 |
| CGS-CIMB Nominees (Tempatan) Sdn Bhd@ | Nominee services | Malaysia | - | 25 |
| CGS-CIMB Nominees (Asing) Sdn Bhd@ | Nominee services | Malaysia | - | 25 |
| CGS-CIMB Wealth Management Sdn Bhd@ (formerly known as CGS-CIMB Research Sdn Bhd) | Provide services in areas of research in stocks, futures, options, and other financial instruments | Malaysia | - | 25 |
| CGS-CIMB Futures Sdn Bhd@ | Futures broking | Malaysia | - | 25 |
| CIMB AI Labs Private Limited* (formerly known as Shining Star Solution and Services Private Limited) | Business support services | India | - | 49 |

@ Turned from associates to non-current assets held for sale during the year, refer Note 14(e).

* Turned subsidiary during the year. For details, refer Note 52.1(i).

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 14 INVESTMENT IN ASSOCIATES (CONTINUED)

(b) The summarised financial information below represents amounts shown in the material associate's financial statements prepared in accordance with MFRSs (adjusted by the Group for equity accounting purposes).

| | CGS-CIMB Securities International Pte. Ltd. | | CGS-CIMB Holdings Group | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Non-current assets | **–** | 202,322 | **–** | 681,853 |
| Current assets | **–** | 11,805,318 | **–** | 2,674,144 |
| Current liabilities (non-trade) | **–** | (8,456,788) | **–** | (1,617,593) |
| Non-current liabilities (non-trade) | **–** | (2,541,195) | **–** | (12,343) |
| Net assets | **–** | 1,009,657 | **–** | 1,726,061 |
| The above amounts of assets and liabilities include the following: | | | | |
| Cash and cash equivalents | **–** | 1,927,780 | **–** | 344,128 |
| Revenue | **–** | 51,139 | **–** | 17,762 |
| Profit for the financial year | **–** | 11,750 | **–** | 3,279 |
| Other comprehensive income for the financial year | **–** | 133 | **–** | – |
| Total comprehensive income for the financial year | **–** | 11,883 | **–** | 3,279 |
| The above profit for the financial year includes the following: | | | | |
| Interest income | **–** | 38,819 | **–** | 7,884 |
| Interest expense | **–** | (13,623) | **–** | (483) |
| Taxation | **–** | (7,708) | **–** | (615) |

(c) Reconciliation of the summarised financial information to the carrying amount of the interest in the associate recognised in the consolidated financial statements:

| | CGS-CIMB Securities International Pte. Ltd. | | CGS-CIMB Holdings Group | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| **At 1 January** | **1,335,727** | – | **1,726,061** | – |
| Additions during the year | **–** | 1,323,844 | **–** | 1,722,782 |
| Profit for the financial year | **73,464** | 11,750 | **24,772** | 3,279 |
| Other comprehensive income | **12,867** | 133 | **–** | – |
| Dividend paid | **–** | – | **(145,000)** | – |
| Reclassification to non-current assets held for sale | **(1,422,058)** | – | **(1,605,833)** | – |
| | **–** | 1,335,727 | **–** | 1,726,061 |
| Goodwill | **–** | (326,070) | **–** | |
| **At 31 December** | **–** | 1,009,657 | **–** | 1,726,061 |
| Interest in associate (%) | | 25.01% | | 25.0% |
| Interest in associate | **–** | 252,515 | **–** | 431,515 |
| Goodwill | **–** | 81,550 | **–** | – |
| Carrying value | **–** | 334,065 | **–** | 431,515 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 14 INVESTMENT IN ASSOCIATES (CONTINUED)

(d) Aggregate information of associates that are not individually material:

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| The Group's share of profit for the financial year | **66,260** | 36 |
| The Group's share of other comprehensive income for the financial year | **8,713** | 129 |
| The Group's share of total comprehensive income for the financial year | **74,973** | 165 |
| Aggregate carrying amount of the Group's interest in these associates | **41,786** | 5,220 |

(e) Details of material associates:

CGS-CIMB Securities International Pte. Ltd. (formerly known as CIMB Securities International Pte. Ltd.) ("CSI") and CGS-CIMB Holdings Sdn Bhd ("CCH")

CIMBG will be disposing its remaining equity stake in CGS-CIMB Securities International Pte Ltd ("CSI") and CGS-CIMB Holdings Sdn Bhd ("CCH") of 25.01% and 25% respectively to CGS International Holdings Limited (formerly known as China Galaxy International Financial Holdings Limited) ("CGI"). The completion of the transaction will take place within 10 business days upon all required regulatory approvals being obtained, or such other date as may be agreed in writing between CIMBG and CGI, whereupon CIMB Group will fully exit its stake in both CSI and CCH. Given the development, investments in CSI and CCH are reclassified from investment in associates to non-current assets held for sale as of 31 December 2022, in accordance with MFRS 5. As of the date of the financial statements, certain regulatory approvals are still pending.

## 15 INVESTMENT IN JOINT VENTURES

| | | The Group | |
|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 |
| **At 1 January** | | **2,181,345** | 2,451,217 |
| Share of results for the financial year | | **(26,022)** | 64,223 |
| Share of other comprehensive income/(expense) for the financial year | | **1,723** | (6,882) |
| Acquisition of joint venture | b(v) | **–** | 1,204,235 |
| Additional investment in joint ventures | b(v) | **326,868** | 48,593 |
| Reclassification to associates | | **–** | (761,789) |
| Disposal of joint ventures | b(iv) | **–** | (763,016) |
| Dividend payment | | **(60,000)** | (59,880) |
| Dilution of interest arising from capital injection from other joint partners | | **1,307** | 4,644 |
| **At 31 December** | | **2,425,221** | 2,181,345 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 15 INVESTMENT IN JOINT VENTURES (CONTINUED)

### (a) Details of joint ventures

The principal place of business and country of incorporation of the joint ventures is Malaysia unless stated otherwise. All joint ventures are measured using the equity method. There are no available quoted market prices of the joint ventures.

| Name of Joint Ventures | Principal activities | Country of Incorporation/ Principal Place of Business | Percentage of equity held through subsidiary company 2022 % | 2021 % |
|---|---|---|---|---|
| Proton Commerce Sdn. Bhd. | Development management and marketing of hire purchase or leasing facilities in respect of the purchase or use of Proton and other vehicles | Malaysia | **50** | 50 |
| Principal Islamic Asset Management Sdn. Bhd. (formerly known as CIMB-Principal Islamic Asset Management Sdn. Bhd.) | Establishment and management of unit trust fund and fund management business in accordance with shariah principles | Malaysia | **40** | 40 |
| CIMB-MC Capital Ltd. | Investment holding | Cayman Islands | **50** | 50 |
| AIGF Management Company Ltd. | General Partner | Cayman Islands | **45** | 45 |
| Principal Asset Management Berhad (formerly known as CIMB-Principal Asset Management Berhad) | Establishment and management of unit trust fund and fund management business | Malaysia | **40** | 40 |
| Principal Asset Management Company Limited (formerly known as CIMB-Principal Asset Management Company Limited) | Investment and fund management and other related services | Thailand | **40** | 40 |
| PT Principal Asset Management (formerly known as PT CIMB-Principal Asset Management) | Establishment and management of unit trust fund and fund management business | Indonesia | **39.6** | 39.6 |
| Principal Asset Management (S) Pte. Ltd. (formerly known as CIMB Principal Asset Management (S) Pte. Ltd.) | Provision of management and investment analysis services | Singapore | **40** | 40 |
| CIMB Wealth Advisors Berhad | Distribution of unit trust funds | Malaysia | **40** | 40 |
| TNG Digital Sdn Bhd | Issuer of electronic money (e-money) | Malaysia | **45.0** | 45.2 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 15 INVESTMENT IN JOINT VENTURES (CONTINUED)

**(b) Details of material joint venture:**

(i) Proton Commerce Sdn. Bhd.

On 22 October 2003, Bumiputra-Commerce Finance Berhad ("BCF") (now known as Mutiara Aset Berhad) entered into a joint venture agreement with Proton Edar Sdn. Bhd. ("PESB") for the purposes of building and operating a competitive vehicle financing business in Malaysia for vehicles distributed by PESB. Subsequently, a joint venture was incorporated under the name of Proton Commerce Sdn. Bhd. ("PCSB") which is 50%:50% owned by BCF and PESB respectively. PCSB is primarily responsible for developing, managing and marketing hire purchase loans for vehicles sold to the customers of PESB. Pursuant to the joint venture, BCF issued RM200 million Perpetual Preference Shares ("PPS") which were fully subscribed by PCSB. Pursuant to the vesting of the finance company business and the related assets and liabilities of BCF to CIMB Bank and the subsequent capital reduction exercise undertaken by BCF, the BCF PPS were cancelled, and CIMB Bank issued RM200 million PPS to PCSB.

(ii) Principal Asset Management Bhd ("PAM")

On 11 January 2018, CIMB Group Sdn Bhd ("CIMBG") entered into sale and purchase agreements to divest 20% equity stake in CIMB-Principal Asset Management ("CPAM") to PAM ("Proposed Divestment"). On 25 May 2018, the proposed divestment was completed, and CPAM ceased to be a subsidiary of the Group.

(iii) CGS-CIMB Securities International Pte. Ltd. (formerly known as CIMB Securities International Pte. Ltd.) ("CSI")

On 17 October 2016, CIMBG, a wholly-owned subsidiary of the Company, has signed a Heads of Terms with China Galaxy International Financial Holdings Limited ("CGI"), a wholly-owned subsidiary of China Galaxy Securities Co. Ltd. ("CGS"), with respect to a potential strategic partnership in the cash equities business in the region.

On 6 June 2017, CIMBG has signed a conditional Share Purchase Agreement with CGI with respect to the sale of 50% of the issued and paid-up share capital of CIMB Securities International Pte. Ltd. ("CSI") to CGI ("Proposed Disposal"). The Proposed Disposal was completed on 18 January 2018.

(iv) CGS-CIMB Holdings Sdn Bhd

On 18 December 2018, CIMBG, CGI and CGS-CIMB Holdings Sdn Bhd (the "Malaysia JV HoldCo") entered into a Share Subscription Agreement in connection with the subscription of new shares in the Malaysia JV Entity by CIMBG and CGI ("Proposed MY Share Subscription"). At completion, CIMBG and CGI will be 50:50 shareholders in Malaysia JV HoldCo.

Following the signing of the Share Subscription Agreement, the parties will proceed with the necessary process to effect the transfer of the Malaysia stockbroking business of CIMB Group, including 100% interest in CIMB Futures Sdn Bhd, to Jupiter Securities ("Proposed Business Transfer"). Jupiter Securities is a 100%-owned subsidiary of Malaysia JV HoldCo and will be the operating company for the stockbroking business of the CGS-CIMB joint venture in Malaysia. The consideration for the Proposed Business Transfer will be satisfied in cash, and is subject to completion audit adjustment, if any.

On 9 May 2019, the Group announced that the High Court of Malaya has granted the necessary court orders for the Proposed Business Transfer with effective from 1 July 2019.

On 28 June 2019, the Group announced the completion of the Proposed MY Share Subscription. The proceeds from the subscription was utilised to satisfy the purchase consideration in connection with the Proposed Business Transfer, which was effective on 1 July 2019. This new JV was rebranded as "CGS-CIMB Securities" on the effective date.

On 7 December 2021, CIMBG completed the sale of 24.99% and 25% of its shareholding in CGS-CIMB Securities International Pte Ltd ("CSI") and CGS-CIMB Holdings Sdn Bhd ("CCH") respectively to China Galaxy International Financial Holdings Limited ("CGI"), upon receiving relevant regulatory approvals. The proceeds of sale amounted to USD170.5 million (or equivalent to RM720.7 million), subject to completion audit adjustments (if any). CSI and CCH are the holding companies of the Group's stockbroking joint venture ("JV") with China Galaxy Securities, known as CGS-CIMB Securities. CIMB Group's interest in CSI and CCH reduced from 50% to 25.01% and 50% to 25% for CSI and CCH respectively, and they are reclassified from investment in JV to associates with effect from 7 December 2021. There is no material financial impact arising from the disposal of joint ventures.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 15 INVESTMENT IN JOINT VENTURES (CONTINUED)

**(b) Details of material joint venture (Continued):**

(v) TNG Digital Sdn Bhd ("TNGD")

On 27 January 2021, Bow Wave Capital Management ("Bow Wave"), a New York-based investment firm had completed the subscription of new ordinary shares in TNGD, a subsidiary of TnG. Following the investment by Bow Wave, TnG's shareholding in TNGD diluted from 51.0% to 47.0%. Consequently, TNGD ceased to be a subsidiary of TnG and an indirect subsidiary of the Group.

On 30 July 2021, AIA Berhad ("AIA") had completed the subscription of new ordinary shares in TNGD ("Tranche 1"). Following the Tranche 1 investment by AIA, TnG's shareholding in TNGD has further diluted from 47.0% to 46.1%.

On 1 November 2021, AIA had completed the subscription of additional new ordinary shares in TNGD ("Tranche 2"). Following the further Tranche 2 shares subscription by AIA, TnG's shareholding in TNGD has further diluted from 46.1% to 45.2%. There is no material financial impact arising from the dilution of interest in the joint ventures.

On 22 July 2022, Lazada Group ("Lazada") and TnG had completed the subscription of new ordinary shares in TNGD, raising a total of RM752.2 million. Following the investment by Lazada and further shares subscription by TnG, TnG's shareholding in TNGD has further diluted from 45.2% to 45.0%. There is no material financial impact arising from the dilution of interest in the joint ventures.

Impairment test of Investment in Joint Ventures

As at 31 December 2022, the net assets of PAM and TNGD were significantly below its carrying amount. Accordingly, the Group had undertaken an impairment test on the carrying amount of the investments in PAM and TNGD.

PAM

The recoverable amount of the investment in PAM was determined based on the fair value less costs of disposal. The fair value was determined based on the historical Price/Assets Under Management (AUM) multiples. The fair value measurement was categorised within level 3 of the fair value hierarchy. No impairment is required as the fair value less costs of disposal was in excess of the carrying amount. Further sensitivity tests have been performed and the estimated recoverable amount will be equal to the carrying value under the assumptions when the multiple is stressed by 8.9% while all other assumptions remained constant.

TNGD

The recoverable amount of the investment in TNGD was determined based on the fair value less costs of disposal. The fair value was determined based on the recent transacted price in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal. The fair value of the investment was the product of the number of shares held and the fair value at the date of assessment. The fair value measurement was categorised within level 3 of the fair value hierarchy. No impairment is required as the fair value less costs of disposal was in excess of the carrying amount. Impairment will not be triggered until a decline of more than 16% (2021: 12%) in fair value has occurred.

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 15 INVESTMENT IN JOINT VENTURES (CONTINUED)

(c) **The summarised financial information below represents amounts shown in the material joint venture's Financial Statements prepared in accordance with MFRSs (adjusted by the Group for equity accounting purposes).**

| | PCSB | | PAM | | CGS-CIMB Securities International Pte. Ltd. | | CGS-CIMB Holdings Group | | TNG Digital Sdn Bhd | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Non-current assets | **3,173,198** | 2,394,156 | **485,488** | 491,413 | **-** | – | **-** | – | **104,944** | 104,138 |
| Current assets | **710,476** | 596,282 | **982,782** | 1,454,869 | **-** | – | **-** | – | **1,415,738** | 634,484 |
| Current liabilities (non-trade) | **(3,550,149)** | (2,685,101) | **(527,272)** | (981,529) | **-** | – | **-** | – | **(744,926)** | (496,076) |
| Non-current liabilities (non-trade) | **(7,714)** | (3,024) | **(8,784)** | (16,086) | **-** | – | **-** | – | **-** | – |
| Net assets | **325,811** | 302,313 | **932,214** | 948,667 | **-** | – | **-** | – | **775,756** | 242,546 |
| The above amounts of assets and liabilities include the following: | | | | | | | | | | |
| Cash and cash equivalents | **13,741** | 1,932 | **404,796** | 554,137 | **-** | – | **-** | – | **1,305,299** | 566,714 |
| Revenue | **153,438** | 117,559 | **400,121** | 438,667 | **-** | 800,419 | **-** | 288,968 | **165,218** | 48,414 |
| Profit/(loss) for the financial year | **33,498** | 21,998 | **120,210** | 149,309 | | 97,362* | **-** | 61,921* | **(207,743)** | (190,590)# |
| Other comprehensive expense for the financial year | **-** | – | **4,335** | (6,541) | **-** | (8,533) | **-** | – | **-** | – |
| Total comprehensive income/(expense) for the financial year | **33,498** | 21,998 | **124,545** | 142,768 | **-** | 88,829 | **-** | 61,921 | **(207,743)** | (190,590) |
| The above profit/(loss) for the financial year include the following: | | | | | | | | | | |
| Interest income | **134,239** | 105,939 | **2,849** | 2,795 | **-** | 520,207 | **-** | 96,371 | **20,346** | 8,357 |
| Interest expense | **(58,662)** | (38,994) | **(314)** | (579) | **-** | – | **-** | (6,394) | **(211)** | (258) |
| Taxation | **(9,784)** | (6,395) | **(20,545)** | (26,201) | **-** | (55,177) | **-** | (27,083) | **-** | – |
| Dividend received from joint ventures | **5,000** | – | **56,400** | 54,000 | **-** | – | **-** | – | **-** | – |

* The financial information presented is up to the date of disposal of the JV

# The financial information presented is from the date TNG Digital Sdn Bhd turned into JV

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 15 INVESTMENT IN JOINT VENTURES (CONTINUED)

**(d) Reconciliation of the summarised financial information to the carrying amount of the interest in the material joint venture recognised in the consolidated financial statements:**

| | PCSB | | PAM | | CGS-CIMB Securities International Pte. Ltd. | | CGS-CIMB Holdings Group | | TNG Digital Sdn Bhd | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| **At 1 January** | **302,313** | 280,315 | **2,255,754** | 2,247,986 | **-** | 1,235,014 | **-** | 1,566,691 | **2,477,213** | - |
| Additions during the year | **-** | - | **-** | - | **-** | - | **-** | 97,152 | **752,234** | 2,667,803 |
| Profit/(loss) for the financial year | **33,498** | 21,998 | **120,210** | 149,309 | **-** | 97,362 | **-** | 61,921 | **(207,743)** | (190,590) |
| Other comprehensive expense | **-** | - | **4,335** | (6,541) | **-** | (8,533) | **-** | - | **-** | - |
| Dividend payment | **(10,000)** | - | **(141,000)** | (135,000) | **-** | - | **-** | - | **-** | - |
| Disposal | **-** | - | **-** | - | **-** | (661,657) | **-** | (864,374) | **-** | - |
| Change of classification from joint ventures to associates | **-** | - | **-** | - | **-** | (662,186) | **-** | (861,390) | **-** | - |
| | **325,811** | 302,313 | **2,239,299** | 2,255,754 | **-** | - | **-** | - | **3,021,704** | 2,477,213 |
| Fair value adjustments and effect of change from subsidiaries to joint ventures | **-** | - | **(1,307,086)** | (1,307,086) | **-** | - | **-** | - | **(2,245,948)** | (2,234,667) |
| **At 31 December** | **325,811** | 302,313 | **932,213** | 948,668 | **-** | - | **-** | - | **775,756** | 242,546 |
| Interest in joint venture (%) | **50%** | 50% | **40%** | 40% | **-** | - | **-** | - | **45%** | 45% |
| Interest in joint venture | **162,906** | 151,157 | **372,885** | 379,467 | **-** | - | **-** | - | **349,167** | 109,733 |
| Goodwill | **-** | - | **522,834** | 522,834 | **-** | - | **-** | - | **1,010,963** | 1,010,963 |
| Carrying value | **162,906** | 151,157 | **895,719** | 902,301 | **-** | - | **-** | - | **1,360,130** | 1,120,696 |

**(e) Aggregate information of joint ventures that are not individually material:**

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| The Group's share of profit for the financial year | **2,650** | 81,682 |
| The Group's share of other comprehensive expense for the financial year | **(11)** | (4,266) |
| The Group's share of total comprehensive income for the financial year | **2,639** | 77,416 |
| Aggregate carrying amount of the Group's interest in these joint ventures | **6,466** | 7,191 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 16 PROPERTY, PLANT AND EQUIPMENT

| The Group 2022 | Note | Freehold land RM'000 | Buildings on freehold land RM'000 | Buildings on leasehold land 50 years or more RM'000 | Buildings on leasehold land less than 50 years RM'000 | Renovations, work-in-progress, office equipment, plant and machinery and furniture and fittings RM'000 | Computer equipment and hardware RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| **At 1 January** | | 253,734 | 1,328,533 | 32,634 | 4,118 | 1,951,114 | 1,049,582 | 59,701 | 4,679,416 |
| Additions | | 301 | - | - | - | 257,028 | 89,124 | 4,107 | 350,560 |
| Disposals/Written off | | (6,648) | (1,230) | - | - | (243,093) | (50,289) | (8,520) | (309,780) |
| Transfer/reclassifications | | 13,197 | (3,591) | - | - | (12,090) | 938 | 1,546 | - |
| Reclassified (to)/from intangible assets | 20 | - | - | - | - | (5,135) | 515 | - | (4,620) |
| Exchange fluctuation | | (5,034) | (12,687) | (949) | - | (18,535) | 6,295 | 312 | (30,598) |
| **At 31 December** | | 255,550 | 1,311,025 | 31,685 | 4,118 | 1,929,289 | 1,096,165 | 57,146 | 4,684,978 |
| **Accumulated depreciation** | | | | | | | | | |
| **At 1 January** | | 4,729 | 465,080 | 10,166 | 3,796 | 1,247,733 | 826,873 | 52,063 | 2,610,440 |
| Charge for the financial year | | - | 37,954 | 915 | 75 | 152,265 | 106,043 | 3,665 | 300,917 |
| Disposals/Written off | | - | (1,008) | (202) | (23) | (209,960) | (48,267) | (8,198) | (267,658) |
| Transfer/reclassifications | | - | 105 | 259 | - | (364) | - | - | - |
| Exchange fluctuation | | 70 | (9,054) | (299) | - | (10,518) | 4,863 | 336 | (14,602) |
| **At 31 December** | | 4,799 | 493,077 | 10,839 | 3,848 | 1,179,156 | 889,512 | 47,866 | 2,629,097 |
| **Net book value at 31 December 2022** | | 250,751 | 817,948 | 20,846 | 270 | 750,133 | 206,653 | 9,280 | 2,055,881 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| The Group 2021 | Note | Freehold land RM'000 | Buildings on freehold land RM'000 | Buildings on leasehold land 50 years or more RM'000 | Buildings on leasehold land less than 50 years RM'000 | Renovations, work-in-progress, office equipment, plant and machinery and furniture and fittings RM'000 | Computer equipment and hardware RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | |
| **At 1 January** | | 258,460 | 1,344,072 | 61,736 | 12,380 | 2,233,798 | 1,010,483 | 69,129 | 4,990,058 |
| Additions | - | – | 1,732 | – | – | 287,664 | 75,332 | 2,843 | 367,571 |
| Disposals/Written off | | (5,548) | (21,225) | (8,060) | (7,595) | (514,231) | (75,076) | (11,203) | (642,938) |
| Transfer/reclassifications | | 7,752 | 18,354 | (6,125) | – | (66,835) | 46,854 | – | – |
| Reclassified to intangible assets | 20 | – | – | – | – | (5,810) | 1,299 | – | (4,511) |
| Reclassified to non-current assets held for sale | | (6,512) | (11,306) | (15,340) | (667) | – | – | – | (33,825) |
| Exchange fluctuation | | (418) | (3,094) | 423 | – | 16,528 | (9,310) | (1,068) | 3,061 |
| **At 31 December** | | 253,734 | 1,328,533 | 32,634 | 4,118 | 1,951,114 | 1,049,582 | 59,701 | 4,679,416 |
| **Accumulated depreciation and impairment loss** | | | | | | | | | |
| **At 1 January** | | 7,440 | 449,472 | 21,995 | 11,548 | 1,265,930 | 810,717 | 56,597 | 2,623,699 |
| Charge for the financial year | | – | 38,942 | 1,350 | 125 | 137,000 | 93,718 | 5,137 | 276,272 |
| Disposals/Written off | | (2,225) | (21,615) | (1,655) | (7,334) | (154,046) | (72,721) | (9,535) | (269,131) |
| Transfer/reclassifications | | – | 1,626 | (259) | – | (4,918) | 2,772 | 779 | – |
| Reclassified to intangible assets | 20 | – | – | – | – | (271) | – | – | (271) |
| Impairment charged for the financial year | | – | 1,556 | – | – | 227 | – | – | 1,783 |
| Reclassified to non-current assets held for sale | | – | (2,605) | (11,391) | (543) | (4) | – | – | (14,543) |
| Exchange fluctuation | | (486) | (2,296) | 126 | – | 3,815 | (7,613) | (915) | (7,369) |
| **At 31 December** | | 4,729 | 465,080 | 10,166 | 3,796 | 1,247,733 | 826,873 | 52,063 | 2,610,440 |
| **Net book value at 31 December 2021** | | 249,005 | 863,453 | 22,468 | 322 | 703,381 | 222,709 | 7,638 | 2,068,976 |

Work-in-progress amounted to RM324,277,541 (2021: RM217,127,040) for the Group.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| The Company | Buildings on leasehold land 50 years or more RM'000 | Renovations, work-in-progress, office equipment and furniture and fittings RM'000 | Computer equipment and hardware RM'000 | Motor vehicles RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **2022** | | | | | |
| **Cost** | | | | | |
| **At 1 January/31 December** | **450** | **671** | **6** | **2,216** | **3,343** |
| **Accumulated depreciation** | | | | | |
| **At 1 January** | **448** | **568** | **6** | **1,908** | **2,930** |
| Charge for the financial year | **–** | **9** | **–** | **138** | **147** |
| **At 31 December** | **448** | **577** | **6** | **2,046** | **3,077** |
| **Net book value at 31 December 2022** | **2** | **94** | **–** | **170** | **266** |
| **2021** | | | | | |
| **Cost** | | | | | |
| **At 1 January** | 15,159 | 671 | 6 | 2,216 | 18,052 |
| Reclassified to non-current assets held for sale | (14,709) | – | – | – | (14,709) |
| **At 31 December** | 450 | 671 | 6 | 2,216 | 3,343 |
| **Accumulated depreciation** | | | | | |
| **At 1 January** | 11,147 | 556 | 6 | 1,770 | 13,479 |
| Charge for the financial year | 404 | 12 | – | 138 | 554 |
| Reclassified to non-current assets held for sale | (11,103) | – | – | – | (11,103) |
| **At 31 December** | 448 | 568 | 6 | 1,908 | 2,930 |
| **Net book value 31 December 2021** | 2 | 103 | – | 308 | 413 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 17 RIGHT-OF-USE ASSETS

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Buildings | **520,546** | 575,731 | **–** | – |
| Leasehold land | **59,661** | 69,628 | **430** | 430 |
| Computer equipment | **19,645** | 33,605 | **–** | – |
| Motor vehicles | **550** | 618 | **–** | – |
| | **600,402** | 679,582 | **430** | 430 |

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

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Additions | **95,878** | 241,126 | **–** | – |
| Impairment: | | | | |
| Buildings | **731** | 18,302 | **–** | – |
| Charge for the financial year: | | | | |
| Buildings | **178,120** | 196,550 | **–** | – |
| Leasehold land | **9,739** | 10,121 | **–** | 10 |
| Computer equipment | **27,418** | 24,896 | **–** | – |
| Motor vehicles | **446** | 381 | **–** | – |
| | **215,723** | 231,948 | **–** | 10 |

Short-term leases expenses, low-value leases expenses and variable lease payments expenses that are not included in lease liabilities for the Group and the Company are as follows:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Short-term lease expenses | **96,665** | 98,016 | **–** | – |
| Low-value lease expenses | **6,262** | 6,889 | **–** | – |
| Variable lease payment expenses | **61,473** | 31,654 | **–** | – |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 18 INVESTMENT PROPERTIES

| | Leasehold land RM'000 | Buildings on leasehold land RM'000 | Total RM'000 |
|---|---|---|---|
| **The Group** | | | |
| **2021** | | | |
| **Fair value at 1 January** | **36,196** | **4,804** | **41,000** |
| Reclassified to non-current assets held for sale | **(27,196)** | **(4,804)** | **(32,000)** |
| Fair value adjustments | **(9,000)** | **–** | **(9,000)** |
| **Fair value at 31 December** | **–** | **–** | **–** |

| | Freehold land RM'000 | Buildings on freehold land RM'000 | Total RM'000 |
|---|---|---|---|
| **The Company** | | | |
| **2022** | | | |
| **Cost** | | | |
| **At 1 January / 31 December** | **235** | **561** | **796** |
| **Accumulated depreciation** | | | |
| **At 1 January** | **–** | **451** | **451** |
| Charge for the financial year | **–** | **18** | **18** |
| **At 31 December** | **–** | **469** | **469** |
| **Net book value at 31 December 2022** | **235** | **92** | **327** |
| **Fair value at 31 December 2022** | **1,520** | **1,280** | **2,800** |
| **2021** | | | |
| **Cost** | | | |
| **At 1 January / 31 December** | 235 | 561 | 796 |
| **Accumulated depreciation** | | | |
| At 1 January | – | 433 | 433 |
| Charge for the financial year | – | 18 | 18 |
| **At 31 December** | – | 451 | 451 |
| **Net book value at 31 December 2021** | 235 | 110 | 345 |
| **Fair value at 31 December 2021** | 1,400 | 1,400 | 2,800 |

The investment properties are valued annually at fair value based on market values determined by independent qualified valuers. The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 19 GOODWILL

| | Note | The Group 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **Cost** | | | |
| At 1 January | | **7,659,297** | 7,758,423 |
| Goodwill arising from business combinations: | | | |
| – Arising from the acquisition of CIMB AI Lab | 52.1(j) | **6,311** | – |
| Exchange fluctuation | | **(67,971)** | (99,126) |
| At 31 December | | **7,597,637** | 7,659,297 |
| **Impairment** | | | |
| At 1 January | | **(1,215,197)** | – |
| Impairment charge during the financial year | | **–** | (1,215,197) |
| At 31 December | | **(1,215,197)** | (1,215,197) |
| **Net book value at 31 December** | | **6,382,440** | 6,444,100 |

### Allocation of goodwill to cash-generating-units

Goodwill has been allocated to the following cash-generating-units ("CGUs"). These CGUs do not carry any intangible assets with indefinite useful lives:

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| **CGU** | | |
| **Consumer Banking** | | |
| Retail Finance Services | **1,262,272** | 1,262,272 |
| Islamic Banking | **136,000** | 136,000 |
| Group Cards | **425,803** | 425,803 |
| **Commercial Banking** | **911,000** | 911,000 |
| **Wholesale Banking** | | |
| Corporate Banking | **419,000** | 419,000 |
| Treasury | **537,000** | 537,000 |
| **Foreign Banking Operations** | | |
| Indonesia | **2,578,349** | 2,578,349 |
| Thailand | **198,339** | 198,339 |
| **Others** | | |
| Touch'n Go | **51,082** | 51,082 |
| CIMB AI Lab | **6,311** | – |
| **Exchange fluctuation** | **(142,716)** | (74,745) |
| | **6,382,440** | 6,444,100 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 19 GOODWILL (CONTINUED)

**Impairment test for goodwill**

Value-in-use

The recoverable amount of CGU is determined based on the value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2023 financial budgets approved by the Board of Directors, projected for four years based on the average historical Gross Domestic Product ("GDP") growth of the country covering a four-year period (2023-2026), revised for current economic conditions. Cash flows beyond the four years period are extrapolated using the estimated terminal growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments.

The recoverable amount is assessed by incorporating multiple scenarios with variation in the assumptions used including discount rate and haircut on the cash flow projections, to allow assessment on the sensitivity of goodwill recoverable amount taking into consideration assumed probabilities of different future events and/or scenarios.

The estimated terminal growth rates and discount rates used for value-in-use calculations are as follows:

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | **Terminal Growth rate** | **Discount rate** | **Terminal Growth rate** | **Discount rate** |
| Retail Finance Services | **3.83%** | **11.29%** | 4.06% | 9.17% |
| Islamic Banking | **3.83%** | **11.29%** | 4.06% | 9.17% |
| Group Cards | **3.83%** | **11.29%** | 4.06% | 9.17% |
| Commercial Banking | **3.83%** | **11.29%** | 4.06% | 9.17% |
| Corporate Banking | **3.83%** | **11.29%** | 4.06% | 9.17% |
| Treasury | **3.83%** | **11.29%** | 4.06% | 9.17% |
| Foreign banking operations | | | | |
| – Indonesia | **4.34%** | **15.70%** | 4.00% | 13.37% |
| – Thailand | **2.34%** | **9.95%** | 2.00% | 10.68% |
| Others – TnG | **3.83%** | **11.29%** | 4.06% | 9.17% |

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

Impairment testing for CIMB Thai CGU for the year ended 31 December 2021

Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired. The pervasive macroeconomic deterioration in 2021 caused by the COVID-19 pandemic, and the consequent effects on the operations and earnings of CIMB Thai ("the CGU") is mainly arising from the implementation of a more focused strategy by reshaping its portfolio. Therefore this has then triggered testing of the carrying amount of the related goodwill for impairment during the financial year ended 31 December 2021. The interim impairment test was performed by comparing the estimated recoverable amount of CIMB Thai CGU carrying goodwill, determined by a Value-In-Use ("VIU") calculation, with its carrying amount. The impairment test resulted in a goodwill impairment of RM1,215 million. No asset other than goodwill was impaired.

The assumptions used in performing the interim impairment test have been updated to reflect budgeted earnings in 2022-2025 and a delay in the return to the pre-crisis levels of earnings and profitability.

The recoverable amount of CIMB Thai was based on its VIU, calculated based on the cash flow projections derived from the financial budgets and business plans prepared by management that was updated to reflect the most recent developments as at the interim reporting date. In view of the uncertainty in the economic outlook as a result of COVID-19, the VIU estimated during the financial year 31 December 2021 was based on the discounted cash flow ("DCF") method with multiple cash flow projections taking into consideration assumed probabilities of different future events and/or scenarios. In the interim impairment testing, management has considered using 3 scenarios to reflect a representative sample of possible outcomes, namely the best case scenario, base case scenario and worst case scenario.

The best case scenario reflects the budgeted earnings without any hair-cut to the cash flow projections, base case scenario with 10% hair-cut and worst case scenario with 20% hair-cut.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 19 GOODWILL (CONTINUED)

**Impairment test for goodwill (Continued)**

Impairment testing for CIMB Thai CGU for the year ended 31 December 2021 (Continued)

The goodwill impairment charge to the Group's Statements of Income is a non-cash item. The impairment charge will not have an impact to regulatory capital ratios and future earnings.

The key assumptions used in estimating the recoverable amount for the CGU are set out below.

| Key assumption | Best case | Base case | Worst case |
|---|---|---|---|
| Probability weightage | 20% | 60% | 20% |
| Discount rate (pre-tax) WACC | | 10.68% | |
| Terminal growth rate | 2% | 2% | 2% |

The key assumptions in the table are based on the following.

Outcome: Management has subjectively assigned probability weighted scenario based on past performance and management's expectation of the market development. Management believes that the probability weightage assigned presents a reasonable assessment of the likelihood of the scenarios.

Discount rate: The discount rate used is the weighted average cost of capital ("WACC"). The discount rate was a pre-tax measure based on the rate of 10-year government bonds issued by the government in the relevant market and in the same currency as the cash flows, adjusted for a risk premium to reflect both the increased risk of investing in equities and the risk of the specific CGU.

Growth rate: The long term growth rate are estimated based on the nominal GDP growth rate of Thailand, reflecting the potential long term effects of the pandemic on GDP.

The following changes in assumptions would have resulted in a significant increase in the impairment loss as follows:

| **Change in assumptions** | **Impairment higher by (RM'mil)** |
|---|---|
| Probability weights for best, base and worst case are 20%, 50% and 30% respectively | 64 |
| 10 basis point increase in post-tax discount rate | 94 |
| 10 basis point decrease in terminal growth rate | 77 |

**Impairment charge**

During the financial year ended 31 December 2021, an impairment charge of RM1,215 million arises from CIMB Thai was made.

There was no impairment charge for the financial year ended 31 December 2022.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 20 INTANGIBLE ASSETS

| The Group | Note | Customer relationship RM'000 | Core deposits RM'000 | Computer software and work-in-progress RM'000 | License fee RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| **Cost** | | | | | | |
| **At 1 January** | | **210,915** | **1,348,558** | **5,153,340** | **–** | **6,712,813** |
| Additions during the financial year | | **–** | **–** | **549,941** | **–** | **549,941** |
| Disposals/write off during the financial year | | **–** | **–** | **(3,951)** | **–** | **(3,951)** |
| Net reclassification from property, plant and equipment | 16 | **–** | **–** | **4,620** | **–** | **4,620** |
| Exchange fluctuation | | **–** | **–** | **(18,888)** | **–** | **(18,888)** |
| **At 31 December** | | **210,915** | **1,348,558** | **5,685,062** | **–** | **7,244,535** |
| **Accumulated amortisation and impairment** | | | | | | |
| **At 1 January** | | **210,915** | **1,348,558** | **3,295,870** | **–** | **4,855,343** |
| Amortisation during the financial year | | **–** | **–** | **595,649** | **–** | **595,649** |
| Disposals/write off during the financial year | | **–** | **–** | **(2,814)** | **–** | **(2,814)** |
| Exchange fluctuation | | **–** | **–** | **(2,155)** | **–** | **(2,155)** |
| **At 31 December** | | **210,915** | **1,348,558** | **3,886,550** | **–** | **5,446,023** |
| **Net book value at 31 December 2022** | | **–** | **–** | **1,798,512** | **–** | **1,798,512** |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 20 INTANGIBLE ASSETS (CONTINUED)

| The Group | Note | Customer relationship RM'000 | Core deposits RM'000 | Computer software and work-in-progress RM'000 | License fee RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|
| **2021** | | | | | | |
| **Cost** | | | | | | |
| **At 1 January** | | 210,915 | 1,348,558 | 4,681,036 | 12,555 | 6,253,064 |
| Additions during the financial year | | – | – | 676,550 | – | 676,550 |
| Disposals/write off during the financial year | | – | – | (214,732) | (12,555) | (227,287) |
| Net reclassification from property, plant and equipment | 16 | – | – | 4,511 | – | 4,511 |
| Exchange fluctuation | | – | – | 5,975 | – | 5,975 |
| **At 31 December** | | 210,915 | 1,348,558 | 5,153,340 | – | 6,712,813 |
| **Accumulated amortisation and impairment** | | | | | | |
| **At 1 January** | | 210,915 | 1,348,558 | 2,706,981 | – | 4,266,454 |
| Amortisation during the financial year | | – | – | 714,578 | – | 714,578 |
| Impairment during the financial year | | – | – | 614 | – | 614 |
| Disposals/write off during the financial year | | – | – | (125,379) | – | (125,379) |
| Net reclassification from property, plant and equipment | 16 | – | – | 271 | – | 271 |
| Reclassified to non-current assets held for sale | | – | – | (5) | – | (5) |
| Exchange fluctuation | | – | – | (1,190) | – | (1,190) |
| **At 31 December** | | 210,915 | 1,348,558 | 3,295,870 | – | 4,855,343 |
| **Net book value at 31 December 2021** | | – | – | 1,857,470 | – | 1,857,470 |

The above intangible assets include software under construction at cost of RM408,133,554 (2021: RM407,531,723).

The valuation of customer relationship was determined through the sum of the discounted future excess earnings attributable to existing customers over the remaining life span of the customer relationships. Income from existing credit card, revolving credit, overdraft and trade finance loan base was projected, adjusted for expected attrition and taking into account applicable costs to determine future excess earnings. The discount rate used in the valuation of customer relationships was 9.9%-10.0%, which is arrived at using the weighted average cost of capital adjusted for the risk premium after taking into consideration the average market cost of equity.

The valuation of core deposits acquired in a business combination was derived by discounting the anticipated future benefits from core deposits. The discount rate used was 8.0%-8.4%, which was derived from the average of the weighted average cost of capital and the cost of equity, reflecting the lower risk premium for core deposit intangibles compared with equity returns.

The remaining amortisation period of the intangible assets with finite life is as follows:

| | |
|---|---|
| Computer software | 1 month – 15 years |

During the financial year ended 31 December 2021, the Group revised the remaining useful lives of some software intangible assets ranging from 1 year to 7 years, to remaining useful lives ranging from 1 month to 1 year, due to technology changes/developments. The revision was accounted for as a change in accounting estimate and as a result, the amortisation charge for the financial year ended 31 December 2021 has increased by RM260 million.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 21 DEPOSITS FROM CUSTOMERS

(i) By type of deposit

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Demand deposits | **108,507,497** | 113,715,182 |
| Savings deposits | **73,784,622** | 72,337,231 |
| Fixed deposits | **165,541,568** | 151,957,865 |
| Negotiable instruments of deposit | **648,944** | 517,515 |
| Others | **84,467,352** | 83,890,299 |
| | **432,949,983** | 422,418,092 |

The maturity structure of fixed deposits and negotiable instruments of deposit is as follows:

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Due within six months | **127,698,171** | 125,376,609 |
| Six months to less than one year | **30,874,784** | 25,724,027 |
| One year to less than three years | **6,685,799** | 1,286,007 |
| Three years to less than five years | **931,758** | 88,737 |
| | **166,190,512** | 152,475,380 |

(ii) By type of customer

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Government and statutory bodies | **15,005,285** | 12,260,870 |
| Business enterprises | **166,281,466** | 160,383,062 |
| Individuals | **181,284,793** | 174,607,407 |
| Others | **70,378,439** | 75,166,753 |
| | **432,949,983** | 422,418,092 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 22 INVESTMENT ACCOUNTS OF CUSTOMERS

| | | The Group | |
|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 |
| Unrestricted investment accounts | 58(p) | **13,684,632** | 10,427,167 |

## 23 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

| | The Group | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Licensed banks | **26,849,917** | 24,391,150 |
| Licensed finance companies | **2,619,660** | 2,387,433 |
| Licensed investment banks | **665,768** | 426,340 |
| Bank Negara Malaysia ("BNM") | **1,270,997** | 1,452,698 |
| Other financial institutions | **2,782,907** | 2,044,274 |
| | **34,189,249** | 30,701,895 |

The maturity structure of deposits and placements of banks and other financial institutions is as follows:

| | The Group | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Due within six months | **31,178,062** | 27,059,164 |
| Six months to less than one year | **1,015,042** | 1,618,555 |
| One year to less than three years | **695,664** | 423,543 |
| Three years to five years | **652,571** | 158,580 |
| More than five years | **647,910** | 1,442,053 |
| | **34,189,249** | 30,701,895 |

Included in deposits and placements by BNM are amounts received by the Group under government financing scheme as part of the government support measures in response to COVID-19 pandemic for the purpose of SME lending/financing at below market rate with a maturity period ranging between 3.5 to 7.4 years.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 24 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

| | The Group | |
|---|---|---|
| | 2022 RM'000 | 2021 RM'000 |
| Deposits from customers – structured investments | **8,371,927** | 4,632,373 |
| Debentures | **655,323** | – |
| Bills payable | **2,036,603** | 2,224,409 |
| | **11,063,853** | 6,856,782 |

The Group has issued structured investments, bills payable and debentures, and have designated them at fair value in accordance with MFRS 9. The Group has the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of financial liabilities designated at fair value through profit or loss of the Group as at 31 December 2022 were RM419,865,000 (2021: RM129,118,000) lower than the contractual amount at maturity for the structured investments, RM9,259,000 (2021: RM Nil) higher than the contractual amount at maturity for the debentures and RM280,465,000 (2021: RM366,350,000) higher than the contractual amount at maturity for the bills payable.

## 25 OTHER LIABILITIES

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Due to brokers | | **6,172** | 24,579 | **–** | – |
| Expenditure payable | | **3,288,500** | 2,956,183 | **12,192** | 3,089 |
| Provision for legal claims | | **51,355** | 51,384 | **–** | – |
| Sundry creditors | | **1,435,198** | 1,088,366 | **570** | 69 |
| Treasury related payables | | **2,077,477** | 1,673,213 | **–** | – |
| Structured deposits | | **6,041,649** | 3,810,335 | **–** | – |
| Expected credit losses for loan commitments and financial guarantee contracts | (a) | **816,365** | 781,501 | **–** | – |
| Post employment benefit obligations | 28 | **418,861** | 470,116 | **–** | – |
| Credit card expenditure payable | | **265,135** | 168,065 | **–** | – |
| Collateral pledged for derivative transactions | | **6,200,556** | 3,028,037 | **–** | – |
| Prepayment | | **552,426** | 539,312 | **–** | – |
| Others^ | | **4,006,944** | 1,239,734 | **–** | – |
| | | **25,160,638** | 15,830,825 | **12,762** | 3,158 |

^ Included in Others is deferred income of a subsidiary's preferred partnership with insurance company amounting to RM1,456 million (2021: RM Nil).

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 25 OTHER LIABILITIES (CONTINUED)

(a) The movements in the expected credit losses for loan commitments and financial guarantee contracts are as follows:

| | The Group | | | |
|---|---|---|---|---|
| | **12-month expected credit losses (Stage 1) RM'000** | **Lifetime expected credit losses – not credit impaired (Stage 2) RM'000** | **Lifetime expected credit losses – Credit impaired (Stage 3) RM'000** | **Total RM'000** |
| **At 1 January 2022** | **408,101** | **169,537** | **203,863** | **781,501** |
| Changes in expected credit losses due to transfer within stages: | **80,087** | **(94,848)** | **14,761** | **–** |
| Transferred to Stage 1 | **99,868** | **(93,391)** | **(6,477)** | **–** |
| Transferred to Stage 2 | **(19,592)** | **39,753** | **(20,161)** | **–** |
| Transferred to Stage 3 | **(189)** | **(41,210)** | **41,399** | **–** |
| **Total charge to Statement of Income:** | **(118,802)** | **63,973** | **85,585** | **30,756** |
| New exposures | **251,323** | **4,203** | **2,255** | **257,781** |
| Exposures derecognised or matured | **(135,529)** | **(28,064)** | **(38,978)** | **(202,571)** |
| Change in credit risk | **(234,596)** | **87,834** | **122,308** | **(24,454)** |
| Exchange fluctuation | **(2,737)** | **(8)** | **630** | **(2,115)** |
| Other movements | **406** | **95** | **5,722** | **6,223** |
| **At 31 December 2022** | **367,055** | **138,749** | **310,561** | **816,365** |
| **At 1 January 2021** | 364,382 | 137,978 | 166,261 | 668,621 |
| Changes in expected credit losses due to transfer within stages: | 124,233 | (132,434) | 8,201 | – |
| Transferred to Stage 1 | 170,005 | (150,110) | (19,895) | – |
| Transferred to Stage 2 | (45,348) | 75,082 | (29,734) | – |
| Transferred to Stage 3 | (424) | (57,406) | 57,830 | – |
| **Total charge to Statement of Income:** | (91,734) | 166,077 | 35,879 | 110,222 |
| New exposures | 218,156 | 4,272 | 931 | 223,359 |
| Exposures derecognised or matured | (133,971) | (34,739) | (8,502) | (177,212) |
| Change in credit risk | (175,919) | 196,544 | 43,450 | 64,075 |
| Exchange fluctuation | 1,626 | (2,809) | (6,311) | (7,494) |
| Other movements | 9,594 | 725 | (167) | 10,152 |
| **At 31 December 2021** | 408,101 | 169,537 | 203,863 | 781,501 |

As at 31 December 2022, the gross exposures of loan commitments and financial guarantee contracts that are credit impaired is RM501,338,000 (2021: RM479,523,000).

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 26 LEASE LIABILITIES

| | The Group 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Buildings | **461,222** | 536,689 |
| Computer equipment | **38,353** | 38,480 |
| Motor vehicles | **563** | 636 |
| | **500,138** | 575,805 |

## 27 RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS

This represents the proceeds received from housing loans and Islamic house financing sold directly to Cagamas Berhad with recourse to the Group. Under these agreements, the Group undertakes to administer the loans and financing on behalf of Cagamas Berhad and to buy-back any loans and financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

## 28 POST EMPLOYMENT BENEFIT OBLIGATIONS

| | Note | The Group 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| Defined contribution plan – EPF | (a) | **46,691** | 42,470 |
| Defined benefit plans | (b) | **372,170** | 427,646 |
| | | **418,861** | 470,116 |

**(a) Defined contribution plan**

Group companies incorporated in Malaysia contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

**(b) Defined benefit plans**

The Group operates final salary defined benefit plans for its employees in Indonesia and Thailand under Labor Law of respectively countries, the assets of which are held in separate trustee-administered funds that are governed by local authorities and practice in each country. The plan calls for benefits to be paid to eligible employee at retirement or when the employees resign. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. The majority of benefits payments are from trustee-administrated funds; however, there are also a number of unfunded plans where the company meets the benefit payment obligation as it falls due.

The latest actuarial valuations of the plans in Indonesia and Thailand were carried out in 2022.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 28 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

**(b) Defined benefit plans (Continued)**

The amount recognised in the statements of financial position in respect of defined benefit plans is as follows:

| | The Group 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Present value of funded obligations | **344,254** | 395,468 |
| Fair value of plan assets | **(163,591)** | (171,859) |
| Status of funded plan | **180,663** | 223,609 |
| Present value of unfunded obligations | **191,507** | 204,037 |
| Status of defined benefit pension plans | **372,170** | 427,646 |
| Liability in statement of financial position | **372,170** | 427,646 |

The movements in the defined benefit obligation over the financial year are as follows:

| The Group | Present value of obligations RM'000 | Fair value of plan assets RM'000 | Total RM'000 | Impact of minimum funding requirement/ asset ceiling RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **At 1 January 2022** | **599,505** | **(171,859)** | **427,646** | **–** | **427,646** |
| Current service costs | **32,934** | **–** | **32,934** | **–** | **32,934** |
| Over provision in prior year | **(56,939)** | **–** | **(56,939)** | **–** | **(56,939)** |
| Interest expense/(income) | **28,606** | **(13,435)** | **15,171** | **–** | **15,171** |
| Components of defined benefits costs recognised in statement of income (Note 40) | **4,601** | **(13,435)** | **(8,834)** | **–** | **(8,834)** |
| Remeasurement: | | | | | |
| – Return on plan assets, excluding amounts included in interest expense | **–** | **3,643** | **3,643** | **–** | **3,643** |
| – Loss from changes in demographic assumptions | **13,455** | **–** | **13,455** | **–** | **13,455** |
| – Gain from changes in financial assumptions | **(13,605)** | **–** | **(13,605)** | **–** | **(13,605)** |
| – Experience gains | **(3,144)** | **–** | **(3,144)** | **–** | **(3,144)** |
| Components of defined benefits costs recognised in statement of comprehensive (income)/expense | **(3,294)** | **3,643** | **349** | **–** | **349** |
| Exchange fluctuation | **(9,211)** | **6,004** | **(3,207)** | **–** | **(3,207)** |
| Contributions: | | | | | |
| – Employer contributions | **–** | **(960)** | **(960)** | **–** | **(960)** |
| – Plan participant | **–** | **(26,764)** | **(26,764)** | **–** | **(26,764)** |
| Receivables | **(326)** | **–** | **(326)** | **–** | **(326)** |
| Payments from plans – benefits paid | **(55,514)** | **39,780** | **(15,734)** | **–** | **(15,734)** |
| **At 31 December 2022** | **535,761** | **(163,591)** | **372,170** | **–** | **372,170** |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 28 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

**(b) Defined benefit plans (Continued)**

The movements in the defined benefit obligation over the financial year are as follows (Continued):

| The Group | Present value of obligations RM'000 | Fair value of plan assets RM'000 | Total RM'000 | Impact of minimum funding requirement/ asset ceiling RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **At 1 January 2021** | 645,024 | (187,918) | 457,106 | – | 457,106 |
| Current service costs | 38,103 | – | 38,103 | – | 38,103 |
| Underprovision in prior year | (91) | – | (91) | – | (91) |
| Interest expense/(income) | 10,469 | (7,143) | 3,326 | – | 3,326 |
| Components of defined benefits costs recognised in statement of income (Note 40) | 48,481 | (7,143) | 41,338 | – | 41,338 |
| Remeasurement: | | | | | |
| – Gain from changes in financial assumptions | (27,513) | – | (27,513) | – | (27,513) |
| – Experience gains | 530 | – | 530 | – | 530 |
| Components of defined benefits costs recognised in statement of comprehensive income | (26,983) | – | (26,983) | – | (26,983) |
| Exchange fluctuation | (6,321) | (4,015) | (10,336) | – | (10,336) |
| Contributions: | | | | | |
| – Employer contributions | – | (1,050) | (1,050) | – | (1,050) |
| – Plan participant | – | (11,711) | (11,711) | – | (11,711) |
| Receivables | (1,615) | – | (1,615) | – | (1,615) |
| Payments from plans – benefits paid | (59,081) | 39,978 | (19,103) | – | (19,103) |
| At 31 December 2021 | 599,505 | (171,859) | 427,646 | – | 427,646 |

To develop the expected long-term rate of return on assets assumption, the Group considered the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

The significant principal actuarial assumptions used in respect of the Group's defined benefit plans are as follows:

| The Group | 2022 Thailand % | 2022 Indonesia % | 2021 Thailand % | 2021 Indonesia % |
|---|---|---|---|---|
| Discount rates | **3.60** | **7.30** | 2.40 | 7.30 |
| Expected return on plan assets | **N/A** | **7.30** | N/A | 7.30 |
| Future salary increases | **5.00** | **6.00** | 5.00 | 5.00 |
| Rate of price inflation – other fixed allowance | **2.00** | **N/A** | 1.60 | N/A |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 28 POST EMPLOYMENT BENEFIT OBLIGATIONS (CONTINUED)

**(b) Defined benefit plans (Continued)**

The sensitivity of defined benefit obligation to changes in the weighted principal assumption is:

| 2022 | Change in assumption | Impact on defined benefit obligation: Increase in assumption | Impact on defined benefit obligation: Decrease in assumption |
|---|---|---|---|
| Discount rates | **0.5% – 1%** | **Decreased by 12.7%** | **Increased by 5.2%** |
| Expected return on plan assets | **1.0%** | **Decreased by 0.5%** | **Increased by 0.4%** |
| Future salary increases | **1.0%** | **Increased by 7.3%** | **Decreased by 14.7%** |

| 2021 | Change in assumption | Impact on defined benefit obligation: Increase in assumption | Impact on defined benefit obligation: Decrease in assumption |
|---|---|---|---|
| Discount rates | 0.5% – 1% | Decreased by 12.3% | Increased by 4.2% |
| Expected return on plan assets | 1.0% | Decreased by 0.4% | Increased by 0.4% |
| Future salary increases | 1.0% | Increased by 6.4% | Decreased by 14.3% |

Projected unit credit method is used in calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions.

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated.

The Group's plan assets are comprised as follows:

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | Quoted RM'000 | Unquoted RM'000 | Total RM'000 | Quoted RM'000 | Unquoted RM'000 | Total RM'000 |
| Equity instruments (by geography) | | | | | | |
| Indonesia | **32,665** | **46,503** | **79,168** | 27,047 | 44,521 | 71,568 |
| Debt instruments (by type) | | | | | | |
| Government bonds | **53,510** | **–** | **53,510** | 51,411 | – | 51,411 |
| Corporate bonds (investment grade) | **4,028** | **–** | **4,028** | 8,491 | – | 8,491 |
| Cash and cash equivalent | **–** | **11,359** | **11,359** | – | 17,133 | 17,133 |
| Mutual funds | **7,729** | **–** | **7,729** | 13,259 | – | 13,259 |
| Others | **–** | **7,797** | **7,797** | – | 9,997 | 9,997 |
| | **97,932** | **65,659** | **163,591** | 100,208 | 71,651 | 171,859 |

The expected contribution to post employment benefits plan for the financial year ending 31 December 2023 is RM27,897,000 to the Group.

The weighted average duration of the defined benefit obligation is 10.4 years (2021: 10.5 years).

Expected maturity analysis of undiscounted defined benefits plans:

| | Less than a year RM'000 | Between 1-2 years RM'000 | Between 2-5 years RM'000 | Over 5 years RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **2022** | | | | | |
| Defined benefits plan | **44,953** | **23,345** | **170,339** | **1,290,938** | **1,529,575** |
| **2021** | | | | | |
| Defined benefits plan | 43,820 | 25,156 | 153,882 | 1,211,052 | 1,433,910 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 29 BONDS, SUKUK AND DEBENTURES

| | Note | The Group 2022 RM'000 | The Group 2021 RM'000 |
|---|---|---|---|
| USD15 million notes (2017/2022) | (a) | **–** | 62,591 |
| USD500 million notes (2017/2022) | (b) | **–** | 2,104,779 |
| Merdeka Kapital (2017/2024) | (c) | **458,597** | 533,029 |
| RM1.0 billion notes (2017/2022) | (d) | **–** | 1,005,304 |
| RM1.2 billion notes (2017/2024) | (d) | **1,206,201** | 1,206,655 |
| RM800 million notes (2017/2027) | (d) | **804,224** | 804,532 |
| IDR2,000,000 million bonds (Series A: 2017/2018; Series B: 2017/2020; Series C: 2017/2022) | (e) | **–** | 242,326 |
| IDR2,000,000 million bonds (Series A: 2017/2018; Series B: 2017/2020; Series C: 2017/2022) | (f) | **–** | 249,451 |
| THB Structured debentures | (g) | **202,429** | 525,512 |
| Short term debentures | (g) | **144,814** | 880,408 |
| IDR1,021,000 million bonds (Series A: 2018/2019; Series B: 2018/2021; Series C: 2018/2023) | (h) | **33,338** | 34,536 |
| USD88 million notes (2019/2024) | (i) | **387,144** | 367,046 |
| USD30 million notes (2019/2024) | (j) | **133,072** | 125,335 |
| HKD200 million notes (2019/2024) | (k) | **107,454** | 107,391 |
| USD20 million notes (2019/2024) | (l) | **88,436** | 83,396 |
| USD680 million notes (2019/2024) | (m) | **3,017,425** | 2,841,009 |
| USD40 million notes (2019/2022) | (n) | **–** | 166,940 |
| IDR2,000,000 million Sukuk (Series A: 2019/2020; Series B: 2019/2022, Series C: 2019/2024) | (o) | **121,883** | 402,062 |
| IDR1,823,000 million bonds (Series A: 2019/2020; Series B: 2019/2022, Series C: 2019/2024) | (p) | **135,684** | 452,516 |
| IDR1,000,000 million bonds ( Series A: 2020/2021; Series B: 2020/2023; Series C: 2020/2025) | (q) | **191,095** | 197,982 |
| USD20 million 5-year fixed rate notes | (r) | **88,068** | 83,634 |
| HKD610 million 3-year fixed rate notes | (s) | **324,542** | 324,442 |
| USD20 million notes | (t) | **88,350** | 83,903 |
| HKD640 million notes | (u) | **349,623** | 349,437 |
| HKD128 million notes | (v) | **70,138** | 70,127 |
| USD500 million 5-year fixed rate notes (2022/2027) | (w) | **2,210,085** | – |
| | | **10,162,602** | 13,304,343 |
| Fair value changes arising from fair value hedges | | **(244,393)** | 74,699 |
| | | **9,918,209** | 13,379,042 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 29 BONDS, SUKUK AND DEBENTURES (CONTINUED)

**(a) USD15 million notes**

On 8 March 2017, CIMB Bank issued USD15 million 5-year senior floating rate notes ("the Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The Notes is subject to adjustment in accordance with the modified following business day convention and bears a coupon rate of USD 3-month LIBOR + 0.97% per annum payable quarterly.

On 8 March 2022, CIMB Bank fully redeemed the Notes.

**(b) USD500 million notes**

On 15 March 2017, CIMB Bank issued USD500 million 5-year senior fixed rate notes ("the FXD Notes") under its USD5.0 billion nominal value Euro Medium Term Note Programme established on 15 August 2014. The FXD Notes is subject to adjustment in accordance with the modified following business day convention and bears a coupon rate of 3.263% per annum payable semi-annually.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the USD500 million notes using interest rate swaps. On 15 March 2022, CIMB Bank fully redeemed the FXD Notes.

**(c) Merdeka Kapital**

On 31 March 2017, Merdeka Kapital Berhad ("MKB"), a special purpose vehicle consolidated by CIMB Bank, issued RM880 million Medium Term Note (the "MTN") which bears a coupon rate of 3.92% per annum payable on monthly basis. The MTN is subject to monthly redemption with final redemption due on 28 March 2024. During the financial year, there is a partial redemption of the MTN amounting to RM74.4 million (2021: RM74.4 million).

CIMB Bank has undertaken fair value hedge on the interest rate risk of the MTN using interest rate swaps.

**(d) RM1.0 billion notes, RM1.2 billion notes and RM800 million notes**

On 18 May 2017, CIMB Bank issued RM1.0 billion 5-year senior medium term notes (the "MTN"), RM1.2 billion 7-year MTN and RM800.0 million 10-year MTN under its senior medium term notes programme of RM20.0 billion in nominal value. The MTNs will mature on 18 May 2022, 17 May 2024 and 18 May 2027 respectively and bear coupon rates of 4.40% per annum, 4.60% per annum and 4.70% per annum respectively, payable semi-annually.

CIMB Bank has undertaken fair value hedge on the interest rate risk of the RM3.0 billion notes using interest rate swaps.

On 18 May 2022, CIMB Bank redeemed its RM1 billion 5-year senior MTN.

**(e) IDR2,000,000 million bonds**

On 23 August 2017, CIMB Niaga issued unsecured IDR2,000,000 million bonds. Purpose of the bond is to expand the credit in order to develop the business. The bonds are divided into three series. Nominal value of 1 year Series A Bond, 3 years Series B Bond and 5 years Series C Bond amounted to IDR802,000 million, IDR376,000 million and IDR822,000 million respectively, with fixed interest rate of 6.75%, 7.70% and 8.15% per annum respectively.

On 3 September 2018, CIMB Niaga redeemed its Series A Bond amounted to IDR802,000 million.

On 23 August 2020, CIMB Niaga redeemed its Series B Bond amounted to IDR376,000 million.

On 23 August 2022, CIMB Niaga redeemed its Series C Bond amounted to IDR822,000 million.

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 29 BONDS, SUKUK AND DEBENTURES (CONTINUED)

**(f) IDR2,000,000 million bonds**

On 2 November 2017, CIMB Niaga issued unsecured IDR2,000,000 million bonds. Purpose of the bond is to expand the credit in order to develop the business. The bonds are divided into three series. Nominal value of 1 year Series A Bond, 3 years Series B Bond and 5 years Series C Bond amounted to IDR500,000 million, IDR657,000 million and IDR843,000 million respectively, with fixed interest rate of 6.20%, 7.50% and 7.75% per annum respectively.

On 12 November 2018, CIMB Niaga redeemed its Series A Bond amounted to IDR500,000 million.

On 2 November 2020, CIMB Niaga redeemed its Series B Bond amounted to IDR657,000 million.

On 2 November 2022, CIMB Niaga redeemed its Series C Bond amounted to IDR843,000 million.

**(g) Structured debentures**

i. CIMB Thai Bank issued various unsecured structured debentures with tenures ranging between 2 months to 3 years from the respective issuance dates. It bears variable interest rates, payable at respective maturity dates.

ii. In 2022, CIMB Thai Bank issued various unsecured short-term debentures with tenures ranging between 4 to 8 months. The debentures carry fixed interest rates ranging between 0.9% to 1.15%, payable at respective maturity dates.

**(h) IDR1,021,000 million bonds**

On 20 September 2018, CIMB Niaga issued IDR1,021,000 million bonds. The bonds are divided into three series. Nominal value of 1-year Series A Bond, 3-year Series B Bond and 5-year Series C Bond amounted to IDR766,000 million, IDR137,000 million and IDR118,000 million respectively, with fixed interest rate of 7.50%, 8.50% and 8.80% per annum respectively.

On 30 September 2019, CIMB Niaga redeemed its 1-year Series A Bond amounted to IDR766,000 million.

On 20 September 2021, CIMB Niaga redeemed its 3-year Series B Bond amounted to IDR137,000 million.

**(i) USD88 million notes**

On 19 March 2019, CIMB Bank issued USD88 million 5-year floating rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of USD 3-month LIBOR + 0.85% per annum payable quarterly, will mature on 19 March 2024.

**(j) USD30 million notes**

On 15 April 2019, CIMB Bank, acting through its Labuan Offshore Branch, issued USD30 million 5-year floating rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of USD 3-month LIBOR + 0.80% per annum payable quarterly, will mature on 15 April 2024 (subject to adjustment in accordance with the modified following business day convention).

**(k) HKD200 million notes**

On 12 July 2019, CIMB Bank issued HKD200 million of a 5-year fixed rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of 2.35% per annum payable annually in arrears, will mature on 12 July 2024.

**(l) USD20 million notes**

On 8 August 2019, CIMB Bank issued USD20 million 5-year floating rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of USD 3-month LIBOR + 0.73% per annum payable quarterly, will mature on 8 August 2024.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 29 BONDS, SUKUK AND DEBENTURES (CONTINUED)

**(m) USD680 million notes**

On 9 October 2019, CIMB Bank issued USD680 million 5-year floating rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of USD 3-month LIBOR + 0.78% per annum payable quarterly, will mature on the interest payment date falling in or nearest to 9 October 2024.

**(n) USD40 million notes**

On 15 November 2019, CIMB Bank issued USD40 million 3-year floating rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes bear a coupon rate of USD 3-month LIBOR + 0.58% per annum payable quarterly.

On 15 November 2022, CIMB Bank redeemed its USD40 million 5-year floating rate notes issued under its USD5 billion Euro Medium Term Note Programme established on 15 August 2014.

**(o) IDR2,000,000 million Sukuk**

On 21 August 2019, CIMB Niaga issued IDR2,000,000 million Sukuk. The Sukuk is divided into 3 series. Nominal value of 1-year Series A Sukuk, 3-year Series B Sukuk, and 5-year Series C Sukuk amounted to IDR635,000 million, IDR936,000 million, and IDR429,000 million respectively, with fixed interest rate of 7.10%, 7.90% and 8.25% per annum respectively.

On 31 August 2020, CIMB Niaga redeemed its Series A Sukuk amounted to IDR635,000 million.

On 21 August 2022, CIMB Niaga redeemed its Series B Sukuk amounted to IDR936,000 million.

**(p) IDR1,823,000 million bonds**

On 19 December 2019, CIMB Niaga issued IDR1,823,000 million bonds. The bonds are divided into 3 series. Nominal value of 1-year Series A Bond, 3-year Series B Bond, and 5-year Series C Bond amounted to IDR276,000 million, IDR1,066,000 million, and IDR481,000 million respectively, with fixed interest rate of 6.50%, 7.55% and 7.80% per annum respectively.

On 29 December 2020, CIMB Niaga redeemed its Series A Sukuk amounted to IDR276,000 million.

On 19 December 2022, CIMB Niaga redeemed its Series B Sukuk amounted to IDR1,066,000 million.

**(q) IDR1,000,000 million bonds**

On 27 March 2020, CIMB Niaga issued IDR1,000,000 million bonds. The bonds are divided into 3 series. Nominal value of 1-year Series A Bond, 3-year Series B Bond, and 5-year Series C Bond amounted to IDR322,000 million, IDR287,000 million, and IDR391,000 million respectively, with fixed interest rate of 5.80%, 7.00% and 7.25% per annum respectively.

On 7 April 2021, CIMB Niaga redeemed its 1-year Series A Bond amounted to IDR322,000 million.

**(r) USD20.0 million 5-year fixed rate notes**

On 27 April 2021, CIMB Bank issued USD20.0 million 5-year fixed rate notes under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of 1.60% per annum payable semi-annually, will mature on 27 April 2026 (subject to adjustment in accordance with the modified following business day convention).

**(s) HKD610 million 3-year fixed rate notes**

On 5 May 2021, CIMB Bank issued HKD610 million 3-year fixed rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of 0.88% per annum payable annually, will mature on 5 May 2024 (subject to adjustment in accordance with the modified following business day convention).

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 29 BONDS, SUKUK AND DEBENTURES (CONTINUED)

**(t) USD20 million notes**

On 21 July 2021, CIMB Bank issued USD20.0 million 5-year fixed rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of 1.35% per annum payable semi-annually, will mature on 21 July 2026 (subject to adjustment in accordance with the modified following business day convention).

**(u) HKD640 million notes**

On 27 July 2021, CIMB Bank issued HKD640.0 million fixed rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014. The Notes, which bear a coupon rate of 1.12% per annum payable annually, will mature on 17 July 2026 (subject to adjustment in accordance with the modified following business day convention).

**(v) HKD128 million notes**

On 4 August 2021, CIMB Bank issued HKD128.0 million fixed rate notes ("the Notes") under its USD5.0 billion Euro Medium Term Note Programme established on 15 August 2014 and the Notes were consolidated to form a single series with the existing HKD640.0 million 1.12% fixed rate notes issued on 27 July 2021. The Notes, which bear a coupon rate of 1.12% per annum payable annually, will mature on 17 July 2026 (subject to adjustment in accordance with the modified following business day convention).

**(w) USD500 million 5-year fixed rate notes**

On 20 January 2022, CIMB Bank issued USD500 million 5-year fixed rate notes ("the Notes") under its USD5.0 billion Global Medium Term Note Programme. The Notes, which bear a coupon rate of 2.125% per annum payable semi-annually, will mature on 20 July 2027.

## 30 OTHER BORROWINGS

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Commercial Papers/Medium Term Notes | (a) | **3,956,970** | 4,707,895 | **3,956,970** | 4,707,895 |
| Term loan | (b) | **3,340,333** | 2,713,798 | **–** | – |
| Others | (c) | **967,482** | 686,779 | **–** | – |
| | | **8,264,785** | 8,108,472 | **3,956,970** | 4,707,895 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 30 OTHER BORROWINGS (CONTINUED)

(a) CPs and MTNs of the Company

The Conventional Commercial Papers ("CPs"), Islamic Commercial Papers ("iCPs"), Conventional Medium Term Notes ("MTNs") and Islamic Medium Term Notes ("iMTNs") were issued by the Company.

The CPs and iCPs are unsecured. The aggregate outstanding nominal value of the CPs and iCPs at any point in time shall not exceed RM6 billion.

The MTNs and iMTNs are unsecured. The aggregate outstanding nominal value of the MTN and iMTN at any point in time shall not exceed RM6 billion.

On 12 June 2019, the Company issued RM250 million 1-year MTN and RM750 million 3-year iMTN which will mature on 10 June 2022. The MTN and iMTN carry interest rate of 3.80% and 3.95% per annum respectively, payable semi-annually in arrears. On 12 June 2020, the Company redeemed its RM250 million MTN. On 10 June 2022, the Company redeemed its RM750 million iMTN.

On 3 April 2020, the Company issued RM600 million 5-year MTN which will mature on 3 April 2025. The MTN was issued out of its existing Conventional and Islamic Medium Term Notes Programmes, which has a combined limit of RM6.0 billion in nominal value.

On 12 June 2020, the Company issued RM350 million 3-year Medium Term Notes ("MTN") which will mature on 12 June 2023. The MTN was issued out of its existing Conventional and Islamic Medium Term Notes Programmes, which has a combined limit of RM6.0 billion in nominal value.

On 28 December 2021, the Company issued RM1 billion 3-year Unrated MTN, RM1 billion 4-year Unrated MTN and RM1 billion 5-year Unrated MTN, which will mature on 27 December 2024, 26 December 2025 and 28 December 2026 respectively. The MTNs were issued out of its existing Medium Term Notes Programme, which has a combined limit of RM6.0 billion in nominal value.

(b) Term loans of the Group

Included in term loans of the Group are term loans of RM3,340,333,000 (2021: RM2,822,811,000) undertaken by CIMB Bank from various financial institutions for working capital purposes. The loans have maturities ranging between 26 January 2023 (2021: 26 August 2022) being the earliest to mature and 2 July 2029 (2021: 4 November 2022) being the latest to mature. Interest rates charged are 2.00% to 7.80% per annum (2021: 0.80% to 1.09% per annum).

(c) Included in other borrowings of the Group are short term and long term borrowing of RM965,754,000 (2021: RM576,876,000) undertaken by CIMB Niaga and its subsidiaries. The maturity dates ranges from less than 1 month to 5 years (2021: 1 month to 5 years), with interest rates charged ranging from 5.65% to 9.00% per annum (2021: 4.10% to 9.25% per annum).

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 31 SUBORDINATED OBLIGATIONS

| | Note | The Group 2022 RM'000 | The Group 2021 RM'000 | The Company 2022 RM'000 | The Company 2021 RM'000 |
|---|---|---|---|---|---|
| Subordinated debts 2017/2027 RM1.5 billion | (a) | **–** | 1,506,444 | **–** | 1,506,444 |
| Subordinated debts 2018/2028 RM700 million | (b) | **708,924** | 708,924 | **708,924** | 708,924 |
| Subordinated notes 2018/2028 RM390 million | (c) | **89,664** | 93,057 | **–** | – |
| Subordinated debts 2018/2029 RM1.2 billion | (d) | **1,217,648** | 1,217,648 | **1,217,648** | 1,217,648 |
| Additional Tier 1 Securities RM1.0 billion | (e) | **1,000,535** | 1,010,060 | **1,000,535** | 1,010,060 |
| Subordinated debts 2018/2023 IDR75 billion | (f) | **10,971** | 11,200 | **–** | – |
| Subordinated debts 2018/2025 IDR75 billion | (g) | **10,748** | 11,036 | **–** | – |
| Subordinated loans 2019/2024 RM1.0 billion | (h) | **1,010,060** | 1,000,543 | **1,010,060** | 1,000,535 |
| Subordinated notes 2019/2029 RM550 million | (i) | **99,824** | 104,641 | **–** | – |
| Subordinated debts 2019/2029 RM800 million | (j) | **803,122** | 803,122 | **803,122** | 803,122 |
| Subordinated bonds IDR83,000 million | (k) | **22,693** | 23,180 | **–** | – |
| Subordinated debts 2020/2025 RM2.5 billion | (l) | **2,510,355** | 2,510,788 | **2,510,356** | 2,510,788 |
| Subordinated debts 2020/2025 RM550 million | (m) | **551,465** | 551,573 | **551,465** | 551,573 |
| Subordinated debts 2020/2030 RM200 million | (m) | **200,592** | 200,636 | **200,592** | 200,636 |
| Subordinated notes 2021/2031 RM660 million | (n) | **262,136** | 267,955 | **–** | – |
| Sustainability Sukuk Wakalah 2021/2031 RM100 million | (o) | **100,031** | 100,031 | **100,031** | 100,031 |
| Sukuk Wakalah 2022/2032 RM1.5 billion | (p) | **1,520,795** | – | **1,520,795** | – |
| Sukuk Wakalah 2022/2032 RM1.0 billion | (q) | **1,004,068** | – | **1,004,068** | – |
| | | **11,123,631** | 10,120,838 | **10,627,596** | 9,609,761 |
| Fair value changes arising from fair value hedges | | **(109,116)** | 7,747 | **–** | – |
| | | **11,014,515** | 10,128,585 | **10,627,596** | 9,609,761 |

**(a) Subordinated debt RM1.5 billion**

On 30 November 2017, the Company issued RM1.5 billion 10 years non-callable 5 years Tier II subordinated debt ("RM1.5 billion Subordinated Debt") bearing a fixed rate coupon of 4.90% per annum. The said subordinated debt was issued out of the RM10 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to the RM1.5 billion Tier II subordinated debt issued by CIMB Bank on the same day, based on similar terms.

The RM1.5 billion Subordinated Debt qualifies as Tier II capital under the BNM's Basel III Capital Adequacy Framework (Capital Components). The subordinated debt may be written off, either fully or partially, at the discretion of BNM, at the point of non-viability as determined by BNM.

The Group has undertaken fair value hedge on the interest rate risk of the RM1.5 billion subordinated debts using interest rate swaps.

On 30 November 2022, the Company redeemed its existing RM1.5 billion Tier 2 Subordinated Debt issued under RM10.0 billion Tier 2 Subordinated Debt Programme on the first call date.

**(b) Subordinated debts 2018/2028 RM700 million**

On 29 March 2018, the Company issued RM700 million 10 years non-callable 5 years Tier II subordinated debt bearing a fixed rate coupon of 4.95% per annum. The said subordinated debt was issued out of the RM10 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to a RM700 million Tier II subordinated notes issued by CIMB Bank on the same day, based on similar terms.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 31 SUBORDINATED OBLIGATIONS (CONTINUED)

**(c) Subordinated notes 2018/2028 RM390 million**

On 29 March 2018, CIMB Thai issued RM390 million 10 years non-callable 5 years Basel III compliant Tier II subordinated notes to their overseas investors. The RM390 milion Notes carry fixed interest rate of 5.20% per annum payable every six months. The RM390 million Notes will mature on 29 March 2028. CIMB Thai may exercise its right to early redeem the subordinated notes 5 years after issue date, and on each coupon payment date thereafter, subject to approval by the Bank of Thailand. CIMB Thai has an approval from Bank of Thailand to classify the RM390 million Notes (equivalent to THB3,157,479,000) as Tier II capital according to the correspondence For Kor Kor 221/ 2561.

Included in the RM390 million subordinated notes was RM304 million (2021: RM304 million) which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

**(d) Subordinated debts 2018/2029 RM1.2 billion**

On 13 September 2018, the Company issued RM1.2 billion 11 years, on a non-callable 6 years basis, Tier II subordinated debt bearing a fixed rate coupon of 4.88% per annum. The said subordinated debt was issued out of the RM10 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to a RM1.2 billion Tier II subordinated notes issued by CIMB Bank on the same day, based on similar terms.

**(e) Additional Tier I Securities RM1.0 billion**

On 23 October 2018, the Company issued RM1.0 billion perpetual subordinated capital securities ("Additional Tier I Securities"). The securities, which qualify as Additional Tier I Capital for CIMB Group Holdings Berhad on a group consolidated level, carry a distribution rate of 5.40% per annum. The Additional Tier I Securities is perpetual, with a Issuer's call option to redeem at the end of year 5, or on each half yearly distribution payment date thereafter, subject to certain conditions, including the approval from BNM. The proceeds from the issuance was used to subscribe to similar securities issued by CIMB Bank.

**(f) Subordinated debts 2018/2023 IDR75 billion**

On 15 November 2018, CIMB Niaga issued Series A Subordinated Bond of IDR75 billion with fixed interest rate of 9.85% per annum and maturity date of 15 November 2023. Included in the IDR75 billion subordinated notes was IDR36 billion (2021: IDR36 billion) which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

**(g) Subordinated debts 2018/2025 IDR75 billion**

On 15 November 2018, CIMB Niaga issued Series B Subordinated Bond of IDR75 billion with fixed interest rate of 10.00% per annum and maturity date of 15 November 2025. Included in the IDR75 billion subordinated notes was IDR36 billion (2021: IDR36 billion) which was held by subsidiaries of the Company, hence the amount was eliminated at consolidated level.

**(h) Subordinated loans 2019/2024 RM1.0 billion**

On 28 June 2019, the Company issued RM1.0 billion Basel III-compliant Additional Tier I Capital Securities under the RM10 billion Basel III AT1 Programme, at 4.88% per annum with an Issuer's call option to redeem at the end of year 5 and on each coupon payment date thereafter, subject to approval from BNM.

**(i) Subordinated notes 2019/2029 RM550 million**

On 8 July 2019, CIMB Thai issued RM550 million Basel III compliant Tier II subordinated notes. The subordinated notes carry fixed interest rate of 4.15% per annum payable every six months. The subordinated notes will mature on 6 July 2029. CIMB Thai may exercise its right to early redeem the subordinated notes 5 years after issue date, and on each coupon payment date thereafter, subject to approval by the Bank of Thailand ("BOT").

Included in the RM550 million subordinated notes is RM459 million (2021: RM459 million) which was held by subsidiary of the Company, hence the amount was eliminated at consolidated level.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 31 SUBORDINATED OBLIGATIONS (CONTINUED)

**(j) Subordinated debts 2019/2029 RM800 million**

On 25 November 2019, the Company issued RM800 million 10 years non-callable 5 years Tier II Subordinated debts bearing a fixed rate coupon of 3.85% per annum, payable on a semi-annual basis. The said subordinated debt was issued out of the RM10.0 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to the RM800 million Tier II subordinated notes issued by subsidiary of the Company on the same day, based on similar terms.

**(k) Subordinated bonds IDR83,000 million**

On 19 December 2019, CIMB Niaga issued IDR83,000 million subordinated bonds with fixed interest rate of 8.05% per annum and maturity date of 19 December 2024.

**(l) Subordinated loans 2020/2025 RM2.5 billion**

On 12 November 2020, the Company issued RM2.5 billion 10 years non-callable 5 years Tier II Subordinated debts bearing a fixed rate coupon of 3.15% per annum, payable on a semi-annual basis. The said subordinated debt was issued out of the RM10.0 billion Tier II subordinated debt programme. The proceeds from the issuance were used to subscribe to the RM2.45 billion Tier II subordinated notes issued by CIMB Bank on the same day and the RM50 million Tier II Subordinated Debt issued by CIMB Bank on 23 December 2020, based on similar terms.

**(m) Subordinated loans 2020/2025 RM550 million and 2020/2030 RM200 million**

On 3 December 2020, the Company issued RM550 million perpetual non-callable 5 years Additional Tier I Capital Securities and RM200 million perpetual non-callable 10 years Additional Tier I Capital Securities bearing a fixed rate coupon of 3.60% per annum and 4.00% per annum respectively, payable on a semi-annual basis. The said capital securities were issued from the existing RM10 billion AT1 Capital Securities Programme. The proceeds from the issuances were used to subscribe to AT1 Capital Securities issued by CIMB Bank, based on similar terms.

**(n) Subordinated notes 2021/2031 RM660 million**

On 12 July 2021, CIMB Thai issued RM660 million Basel III compliant Tier 2 subordinated notes. The subordinated notes carry fixed interest rate of 3.90% per annum payable every six months. The subordinated notes will mature on 11 July 2031. CIMB Thai may exercise its right to early redeem the subordinated notes 5 years after issue date, and on each coupon payment date thereafter, subject to approval by the Bank of Thailand.

Included in the RM660 million subordinated notes is RM407 million (2021: RM407 million) which was held by subsidiary of the Company, hence the amount was eliminated at consolidated level.

**(o) Sustainability Sukuk Wakalah 2021/2031 RM100 million**

On 29 December 2021, the Company issued RM100.0 million 10 years non-callable 5 years Tier 2 Sustainability Sukuk Wakalah bearing a periodic distribution rate of 3.80% per annum, payable on a semi-annual basis. The said Sustainability Sukuk Wakalah was issued out of the RM15.0 billion Sukuk Wakalah programme. The proceeds from the issuance were used to subscribe to the RM100.0 million Tier 2 Sustainability Sukuk Wakalah issued by CIMB Bank on the same day, based on similar terms.

**(p) Sukuk Wakalah 2022/2032 RM1.5 billion**

On 8 September 2022, the Company issued RM1.5 billion 10 years non-callable 5 years Tier 2 Sukuk Wakalah bearing a periodic distribution rate of 4.40% per annum, payable on a semi-annual basis. The said Sukuk Wakalah was issued out of the RM15.0 billion Sukuk Wakalah programme. The proceeds from the issuance were used to subscribe to the RM1.5 billion Tier 2 Sukuk Wakalah issued by CIMB Bank on the same day, based on similar terms.

**(q) Sukuk Wakalah 2022/2032 RM1.0 billion**

On 2 December 2022, the Company issued RM1.0 billion 10 years non-callable 5 years Tier 2 Sustainability Sukuk Wakalah bearing a periodic distribution rate of 4.95% per annum, payable on a semi-annual basis. The said Sustainability Sukuk Wakalah was issued out of the RM15.0 billion Sukuk Wakalah programme. The proceeds from the issuance were used to subscribe to the RM1.0 billion Tier 2 Sustainability Sukuk Wakalah issued by CIMB Bank on the same day, based on similar terms.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 32 SHARE CAPITAL

| | | The Group and the Company | |
|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 |
| **Issued and fully paid shares:** | | | |
| At 1 January | | **27,099,681** | 25,843,808 |
| Issued during the financial year: | | | |
| – Dividend reinvestment scheme issued on: | | | |
| – 26 April 2022 | (a)(i) | **1,084,519** | – |
| – 31 October 2022 | (a)(ii) | **910,347** | – |
| – 23 April 2021 | (a)(iii) | **–** | 366,695 |
| – 28 October 2021 | (a)(iv) | **–** | 889,178 |
| At 31 December | | **29,094,547** | 27,099,681 |

### (A) INCREASE IN ISSUED AND PAID-UP CAPITAL

In respect of the financial year 31 December 2022, the Company increased its issued and paid-up capital from 10,221,456,583 to 10,665,106,608 shares via:

(i) Issuance of 252,801,642 new ordinary shares arising from the Dividend Reinvestment Scheme relating to electable portion of the interim dividend of 12.55 sen per ordinary share in respect of the financial year ended 31 December 2021, as disclosed in Note 46(a); and

(ii) Issuance of 190,848,383 new ordinary shares each arising from the Dividend Reinvestment Scheme relating to electable portion of the first interim dividend of 13.00 sen per ordinary share in respect of the financial year ended 31 December 2022, as disclosed in Note 46(b).

In respect of the financial year 31 December 2021, the Company increased its issued and paid-up capital from 9,922,971,258 to 10,221,456,583 shares via:

(iii) Issuance of 91,217,789 new ordinary shares arising from the Dividend Reinvestment Scheme relating to electable portion of the interim dividend of 4.81 sen per ordinary share in respect of the financial year ended 31 December 2020, as disclosed in Note 46(c); and

(iv) Issuance of 207,267,536 new ordinary shares each arising from the Dividend Reinvestment Scheme relating to electable portion of the first interim dividend of 10.44 sen per ordinary share in respect of the financial year ended 31 December 2021, as disclosed in Note 46(d).

### (B) DIVIDEND REINVESTMENT SCHEME

On 18 January 2013, the Company announced the proposal to put in place a dividend reinvestment scheme that would allow the shareholders of the Company ("Shareholders") to have the option to elect to reinvest their cash dividends in new ordinary shares ("New CIMB Shares")("Dividend Reinvestment Scheme").

The Dividend Reinvestment Scheme has received the necessary approval from Bursa Securities on 5 February 2013, its shareholders via an Extraordinary General Meeting held on 25 February 2013 and from Bank Negara Malaysia on 25 March 2013.

The scheme would allow the Board, at its absolute discretion, to offer either the Dividend Reinvestment Scheme or full cash for the Group's dividends as and when it deems appropriate vis-à-vis the Group's capital strategy and plans.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 32 SHARE CAPITAL (CONTINUED)

### (B) DIVIDEND REINVESTMENT SCHEME (CONTINUED)

The rationale of the Dividend Reinvestment Scheme are as follows:

(i) CIMB's capital management strategy

As part of the Company's capital management strategy, the Dividend Reinvestment Scheme would provide the Company additional flexibility in managing its capital position.

(ii) Enhancing shareholder value with reasonable dividend yield

The Dividend Reinvestment Scheme will provide an opportunity for shareholders to enjoy dividend yield while preserving capital for the Company.

Since the announcement of Basel III, many global banks have taken a cautious stance in capital management including that of reducing dividend payments. Whilst this stance will improve a banks' capital ratios, such actions may result in lower dividend yields and may eventually reduce investors' interest in the banking industry.

The Dividend Reinvestment Scheme provides an alternative for banks to balance the demand of its investors and its capital objective.

(iii) Alternative mode of payment of Dividends

The implementation of the Dividend Reinvestment Scheme will provide an avenue for shareholders to elect to exercise the option to reinvest all or part of their dividends into New CIMB Shares in lieu of receiving cash dividend.

The shareholders shall have the following options in respect of an option to reinvest announced by the Board under the Dividend Reinvestment Scheme:

(i) to elect to participate by reinvesting the whole or part of the Electable Portion at the issue price for New CIMB Shares.

In the event that only part of the Electable Portion is reinvested, the shareholders shall receive cash for the remaining portion of the Electable Portion not reinvested; or

(ii) to elect not to participate in the option to reinvest and thereby receive the entire dividend entitlement wholly in cash.

## 33 PERPETUAL PREFERENCE SHARES

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| **Issued and fully paid perpetual preference shares** | | |
| At 1 January/31 December | **200,000** | 200,000 |

The main features of the perpetual preference shares ("PPS") are as follows:

(i) The PPS has no right to dividends.

(ii) In the event of liquidation, dissolution or winding-up of CIMB Bank, PCSB as holder of the PPS will be entitled to receive full repayment of the capital paid up on the PPS in priority to any payments to be made to the ordinary shareholders of CIMB Bank.

(iii) The PPS rank *pari passu* in all aspects among themselves.

(iv) CIMB Bank must not redeem or buy back any portion of the PPS and the PPS will be perpetual except for any capital reduction exercise permitted by the Companies Act 2016 and as approved by Bank Negara Malaysia.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 34 RESERVES

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | Note | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| Statutory reserve | (a) | **166,833** | 152,997 | **–** | – |
| Regulatory reserve | (b) | **417,993** | 129,286 | **–** | – |
| Capital reserve | (c) | **242,626** | 207,419 | **55,982** | 55,982 |
| Exchange fluctuation reserve | (d) | **542,479** | 462,900 | **–** | – |
| Fair value reserve | | | | | |
| – Debt intruments at fair value through other comprehensive income | (e) | **(1,417,428)** | (556,531) | **(13,534)** | 28,227 |
| – Equity instruments at fair value through other – comprehensive income | (f) | **(238,981)** | (217,545) | **–** | – |
| Retained earnings | (g) | **35,270,933** | 32,814,376 | **1,138,715** | 267,442 |
| Share-based payment reserve | (h) | **114,097** | 86,595 | **87,817** | 33,487 |
| Other reserves | | | | | |
| – Hedging reserve – net investment hedge | (i) | **(1,597,622)** | (1,302,249) | **–** | – |
| – Hedging reserve – cash flow hedge | (j) | **(8,009)** | (7,091) | **–** | – |
| – Hedging reserve – deferred hedging cost | (k) | **185,982** | 164,629 | **–** | – |
| – Own credit risk reserve | (l) | **(233,760)** | (81,089) | **–** | – |
| – EOP reserve – shares purchased pending release | (m) | **(29,304)** | (69,165) | **–** | – |
| – Defined benefits reserves | (n) | **(18,574)** | (20,344) | **–** | – |
| | | **33,397,265** | 31,764,188 | **1,268,980** | 385,138 |

(a) The statutory reserves of the Group are maintained by certain banking subsidiaries in Malaysia in compliance with the BNM guidelines and include a reserve maintained by a subsidiary in compliance with the Bursa Malaysia Securities Berhad Rules and Regulations. Effective 3 May 2018, there is no requirement to maintain statutory reserves for banking entities in Malaysia, in accordance with BNM Guideline – Capital Funds.

The statutory reserves of the foreign banking subsidiaries and foreign stockbroking subsidiaries of the Group are in compliance with rules and regulations of the respective authorities. These reserves are not distributable by way of cash dividends.

(b) Regulatory reserve of the Group is maintained by the banking subsidiaries in Malaysia, which is transferred from the retained earnings, as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 9 beginning 1 January 2018.

BNM Guidelines on Financial Reporting/Financial Reporting for Islamic Banking Institutions requires banking institutions to maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

As at 31 December 2022, the regulatory reserve is maintained by CIMB Bank and the banking subsidiaries in Malaysia to meet the local regulatory requirement

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 34 RESERVES (CONTINUED)

(c) The capital reserve of the Group arose from the dilution of equity interest in subsidiaries resulted from the shares option scheme undertaken by the subsidiary in previous years.

In 2020, a foreign subsidiary of the Group has transferred balance from retained earnings to capital reserve in order to meet the regulatory capital ratio calculation, as retained earnings is capped for the purpose of calculation at 20% of Tier I capital following the local regulatory requirement.

(d) Exchange translation differences have arisen from translation of net assets of Labuan offshore subsidiaries, foreign branches and foreign subsidiaries. These translation differences are shown under exchange fluctuation reserves.

(e) For debt instruments at fair value through other comprehensive income ("FVOCI"), changes in fair value are accumulated within the financial assets at FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is disposed of.

(f) The Group has elected to recognise changes in the fair value of certain investments in equity instruments in other comprehensive income. These changes are accumulated within the financial assets at FVOCI reserve within equity. The Group transfers amounts from this reserve to retained earnings when the relevant equity securities are derecognised.

(g) As at 31 December 2022, the Company has sufficient tax exempt account balances to pay tax exempt dividends of up to RM477,522,037 (2021: RM477,522,037) out of its retained earnings.

(h) The share-based payment reserve arose from the Equity Ownership Plan ("EOP"), Long Term Incentive Plan ("LTIP"), the Group's share-based compensation benefit, Employee Stock Option Management Program ("MESOP") and Employees' Share Option Scheme ("ESOS").

(i) Hedging reserve arises from net investment hedge activities undertaken by the Group on overseas operations and foreign subsidiaries. The reserve is non-distributable and is reversed to the statement of income when the foreign operations and subsidiaries are partially or fully disposed.

(j) The Group has entered into cash flow hedges on senior bond issued and interbranch lending.

The reserve is non-distributable and is reversed to the statement of income when the hedged items affect the statement of income or termination of the cash flow hedge.

(k) The Group designates the spot component of foreign currency swap contracts as hedging instruments in net investment hedge relationships. The Group defers changes in the forward element of foreign currency swap contracts and the currency basis spread from the cross currency interest rate swap contracts in the cost of hedging reserve.

(l) Changes in fair value of financial liabilities designated at fair value relating to the Group's own credit risk are recognised in other comprehensive income. These changes are also accumulated within own credit risk reserve within equity.

(m) EOP reserve reflects the Group's shares purchased for EOP under share-based compensation benefits, pending release to its employees.

(n) Defined benefit reserves relate to the cumulative actuarial gains and losses on defined benefit plans.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 35 SHARES HELD UNDER TRUST AND TREASURY SHARES

### (A) SHARES HELD UNDER TRUST

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| At 1 January/31 December | **563** | 563 |

As an integral part of the CIMB Berhad's ("CIMBB") restructuring exercise in 2005, the then existing CIMBB's ESOS and Employee Equity Scheme ("EES") ceased to have any value pursuant to the delisting from Bursa Malaysia Securities Berhad. Accordingly, consistent with the fair treatment to all Executive Employees and the spirit of continuity of the scheme in existence, the schemes were modified with terms and conditions remaining and subsequently called the Modified EESOS. For the EES, the remaining options were accelerated and exercised prior to the completion of the CIMBB's restructuring.

The CIMBB restructuring exercise and the schemes were approved by the shareholders of the Company during the Extraordinary General Meeting held on 8 September 2005. The modified schemes entailed the following:

(i) The setting up of a trust to subscribe for all the remaining CIMBB shares under the unexercisable tranches under the CIMBB ESOS ("ESOS Trust") prior to the implementation of the CIMBB restructuring. The subscription was facilitated through an accelerated vesting of the unexercisable options. The funding for the subscription for the CIMBB shares by the trustee for both Trusts was provided by the Company by way of a loan.

(ii) Under the CIMBB restructuring exercise, both trustees have opted for new shares of the Company at the ratio of approximately 1.146 of the Company's shares for one CIMBB share. The Executive Employees or the CEO are entitled to instruct the trustee as to the sale, subject to a minimum market price that is higher than a price to be determined by dividing the existing adjusted exercise price by the ratio of approximately 1.146, plus transaction costs and any income tax liability, if applicable, of such shares of the Company in the manner as previously provided under the CIMBB ESOS.

(iii) The number of the Company's shares subject to such instruction per annum will be in the same proportion as per the adjusted total outstanding number under the previous CIMBB ESOS multiplied by the ratio approximately 1.146.

(iv) If the Executive Employee or CEO opt to instruct the trustee to transfer or sell in the market, upon such instruction under the Modified EESOS and Modified CEO Option, a proportion of the proceeds received by the Trustee, plus any income tax, if applicable, will be retained by the Trustee and used to offset the Loan and the excess (net of transaction costs) will be payable to the Executive Employee or CEO.

As at 31 December 2022, there are 258,000 (2021: 258,000) units remain unexercised.

### (B) TREASURY SHARES, AT COST

| | The Group and the Company | | | |
|---|---|---|---|---|
| | **2022** | | **2021** | |
| | **Units '000** | **RM'000** | **Units '000** | **RM'000** |
| At 1 January/31 December | **5** | **43** | 5 | 43 |

The shareholders of the Company, via an ordinary resolution passed at the Annual General Meeting held on 21 April 2022, approved the Company's plan and mandate to authorise the Directors of the Company to buy back its own shares up to 10% of existing total paid-up share capital. The Directors of the Company are committed to enhance the value of the Company to its shareholders and believe that the share buy back can be applied in the best interests of the Company and its shareholders.

During the financial year, the Company did not buy back any of its issued share capital from the open market. As at 31 December 2022, there were 4,908 ordinary shares held as treasury shares (2021: 4,908). Treasury shares have no rights to vote, dividends and participation in other distribution.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 36(a) INTEREST INCOME

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Loans, advances and financing: | | | | |
| – Interest income other than recoveries | **13,109,045** | 11,764,893 | **–** | – |
| – Unwinding income^ | **196,075** | 154,626 | **–** | – |
| Money at call and deposits with financial institutions | **701,794** | 329,551 | **7,902** | 3,295 |
| Reverse repurchase agreements | **197,172** | 94,382 | **–** | – |
| Debt instruments at fair value through other comprehensive income | **2,040,550** | 1,838,211 | **81,800** | 125,718 |
| Debt instruments at amortised cost | **1,834,030** | 1,703,664 | **298,479** | 276,619 |
| Others | **102,486** | 56,063 | **–** | – |
| | **18,181,152** | 15,941,390 | **388,181** | 405,632 |
| Accretion of discounts less amortisation of premiums | **(333,723)** | (353,303) | **–** | 1 |
| | **17,847,429** | 15,588,087 | **388,181** | 405,633 |

^ Unwinding income is interest income earned on credit impaired financial assets

## 36(b) INTEREST INCOME FOR FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Financial investments at fair value through profit or loss | **673,733** | 643,404 |
| Loan, advances and financing at fair value through profit or loss | **12,063** | 15,226 |
| | **685,796** | 658,630 |
| Accretion of discounts, net of amortisation of premiums | **105,821** | (88,953) |
| | **791,617** | 569,677 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 37 INTEREST EXPENSE

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Deposits and placements of banks and other financial institutions | **548,348** | 178,041 | **–** | – |
| Deposits from customers | **4,452,565** | 3,507,997 | **–** | – |
| Repurchase agreements/Collateralised commodity murabahah | **606,163** | 306,938 | **–** | – |
| Bonds, Sukuk and debentures | **364,114** | 285,978 | **–** | – |
| Subordinated obligations | **403,779** | 438,418 | **429,079** | 450,809 |
| Financial liabilities designated at fair value through profit or loss | **246,998** | 26,382 | **–** | – |
| Negotiable certificates of deposits | **28,561** | 13,621 | **–** | – |
| Other borrowings | **226,121** | 201,535 | **127,312** | 132,495 |
| Recourse obligation on loan and financing sold to Cagamas | **26,454** | 42,516 | **–** | – |
| Structured deposits | **74,996** | 186,643 | **–** | – |
| Lease liabilities | **18,845** | 20,708 | **–** | – |
| Others | **19,181** | 12,496 | **–** | – |
| | **7,016,125** | 5,221,273 | **556,391** | 583,304 |

## 38 MODIFICATION (GAIN)/LOSS

| | | The Group | |
|---|---|---|---|
| | **Note** | **2022 RM'000** | **2021 RM'000** |
| (Gain)/loss on modification of cash flows | | **(6,707)** | 62,078 |

In light of the COVID-19 outbreak, the Central Bank and Ministry of Finance of respective countries have introduced several relief measures to assist customers/borrowers affected by the pandemic. These measures aim to ensure that the financial intermediation function of the financial sector remains intact, accessibility to financial services continues to be available, and banking institutions remain focused on supporting the economy during these exceptional circumstances.

During the financial year ended 31 December 2022 and 31 December 2021, the Group granted various payment moratorium, repayment assistance, restructuring and rescheduling programmes to the customers/borrowers affected by COVID-19. As a result, the Group has recognised a gain/loss arising from the modification of contractual cash flows of the loan, advances and financing.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 39 NET NON-INTEREST INCOME

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| **Net fee and commission income:** | | | | |
| Commissions | **1,176,787** | 1,256,815 | **–** | – |
| Fee on loans, advances and financing | **669,976** | 485,498 | **–** | – |
| Service charges and fees | **684,341** | 542,386 | **–** | – |
| Corporate advisory and arrangement fees | **30,489** | 33,775 | **–** | – |
| Guarantee fees | **82,269** | 81,310 | **–** | – |
| Other fee income | **254,700** | 222,598 | **–** | – |
| Placement fees | **8,141** | 14,605 | **–** | – |
| Underwriting commission | **41,549** | 35,038 | **–** | – |
| Fee and commission income | **2,948,252** | 2,672,025 | **–** | – |
| Fee and commission expense | **(742,265)** | (604,759) | **–** | – |
| Net fee and commission income | **2,205,987** | 2,067,266 | **–** | – |
| **Gross dividend income from:** | | | | |
| In Malaysia | | | | |
| – Subsidiaries | **–** | – | **3,131,843** | 582,565 |
| – Financial investments at fair value through profit or loss | **48,574** | 57,746 | **–** | – |
| – Equity instruments at fair value through other comprehensive income | **1,019** | 1,000 | **–** | – |
| Outside Malaysia | | | | |
| – Equity instruments at fair value through other comprehensive income | **1,717** | 1,614 | **–** | – |
| | **51,310** | 60,360 | **3,131,843** | 582,565 |
| **Net loss arising from financial investments at fair value through profit or loss** | | | | |
| – Realised | **(1,067,080)** | (367,525) | **–** | – |
| – Unrealised | **(68,972)** | (671,017) | **–** | – |
| | **(1,136,052)** | (1,038,542) | **–** | – |
| **Net gain arising from derivative financial instruments:** | | | | |
| – Realised | **5,327,351** | 2,591,840 | **–** | – |
| – Unrealised | **(518,328)** | 1,091,022 | **–** | – |
| | **4,809,023** | 3,682,862 | **–** | – |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 39 NET NON-INTEREST INCOME (CONTINUED)

| | Note | The Group 2022 RM'000 | The Group 2021 RM'000 | The Company 2022 RM'000 | The Company 2021 RM'000 |
|---|---|---|---|---|---|
| **Net gain arising from financial liabilities designated at fair value through profit or loss:** | | | | | |
| – Realised | | **(17,495)** | (128,296) | **–** | – |
| – Unrealised | | **356,161** | 211,148 | **–** | – |
| | | **338,666** | 82,852 | **–** | – |
| **Net gain arising from hedging activities** | | **32,266** | 5,206 | **–** | – |
| **Net (loss)/gain from sale of investment in debt intruments at fair value through other comprehensive income** | | **(32,936)** | 450,247 | **–** | – |
| **Net gain from redemption of debt instruments at amortised cost** | | **12,740** | 7,020 | **–** | – |
| **Net (loss)/gain arising from loans, advances and financing at fair value through profit or loss:** | | | | **–** | – |
| – Unrealised | | **(1,208)** | 1,482 | | |
| **Income from assets management and securities services** | | **19,871** | 23,952 | **–** | – |
| **Brokerage income** | | **1,167** | 2,066 | **–** | – |
| **Other non-interest income:** | | | | | |
| Foreign exchange (loss)/gain | | **(2,307,061)** | (1,546,225) | **663** | 413 |
| Gain on deemed disposal of a subsidiary | 56 | **–** | 1,155,890 | **–** | – |
| (Loss)/gain on disposal of interests in subsidiaries | 13(a) | **(363)** | 596 | **581,774** | – |
| Rental income | | **28,755** | 29,106 | **280** | 230 |
| Gain on disposal of property, plant and equipment/ assets held for sale | | **27,215** | 42,671 | **4,232** | – |
| Gain/(loss) on disposal/dilution of interest in joint ventures and associates | | **10,814** | (6,022) | **–** | – |
| Other non-operating income | | **117,189** | 51,695 | **89** | 980 |
| Gain on disposal of loans, advances and financing | | **37,170** | 32,251 | **–** | – |
| (Loss)/gain on disposal of foreclosed assets | | **(6,514)** | 313 | **–** | – |
| | | **(2,092,795)** | (239,725) | **587,038** | 1,623 |
| | | **4,208,039** | 5,105,046 | **3,718,881** | 584,188 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 40 OVERHEADS

| | The Group | | The Company | |
|---|---|---|---|---|
| | 2022 RM'000 | 2021 RM'000 | 2022 RM'000 | 2021 RM'000 |
| **Personnel costs** | | | | |
| – Salaries, allowances and bonus[1] | **4,431,555** | 4,245,665 | **–** | – |
| – Pension costs[3] | **466,850** | 468,569 | **–** | – |
| – Overtime | **19,117** | 14,419 | **–** | – |
| – Staff incentives and other staff payments | **291,129** | 399,943 | **–** | – |
| – Medical expenses | **80,829** | 81,532 | **–** | – |
| – Share-based expense[2] | **54,330** | 33,487 | **–** | – |
| – Others | **195,594** | 184,785 | **–** | – |
| **Establishment costs** | | | | |
| – Depreciation of property, plant and equipment | **300,917** | 276,272 | **147** | 554 |
| – Depreciation of right-of-use assets | **215,723** | 231,948 | **–** | 10 |
| – Amortisation of intangible assets | **595,649** | 714,578 | **–** | – |
| – Depreciation of investment properties | **–** | – | **18** | 18 |
| – Intangible assets writen off | **1,632** | 65,904 | **–** | – |
| – Rental | **112,022** | 107,989 | **–** | – |
| – Repair and maintenance | **778,922** | 747,065 | **232** | 270 |
| – Outsourced services | **18,409** | 22,274 | **–** | – |
| – Security expenses | **93,368** | 107,770 | **–** | – |
| – Others | **293,437** | 281,378 | **36** | 54 |
| **Marketing expenses** | | | | |
| – Advertisement | **177,079** | 142,214 | **–** | – |
| – Others | **70,943** | 32,288 | **27** | 17 |
| **Administration and general expenses** | | | | |
| – Legal and professional fees | **323,213** | 286,003 | **6,989** | 12,057 |
| – Stationery | **22,057** | 31,387 | **–** | – |
| – Postage | **37,079** | 40,636 | **–** | – |
| – Communication | **95,644** | 87,260 | **–** | 51 |
| – Incidental expenses on banking operations | **90,843** | 75,819 | **–** | – |
| – Others | **579,166** | 739,764 | **23,390** | 23,023 |
| | **9,345,507** | 9,418,949 | **30,839** | 36,054 |

1 Included in salaries, allowances and bonus is shared-based payment expense of RM23,085,000 (2021: RM48,972,000). Refer Note 48.

2 The long term incentive plan ("LTIP") was implemented by the Company in June 2021. The LTIP awards ordinary shares and share options of the Company to eligible employees of the Group. The eligibility of participation in the LTIP shall be at the discretion of the LTIP Committee of CIMBGH, and the awarded shares and share options will be vested in stages at predetermined dates subject to continued employment and performance conditions. Refer Note 48.

3 Included in pension costs is pension cost arising from defined benefit plans. Refer Note 28.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 40 OVERHEADS (CONTINUED)

The above expenditure includes the following:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Directors' remuneration (Note 43) | **14,319** | 10,918 | **3,744** | 3,232 |
| Rental of premises | **29,744** | 8,949 | **–** | – |
| Hire of equipment | **47,434** | 43,622 | **–** | – |
| Lease rental | **506** | 424 | **–** | – |
| Auditors' remuneration | | | | |
| <u>PricewaterhouseCoopers PLT* (audit)</u> | | | | |
| – statutory audit | **7,443** | 6,449 | **806** | 653 |
| – limited review | **1,155** | 1,405 | **26** | 26 |
| – other audit related | **110** | 111 | **32** | 29 |
| <u>PricewaterhouseCoopers PLT* (non-audit)</u> | | | | |
| – Reporting accountant, regulatory-related services and others | **44** | 1,746 | **–** | 238 |
| – Tax services | **654** | 563 | **65** | 59 |
| <u>Other member firms of PwC International Limited* (audit)</u> | | | | |
| – statutory audit | **6,357** | 6,240 | **–** | – |
| – limited review | **1,023** | 1,207 | **–** | – |
| – other audit related | **346** | 551 | **–** | – |
| <u>Other member firms of PwC International Limited* (non-audit)</u> | | | | |
| – Reporting accountant, regulatory-related services and others | **666** | 70 | **–** | – |
| – Tax services | **674** | 522 | **–** | – |
| <u>Other auditors' remuneration</u> | | | | |
| – Statutory audit | **68** | 97 | **–** | – |
| – Tax services | **5** | 5 | **–** | – |
| Property, plant and equipment written off | **2,786** | 3,713 | **–** | – |

* PricewaterhouseCoopers PLT and other member firms of PricewaterhouseCoopers International Limited are separate and independent legal entities.

## 41 EXPECTED CREDIT LOSSES ON LOANS, ADVANCES AND FINANCING

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Expected credit losses on loans, advances and financing at amortised cost | **2,594,957** | 3,268,570 |
| Credit impaired loans, advances and financing: | | |
| – Recovered | **(658,282)** | (665,633) |
| – Written off | **16,050** | 10,650 |
| | **1,952,725** | 2,613,587 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 42 OTHER EXPECTED CREDIT LOSSES AND IMPAIRMENT ALLOWANCES

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Other expected credit losses and impairment allowances made/ (written back): | | | | |
| – Debt instrument at fair value through other comprehensive income | **(25,068)** | (35,067) | **(856)** | (13,619) |
| – Debt instrument at amortised cost | **(101,957)** | 187,889 | **3,409** | (7,055) |
| – Money at call and deposits and placements with banks and other financial institutions | **137** | (517) | **–** | – |
| – Other assets | **305,376** | 260,521 | **–** | 15 |
| – Intangible assets | **–** | 614 | **–** | – |
| – Property, plant and equipment | **–** | 1,783 | **–** | – |
| – Right-of-use assets | **(731)** | 18,302 | **–** | – |
| | **177,757** | 433,525 | **2,553** | (20,659) |

Included in the other impairment allowance made for other assets during the financial year is ECL related to settlement of debit card balances.

## 43 DIRECTORS' REMUNERATION

The Directors of the Company in office during the financial year are as follows:

### EXECUTIVE DIRECTOR

Dato' Abdul Rahman Ahmad

### NON-EXECUTIVE DIRECTORS

Datuk Mohd Nasir Ahmad
Teoh Su Yin
Robert Neil Coombe
Dato' Lee Kok Kwan
Dato' Mohamed Ross Mohd Din
Afzal Abdul Rahim
Didi Syafruddin Yahya
Shulamite N K Khoo
Ho Yuet Mee (appointed on 28 July 2022)
Serena Tan Mei Shwen (resigned on 30 April 2022)

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 43 DIRECTORS' REMUNERATION (CONTINUED)

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Executive Director | | | | |
| – Salary and remuneration | **7,298** | 5,009 | **–** | – |
| – Benefits-in-kind | **125** | 30 | **–** | – |
| | **7,423** | 5,039 | **–** | – |
| Non-Executive Directors | | | | |
| – Fees | **2,801** | 2,438 | **1,263** | 1,200 |
| – Other remuneration | **4,011** | 3,360 | **2,444** | 1,997 |
| – Benefits-in-kind | **84** | 81 | **37** | 35 |
| | **6,896** | 5,879 | **3,744** | 3,232 |
| | **14,319** | 10,918 | **3,744** | 3,232 |

| | | | Other remuneration | | | | | | Other remuneration | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2022 | Fees RM'000 | Salary and remuneration RM'000 | Chairperson's Premium RM'000 | Meeting Allowance RM'000 | Benefits-in-kind RM'000 | The Group Total RM'000 | Fees RM'000 | Salary and remuneration RM'000 | Chairperson's Premium RM'000 | Meeting Allowance RM'000 | Benefits-in-kind RM'000 | The Company Total RM'000 |
| **Executive Director** | | | | | | | | | | | | |
| Dato' Abdul Rahman Ahmad | - | 7,298 | - | - | 125 | 7,423 | - | - | - | - | - | - |
| | - | 7,298 | - | - | 125 | 7,423 | - | - | - | - | - | - |
| **Non-Executive Directors** | | | | | | | | | | | | |
| Datuk Mohd Nasir Ahmad | 403 | - | 691 | 302 | 37 | 1,433 | 170 | - | 510 | 145 | 37 | 862 |
| Teoh Su Yin | 310 | - | 340 | 278 | - | 928 | 170 | - | 200 | 233 | - | 603 |
| Robert Neil Coombe | 170 | - | - | 115 | - | 285 | 170 | - | - | 115 | - | 285 |
| Dato' Lee Kok Kwan | 402 | - | - | 310 | - | 712 | 170 | - | - | 115 | - | 285 |
| Dato' Mohamed Ross Mohd Din | 310 | - | 240 | 460 | 47 | 1,057 | 170 | - | 100 | 280 | - | 550 |
| Afzal Abdul Rahim | - | - | - | - | - | - | - | - | - | - | - | - |
| Didi Syafruddin Yahya | 879 | - | 100 | 682 | - | 1,661 | 170 | - | 100 | 308 | - | 578 |
| Shulamite N K Khoo | 170 | - | - | 195 | - | 365 | 170 | - | - | 195 | - | 365 |
| Ho Yuet Mee | 157 | - | - | 298 | - | 455 | 73 | - | - | 143 | - | 216 |
| Serena Tan Mei Shwen | - | - | - | - | - | - | - | - | - | - | - | - |
| | 2,801 | - | 1,371 | 2,640 | 84 | 6,896 | 1,263 | - | 910 | 1,534 | 37 | 3,744 |
| | 2,801 | 7,298 | 1,371 | 2,640 | 209 | 14,319 | 1,263 | - | 910 | 1,534 | 37 | 3,744 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 43 DIRECTORS' REMUNERATION (CONTINUED)

| 2021 | Fees RM'000 | Other remuneration: Salary and remuneration RM'000 | Other remuneration: Chairperson's Premium RM'000 | Other remuneration: Meeting Allowance RM'000 | Benefits-in-kind RM'000 | The Group Total RM'000 | Fees RM'000 | Other remuneration: Salary and remuneration RM'000 | Other remuneration: Chairperson's Premium RM'000 | Other remuneration: Meeting Allowance RM'000 | Benefits-in-kind RM'000 | The Company Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Executive Director** | | | | | | | | | | | | |
| Dato' Abdul Rahman Ahmad | – | 5,009 | – | – | 30 | 5,039 | – | – | – | – | – | – |
| | – | 5,009 | – | – | 30 | 5,039 | – | – | – | – | – | – |
| **Non-Executive Directors** | | | | | | | | | | | | |
| Datuk Mohd Nasir Ahmad | 333 | – | 645 | 361 | 35 | 1,374 | 150 | – | 450 | 194 | 35 | 829 |
| Teoh Su Yin | 212 | – | 182 | 228 | – | 622 | 150 | – | 120 | 208 | – | 478 |
| Robert Neil Coombe | 150 | – | 23 | 108 | – | 281 | 150 | – | 23 | 108 | – | 281 |
| Dato' Lee Kok Kwan | 285 | – | – | 202 | – | 487 | 150 | – | – | 100 | – | 250 |
| Dato' Mohamed Ross Mohd Din | 275 | – | 215 | 342 | 46 | 878 | 150 | – | 90 | 210 | – | 450 |
| Afzal Abdul Rahim | – | – | – | – | – | – | – | – | – | – | – | – |
| Didi Syafruddin Yahya | 748 | – | 67 | 613 | – | 1,428 | 150 | – | 68 | 158 | – | 376 |
| Shulamite N K Khoo | 150 | – | – | 128 | – | 278 | 150 | – | – | 128 | – | 278 |
| Serena Tan Mei Shwen | 285 | – | – | 246 | – | 531 | 150 | – | – | 140 | – | 290 |
| | 2,438 | – | 1,132 | 2,228 | 81 | 5,879 | 1,200 | – | 751 | 1,246 | 35 | 3,232 |
| | 2,438 | 5,009 | 1,132 | 2,228 | 111 | 10,918 | 1,200 | – | 751 | 1,246 | 35 | 3,232 |

The Directors and officers of the Group and the Company are covered by Directors and Officers liability insurance for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The insurance premium paid during the financial year for the Group and the Company amounted to RM1,550,556 (2021: RM1,481,872) and RM Nil (2021: RM Nil).

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 44 TAXATION AND ZAKAT

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Taxation based on the profit for the financial year: | | | | |
| – Malaysian income tax | **2,041,252** | 1,165,773 | **1,656** | (172) |
| – Foreign tax | **772,822** | 628,578 | **–** | – |
| | **2,814,074** | 1,794,351 | **1,656** | (172) |
| Deferred taxation (Note 11) | **(40,425)** | (438,565) | **(224)** | (147) |
| Under/(over) provision in prior years | **(4,902)** | 36,007 | **128** | (150) |
| | **2,768,747** | 1,391,793 | **1,560** | (469) |
| Zakat | **9,332** | 5,060 | **–** | – |
| | **2,778,079** | 1,396,853 | **1,560** | (469) |

Reconciliation between tax charge and the Malaysian tax rate:

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| Profit before taxation and zakat | **8,371,010** | 5,789,478 | **3,517,279** | 391,122 |
| Less: Share of results of joint ventures | **26,022** | (64,223) | **–** | – |
| Share of results of associates | **(66,261)** | (3,795) | **–** | – |
| | **8,330,771** | 5,721,460 | **3,517,279** | 391,122 |
| Tax calculated at a rate of 24% (2021: 24%) | **1,999,385** | 1,373,150 | **844,147** | 93,869 |
| Income not subject to tax | **(150,482)** | (431,349) | **(880,748)** | (144,936) |
| Effects of different tax rates in other countries | **(59,148)** | (36,490) | **–** | – |
| Expenses not deductible for tax purposes | **329,279** | 579,604 | **38,033** | 50,748 |
| Utilisation/recognition of previously unrecognised deferred tax assets | **(2,102)** | (13,181) | **–** | – |
| Deferred tax assets not recognised | **–** | 2,280 | **–** | – |
| Effect of change in tax rate arising from Cukai Makmur | **656,717** | (118,228) | **–** | – |
| (Over)/under provision in prior years | **(4,902)** | 36,007 | **128** | (150) |
| Tax expense | **2,768,747** | 1,391,793 | **1,560** | (469) |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 45 EARNINGS PER SHARE

### (A) BASIC EARNINGS PER SHARE

Basic earnings per share of the Group are calculated by dividing the net profit attributable to equity holders of the parent by the weighted average number of ordinary shares in issue during the financial year.

| | 2022 | 2021 |
|---|---|---|
| Net profit attributable to equity holders of the parent (RM'000) | **5,439,863** | 4,295,334 |
| Weighted average number of ordinary shares in issue ('000) | **10,425,806** | 10,022,287 |
| Basic earnings per share (expressed in sen per share) | **52.18** | 42.86 |

### (B) DILUTED EARNINGS PER SHARE

During the financial year ended 31 December 2022, diluted EPS is calculated by dividing the net profit attributable to equity holders of the Parent, which require no adjustment for the effects of dilutive potential ordinary shares, by the weighted average number of ordinary shares in issue during the financial year and the weighted average number of ordinary shares that would be issued on conversion of dilutive potential ordinary shares.

The Group has no dilution in its earnings per ordinary share in the financial year ended 31 December 2021 as there are no dilutive potential ordinary shares.

| | 2022 | 2021 |
|---|---|---|
| Net profit attributable to equity holders of the parent (RM'000) | **5,439,863** | 4,295,334 |
| Weighted average number of ordinary shares in issue ('000) | | |
| – during the year | **10,425,806** | 10,022,287 |
| – effect of dilutive of potential ordinary shares[1] | **17,467** | – |
| Weighted average number of ordinary shares for diluted EPS | **10,443,273** | 10,022,287 |
| Diluted earnings per share (expressed in sen per share) | **52.09** | 42.86 |

1 The dilutive potential ordinary shares is arising from Shares Grant Plan ("SGP"). The SGP is a restricted share unit scheme where vesting is subject to performance conditions. The number of shares calculated as above is compared with the number of shares that would have been issued assuming performance conditions are achieved.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 46 DIVIDENDS PER ORDINARY SHARE

| | The Group and the Company | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Gross per share sen | Amount of dividend net of tax RM'000 | Gross per share sen | Amount of dividend net of tax RM'000 |
| Interim dividend in respect of previous year | **12.55** | **1,282,792[a]** | 4.81 | 477,295[c] |
| Interim dividend in respect of current year | **13.00** | **1,361,653[b]** | 10.44 | 1,045,481[d] |
| | **25.55** | **2,644,445** | 15.25 | 1,522,776 |

(a) The dividend of 12.55 sen per ordinary share consists of electable portion of 12.55 sen per ordinary share, of which 10.61 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM1,084,519,044 and a total of RM198,273,150 cash dividend was paid on 25 April 2022.

(b) The dividend of 13.00 sen per ordinary share consists of a cash portion of 2.60 sen per ordinary share and an electable portion of 10.40 sen per ordinary share, of which 8.69 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM910,346,787 and a total of RM451,306,144 cash dividend was paid on 28 October 2022.

(c) The dividend of 4.81 sen per ordinary share consists of electable portion of 4.81 sen per ordinary share, of which 3.70 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM366,695,509 and a total of RM110,599,172 cash dividend was paid on 22 April 2021.

(d) The dividend of 10.44 sen per ordinary share consists of electable portion of 10.44 sen per ordinary share, of which 8.88 sen per ordinary share was reinvested in new ordinary shares in accordance with the DRS amounting to RM889,177,438 and a total of RM156,303,092 cash dividend was paid on 27 October 2021.

Dividends recognised as distributions to owners:

The single-tier second interim dividend for the previous financial year was approved by the Board of Directors on 28 January 2022 and paid in the current financial year. This is shown as a deduction from the retained earnings in the statements of changes in equity in the current financial year.

The Directors have declared a single-tier first interim dividend of 13.00 sen per ordinary share, on 10,474,253,317 ordinary shares amounting to RM1,362 million in respect of the financial year ended 31 December 2022 under DRS. The single-tier first interim dividend of 13.00 sen per ordinary share was approved by the Board of Directors on 28 July 2022 and paid on 28 October 2022.

The Directors have proposed a single-tier second interim dividend of 13.00 sen per ordinary share, on 10,665,101,700 ordinary shares amounting to RM1,386 million in respect of the financial year ended 31 December 2022, to be paid in 2023. The single-tier second interim dividend was approved by the Board of Directors on 31 January 2023.

The Financial Statements for the current financial year do not reflect this proposed dividend. Such dividend will be accounted for in equity as an appropriation of retained earnings in the next financial year ending 31 December 2023.

The Directors do not recommend the payment of any final dividend for the financial year ended 2022.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

For the purposes of these financial statements, parties (both companies and key management personnel) are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence.

### (A) THE RELATED PARTIES OF, AND THEIR RELATIONSHIP WITH THE COMPANY, ARE AS FOLLOWS:

| Related parties | Relationship |
|---|---|
| Subsidiaries of the Company as disclosed in Note 13 | Subsidiaries |
| Associates of the Company as disclosed in Note 14 | Associates |
| Joint ventures as disclosed in Note 15 | Joint ventures |
| Key management personnel | See below |

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly. The key management personnel of the Group and the Company include all the Directors of the Company and employees of the Group who make certain critical decisions in relation to the strategic direction of the Group.

### (B) RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. These transactions were carried out at terms not less favourable to other parties.

| | Subsidiaries | | Associates and joint ventures | | Key management personnel | |
|---|---|---|---|---|---|---|
| **Related party transactions** | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| **The Group** | | | | | | |
| **Income earned** | | | | | | |
| Interest on loans, advances and financing | **–** | – | **5,833** | 2,796 | **8,698** | 8,674 |
| Fee income | **–** | – | **6,397** | 7,125 | **–** | – |
| Placement commission | **–** | – | **13,786** | 22,646 | **–** | – |
| Others (Note (a)) | **–** | – | **79,827** | 56,129 | **2** | 2 |
| **Expenditure incurred** | | | | | | |
| Interest on deposits from customers and securities sold under repurchase agreements/Collateralised Commodity Murabahah | **–** | – | **1,928** | 1,638 | **135** | 3,069 |
| Others | **–** | – | **6,679** | 7,350 | **–** | – |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### (B) RELATED PARTY TRANSACTIONS (CONTINUED)

| Related party transactions | Subsidiaries 2022 RM'000 | Subsidiaries 2021 RM'000 | Associates and joint ventures 2022 RM'000 | Associates and joint ventures 2021 RM'000 | Key management personnel 2022 RM'000 | Key management personnel 2021 RM'000 |
|---|---|---|---|---|---|---|
| **The Company** | | | | | | |
| **Income earned** | | | | | | |
| Interest on deposits and placements with banks and financial institutions | **7,902** | 3,295 | **–** | – | **–** | – |
| Dividend income | **3,131,843** | 582,565 | **–** | – | **–** | – |
| Interest income on debt instruments at amortised cost | **298,479** | 276,619 | **–** | – | **–** | – |
| Interest income on debt instruments at fair value through other comprehensive income | **81,800** | 125,718 | **–** | – | **–** | – |
| **Expenditure incurred** | | | | | | |
| Interest on subordinated obligations | **–** | 86 | **–** | – | **–** | – |
| Professional fees | **502** | 1,329 | **–** | – | **–** | – |
| Group services expense | **11,176** | 12,545 | **–** | – | **–** | – |
| Others | **1,680** | 451 | **–** | – | **–** | – |

Note (a): Others mainly includes income on outsourcing services and interest on short term borrowing to PCSB, joint venture of the CIMB Bank amounting to RM72,462,000 (2021: RM49,574,000).

The breakdown of expenditure by geographical is as follows:

**2022**

| | The Group Interest expense RM'000 | The Group Others RM'000 | The Company Interest expense RM'000 | The Company Others RM'000 | The Company Group services expense RM'000 |
|---|---|---|---|---|---|
| Malaysia | **1,600** | **5,665** | **–** | **2,182** | **11,176** |
| Singapore | **328** | **1,014** | **–** | **–** | **–** |
| | **1,928** | **6,679** | **–** | **2,182** | **11,176** |

**2021**

| | The Group Interest expense RM'000 | The Group Others RM'000 | The Company Interest expense RM'000 | The Company Others RM'000 | The Company Group services expense RM'000 |
|---|---|---|---|---|---|
| Malaysia | 1,556 | 6,315 | 86 | 1,780 | 12,545 |
| Singapore | 82 | 1,035 | – | – | – |
| | 1,638 | 7,350 | 86 | 1,780 | 12,545 |

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### (C) RELATED PARTY BALANCES

| Related party balances | Subsidiaries 2022 RM'000 | Subsidiaries 2021 RM'000 | Associates and joint ventures 2022 RM'000 | Associates and joint ventures 2021 RM'000 | Key management personnel 2022 RM'000 | Key management personnel 2021 RM'000 |
|---|---|---|---|---|---|---|
| **The Group** | | | | | | |
| **Amount due from** | | | | | | |
| Loans, advances and financing | **–** | – | **238,943** | 225,412 | **20,418** | 24,149 |
| Others | **–** | – | **2,885,964** | 2,102,796 | **–** | – |
| **Amount due to** | | | | | | |
| Deposits from customers and securities sold under repurchase agreements/ Collateralised Commodity Murabahah | **–** | – | **215,071** | 338,325 | **30,930** | 35,671 |
| Others | **–** | – | **1,170** | 2,826 | **–** | – |
| **The Company** | | | | | | |
| **Amount due from** | | | | | | |
| Demand deposits, savings and fixed deposits | **474,259** | 93,674 | **–** | – | **–** | – |
| Debt instruments at fair value through other comprehensive income | **1,737,110** | 1,778,168 | **–** | – | **–** | – |
| Debt instruments at amortised cost | **7,864,777** | 6,846,781 | **–** | – | **–** | – |
| Others | **209** | 183 | **–** | – | **–** | – |
| **Amount due to** | | | | | | |
| Others | **531** | 13,389 | **–** | – | **–** | – |

Other inter-company balances are unsecured, non-interest bearing and repayable on demand.

### (D) KEY MANAGEMENT PERSONNEL

Key management compensation

| | The Group 2022 RM'000 | The Group 2021 RM'000 | The Company 2022 RM'000 | The Company 2021 RM'000 |
|---|---|---|---|---|
| Salaries and other employee benefits # | **92,650** | 62,956 | **11,707** | 8,270 |
| Shares of the Company awarded from EOP (units) | **331,630** | 304,408 | **–** | 33,821 |
| Shares of the Company awarded from LTIP (units) | | | | |
| – ESOS | **5,493,000** | 80,810,000 | **–** | – |
| – SGP | **1,199,000** | 5,888,000 | **–** | – |

# includes compensation paid by subsidiaries.

Included in the above table is the Executive Directors' compensation which is disclosed in Note 43. The share options and shares granted are on the same terms and conditions as those offered to other employees of the Group and the Company as disclosed in Note 48 to the Financial Statements.

During the financial year, share based payment expenses to key management personnel of the Group and the Company amounted to RM29,653,000 (2021: RM12,882,000) and RM Nil (2021: RM Nil) respectively.

Loans made to other key management personnel of the Group and the Company are on similar terms and conditions generally available to other employees within the Group. There is no ECL made in 2022 and 2021 for the loans, advances and financing made to the key management personnel.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 47 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

### (E) CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

Credit exposures with connected parties as per Bank Negara Malaysia's revised "Guidelines on Credit Transactions and Exposures with Connected Parties" which became effective in 2008 are as follows:

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Outstanding credit exposures with connected parties | **12,549,205** | 9,154,794 |
| Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures | **2.3%** | 1.8% |
| Percentage of outstanding credit exposures to connected parties which is impaired or in default | **0.0%** | 0.0% |

### (F) TRANSACTIONS WITH SHAREHOLDERS AND GOVERNMENT

Khazanah Nasional Berhad ("KNB"), the major shareholder of the Company, owns 24.06% of the issued share capital of the Company (2021: 25.72%). KNB is an entity controlled by the Malaysian Government. The Group considers that, for the purpose of MFRS 124 "Related Party Disclosures", KNB and the Malaysian Government are in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Company.

The Group and the Company have collectively, but not individually, entered into significant transactions with other government-related entities which include but not limited to the following:

- Purchase of securities issued by government-related entities
- Lending to government-related entities
- Deposit placing with and deposit taking from government-related entities

These transactions are conducted in the ordinary course of the Group's business on agreed terms and consistently applied in accordance with the Group's internal policies and processes. These rates do not depend on whether the counterparties are government-related entities or not.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 48 EMPLOYEE BENEFITS

### EQUITY OWNERSHIP PLAN ("EOP")

The EOP was introduced on 1 April 2011 by the Group where the Group will grant ordinary shares of the Company to selected employees in the Group. Under the EOP, earmarked portions of variable remuneration of the selected employees of the Group will be utilised to purchase ordinary shares of the Company from the open market. The purchased shares will be released progressively to the eligible employees at various dates subsequent to the purchase date, subject to continued employment. A subsidiary company will act on behalf of the Group to administer the EOP and to hold the shares in trust up to the pre-determined transfer date. The eligibility of participation in the EOP shall be at the discretion of the Group Nomination and Remuneration Committee of the Group.

Upon termination of employment other than retirement, disability or death, any unreleased shares will cease to be transferable to the employee and will be disposed accordingly. In the event of retirement, disability or death of the eligible employee, the release of shares will be accelerated to the date of termination of employment and the shares will be assigned to the designated beneficiary.

The total share-based payment expenses of the Group recognised in statement of income during the financial year amounted to RM22,990,000 (2021: RM48,808,000).

The weighted average fair value of shares awarded under EOP which were purchased over a period of 10 trading days was RM5.11 per ordinary share (2021: RM4.21), based on observable market price.

Movements in the number of the Company's ordinary shares awarded are as follows:

| | 2022 Total Shares (units '000) | 2021 Total Shares (units '000) |
|---|---|---|
| At 1 January | **11,979** | 23,149 |
| Awarded | **2,850** | 3,334 |
| Released | **(9,924)** | (14,504) |
| At 31 December | **4,905** | 11,979 |

### LONG TERM INCENTIVE PLAN ("LTIP")

The Group implemented a Long Term Incentive Plan (LTIP) on 9 June 2021, which was approved by the shareholders at the Extraordinary General Meeting held on 15 April 2021. The LTIP is governed by the LTIP by-laws and is administered by the LTIP Committee.

The LTIP is awarded to employees who hold senior management positions and key roles within the CIMB Group and its subsidiary companies, and who fulfil the eligibility criteria and have been approved for participation by the LTIP Committee. Any LTIP awards made to Executive Directors (or any persons connected to the directors) is subject to the approval of the shareholders at a general meeting.

The LTIP, which is valid for 7 years from the implementation date, comprises of 2 performance-based plans – the Employee Share Option Scheme (ESOS) and the Share Grant Plan (SGP).

- The ESOS is a share option scheme with a premium on the exercise price, and the LTIP Committee may, at any time within the duration of the LTIP, grant an ESOS award to eligible employees, subject to the terms and conditions of the by-laws. The ESOS shares may be settled through issuance and transfer of new shares, or other modes of settlement as provided by the by-laws.

- The SGP is a restricted share unit scheme where vesting is subject to performance conditions, and the LTIP Committee may, at any time within the duration of the LTIP, grant an SGP award to eligible employees, subject to the terms and conditions of the by-laws. The SGP shares may be settled through issuance and transfer of new shares, or other modes of settlement as provided by the by-laws.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 48 EMPLOYEE BENEFITS (CONTINUED)

### LONG TERM INCENTIVE PLAN ("LTIP") (CONTINUED)

(i) Details of ESOS shares awarded:

| Award Date | Fair Value RM | Awarded (Units'000) | Vesting Dates |
|---|---|---|---|
| 9 June 2021 – First grant | 0.45 | 216,758 | 31 March 2024<br>31 March 2025 |
| 31 March 2022 – Second grant | 0.75 | 8,991 | 31 March 2024<br>31 March 2025 |
| 8 September 2022 – Third grant | 0.74 | 3,430 | 31 March 2024<br>31 March 2025 |
| 8 December 2022 – Fourth grant | 0.81 | 660 | 31 March 2024<br>31 March 2025 |

The following table indicates the number and movement of ESOS shares during the financial year ended 31 December 2022:

| Award Date | As at 1 January 2022 (Units'000) | Movement during the year: Awarded (Units'000) | Movement during the year: Forfeited (Units'000) | Outstanding as at 31 December 2022 (Units'000) | Exercisable as at 31 December 2022 (Units'000) |
|---|---|---|---|---|---|
| 9 June 2021 – First grant | 196,967 | – | (11,464) | 185,503 | – |
| 31 March 2022 – Second grant | – | 8,991 | (70) | 8,921 | – |
| 8 September 2022 – Third grant | – | 3,430 | – | 3,430 | – |
| 8 December 2022 – Fourth grant | – | 660 | – | 660 | – |

The fair value of ESOS shares awarded was determined using the Black Scholes model based on the terms and conditions of ESOS awards. The fair value of ESOS shares measured, closing share price at grant date and the valuation assumptions are as follows:

| | Award Date: 9 June 2021 – First grant | 31 March 2022 – Second grant | 8 September 2022 – Third grant | 8 December 2022 – Fourth grant |
|---|---|---|---|---|
| Fair value of ESOS shares (RM) | 0.45 | 0.75 | 0.74 | 0.81 |
| Exercise Price (RM) | 4.96 | 5.58 | 5.75 | 5.93 |
| Closing share price at award date (RM) | 4.65 | 5.33 | 5.40 | 5.61 |
| Option term | From award date until 8 June 2028 | From award date until 8 June 2028 | From award date until 8 June 2028 | From award date until 8 June 2028 |
| Expected volatility (%) | 23.60 | 24.85 | 25.04 | 25.62 |
| Risk-free rate (%) | 2.87 | 3.50 | 3.82 | 3.69 |
| Discounted dividend flow | 2.05 | 1.72 | 1.67 | 1.63 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 48 EMPLOYEE BENEFITS (CONTINUED)

### LONG TERM INCENTIVE PLAN ("LTIP") (CONTINUED)

(ii) Details of SGP shares awarded

| Award Date | Fair Value RM | Awarded (Units'000) | Vesting Dates* |
|---|---|---|---|
| 9 June 2021 – First grant | 4.65 | 15,748 | 31 March 2024<br>31 March 2025 |
| 31 March 2022 – Second grant | 5.33 | 1,965 | 31 March 2024<br>31 March 2025 |
| 8 September 2022 – Third grant | 5.40 | 736 | 31 March 2024<br>31 March 2025 |
| 8 December 2022 – Fourth grant | 5.61 | 142 | 31 March 2024<br>31 March 2025 |

* Subject to performance conditions

The following table indicates the number and movement of SGP shares during the financial year ended 31 December 2022:

| Award Date | Outstanding as at 1 January 2022 (Units'000) | Movement during the year Awarded (Units'000) | Movement during the year Forfeited (Units'000) | Outstanding as at 31 December 2022 (Units'000) |
|---|---|---|---|---|
| 9 June 2021 – First grant | 14,306 | – | (835) | 13,471 |
| 31 March 2022 – Second grant | – | 1,965 | (15) | 1,950 |
| 8 September 2022 – Third grant | – | 736 | – | 736 |
| 8 December 2022 – Fourth grant | – | 142 | – | 142 |

The fair value of SGP shares awarded was determined using the closing market price of CIMB shares on the award date, as shown below:

| | Award Date | | | |
|---|---|---|---|---|
| | 9 June 2021 – First grant | 31 March 2022 – Second grant | 8 September 2022 – Third grant | 8 December 2022 – Fourth grant |
| Fair value of SGP shares (RM) | 4.65 | 5.33 | 5.40 | 5.61 |
| Closing share price at award date (RM) | 4.65 | 5.33 | 5.40 | 5.61 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 48 EMPLOYEE BENEFITS (CONTINUED)

### EMPLOYEE STOCK OPTION MANAGEMENT PROGRAM ESTABLISHED USING THE SHARES OF SUBSIDIARY OF THE COMPANY – PT BANK CIMB NIAGA ("MESOP")

The MESOP is a one-time program to reward performance and loyalty of management and selected employees. The amount implemented is 208,216,392 sheets which was approved at the Extraordinary General Meeting of Shareholders on 24 August 2017. This program was launched on 26 February 2018.

The amount of shares allocated to each employees is determined by considering the compensation received, current positions in the company, and performance of the past 2 years. The total amount of shares allocated to the MESOP program is 208.2 million shares, in which 12 millions of shares will be allocated for the share grants and 196.2 millions of shares for the share options. The first 40% of the share options are vested on 26 February 2018 (with condition of lock-up period up to 25 October 2018), another 30% of options are vested on 25 April 2019, and the last 30% of options are vested on 25 April 2020. Every share options corridor has different strike prices.

There are no dividends paid to share option holders before the option is exercised. All treasury shares that were repurchased on 22 February 2018 but not transferred up to 22 February 2021, must be made at the latest within 2 years and will be extended for another 1 year ending 22 February 2024, should the shares not fully transferred, based on POJK No.30/POJK.04/2017.

The total share-based payment expenses of the Group recognised in statement of income during the financial year amounted to RM Nil (2021: RM Nil).

### MATERIAL RISK TAKERS PROGRAMME ("MRT") ESTABLISHED USING THE SHARES OF SUBSIDIARY OF THE COMPANY – PT BANK CIMB NIAGA

In accordance with POJK No. 45/POJK.03/2015 concerning the Implementation of Governance in Providing Remuneration for Commercial Banks, Banks are required to provide variable remuneration in the form of shares or stock-based instruments to parties that have been designated as Material Risk Takers (MRT), which is a remuneration policy in attracting, motivating and retaining the best employees in order to provide qualified human resources. The remuneration policy includes and applies to employees in businesses, operational and support functions.

In 2018, CIMB Niaga has conducted share buyback of 2,677,900 shares. On August 2018, CIMB Niaga had distributed all shares from the share buyback to the management and employee who are eligible Material Risk Takers.

On 25 March 2019, CIMB Niaga has obtained the OJK approval through letter No.S-19/PB.33/2019 dated March 25, 2019 to repurchase shares of a maximum of 20,000,000 (full amount) shares at a cost of up to Rp 25,000 (including transaction fees and taxes).

Upon the approval, CIMB Niaga has conducted share buyback of 7,211,500 shares.

The total share-based payment expenses of the Group recognised in statement of income during the financial year amounted to RM95,000 (2021: RM164,000).

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 49 CAPITAL COMMITMENTS

Capital expenditure approved by Directors but not provided for in the Financial Statements are as follows:

| | The Group 2022 RM'000 | The Group 2021 RM'000 |
|---|---|---|
| **Capital expenditure:** | | |
| Authorised and contracted for | **419,721** | 394,828 |
| Authorised but not contracted for | **1,384,925** | 1,361,584 |
| | **1,804,646** | 1,756,412 |

Analysed as follows:

| | The Group 2022 RM'000 | The Group 2021 RM'000 |
|---|---|---|
| Property, plant and equipment | **970,812** | 973,046 |
| Computer software | **833,834** | 783,366 |
| | **1,804,646** | 1,756,412 |

## 50 COMMITMENTS AND CONTINGENCIES

(i) In the normal course of business, the Group and the Company enter into various commitments and incur certain contingent liabilities with legal recourse to their customers.

These commitments and contingencies are not secured over the assets of the Group and the Company, except for certain financial assets at fair value through profit or loss being pledged as credit support assets for certain over-the-counter derivative contracts.

Treasury related derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Derivative Financial Instruments" Assets and Liabilities respectively. Refer to Note 8.

The notional or principal amount of the credit-related commitments and contingencies constitute the following:

| **The Group** | **2022 Principal RM'000** | **2021 Principal RM'000** |
|---|---|---|
| Credit-related | | |
| Direct credit substitutes | **6,897,580** | 7,032,364 |
| Certain transaction-related contingent items | **7,132,974** | 6,652,316 |
| Short-term self-liquidating trade-related contingencies | **4,151,626** | 3,315,027 |
| Obligations under underwriting agreement | **87,500** | 14,044 |
| Irrevocable commitments to extend credit: | | |
| – Maturity not exceeding one year | **86,747,649** | 72,060,271 |
| – Maturity exceeding one year | **38,062,217** | 33,989,202 |
| Miscellaneous commitments and contingencies | **748,588** | 2,010,717 |
| Total credit-related commitments and contingencies | **143,828,134** | 125,073,941 |
| Total treasury-related commitments and contingencies (Note 8) | **1,227,595,163** | 1,088,081,252 |
| | **1,371,423,297** | 1,213,155,193 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 50 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(i) Included under irrevocable commitments to extend credit are the amount related to the Restricted Agency Investment Account (refer to Note 9 for more details) as follows:

| | The Group | |
|---|---|---|
| | **2022 Principal RM'000** | **2021 Principal RM'000** |
| Irrevocable commitments to extend credit: | | |
| – maturity not exceeding one year | **3,000,000** | 2,500,000 |

(ii) CIMB Bank has given a continuing guarantee to Bank Negara Malaysia to meet the liabilities and financial obligations and requirements of its subsidiary, CIMB Bank (L) Limited, arising from its offshore banking business in the Federal Territory of Labuan.

## 51 SEGMENT REPORTING

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

Segment information is presented in respect of the Group's business segment and geographical segment.

The business segment results are prepared based on the Group's internal management reporting, which reflect the organisation's management reporting structure.

### (A) BUSINESS SEGMENT REPORTING

Definition of segments

The Group has four major operating divisions that form the basis on which the Group reports its segment information.

*(i) Consumer Banking*

Consumer Banking provides everyday banking solutions to individual customers covering both conventional and Islamic financial products and services such as residential property loans, non-residential property loans, secured personal loans, motor vehicle financing, credit cards, unsecured personal financing, wealth management, bancassurance, remittance and foreign exchange, deposits and internet banking services.

*(ii) Commercial Banking*

Commercial Banking offers products and services for customer segments comprising small and medium-scale enterprises ("SMEs") and mid-sized corporations. Their products and services include banking credit facilities, trade financing, cash management, online business banking platform, remittance and foreign exchange, as well as general deposit products.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 51 SEGMENT REPORTING (CONTINUED)

### (A) BUSINESS SEGMENT REPORTING (CONTINUED)

*(iii) Wholesale Banking*

Wholesale Banking comprises Investment Banking, Corporate Banking, Treasury and Markets, Transaction Banking, Equities and Private Banking.

- Investment Banking includes end-to-end client coverage and advisory services. Client coverage focuses on marketing and delivering solutions to corporate and financial institutional clients whereas advisory offers financial advisory services to corporations on issuance of equity and equity-linked products, debt restructuring, initial public offerings, secondary offerings and general corporate advisory.

- Corporate Banking offers a broad spectrum of both conventional and Islamic funding solutions ranging from trade, working capital lines and capital expenditure to leveraging, merger and acquisition, leveraged and project financing. Corporate Banking's client managers partner with product specialists within the Group to provide a holistic funding solution, from cash management, trade finance, foreign exchange, custody and corporate loans, to derivatives, structured products and debt capital market.

- Treasury focuses on treasury activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments. It includes the Group's equity derivatives which develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative investment avenues.

- Transaction Banking comprises Trade Finance and Cash Management which provide various trade facilities and cash management solutions.

- Equities provides broking services to corporate, institutional and retail clients.

- Private Banking offers a full suite of wealth management solutions to high net worth individuals with access to a complete range of private banking services, extending from investment to securities financing to trust services.

*(iv) CIMB Digital Assets & Group Funding (previously known as Group Ventures & Partnerships and Funding)*

CIMB Digital Assets (previously Group Ventures & Partnerships) drives all strategic partnerships across business lines Group-wide and explores strategic equity joint ventures in the ecosystem space. Group Funding encompasses a wide range of activities from capital, balance sheet and fixed income investments and management, as well as the funding and incubation of corporate ventures and projects.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 51 SEGMENT REPORTING (CONTINUED)

### (A) BUSINESS SEGMENT REPORTING (CONTINUED)

| Group | Consumer Banking RM'000 | Commercial Banking RM'000 | Wholesale Banking RM'000 | CIMB Digital Assets & Group Funding RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| | 31 December 2022 | | | | |
| Net interest income | | | | | |
| – External income | 5,169,814 | 1,815,321 | 3,209,566 | 1,434,927 | 11,629,628 |
| – Inter-segment (expense)/income | (167,271) | 537,217 | (156,909) | (213,037) | – |
| | 5,002,543 | 2,352,538 | 3,052,657 | 1,221,890 | 11,629,628 |
| Income from Islamic Banking operations | 1,974,780 | 881,114 | 653,947 | 490,008 | 3,999,849 |
| Net non-interest income | 1,707,124 | 540,666 | 1,764,287 | 185,511 | 4,197,588 |
| Gain on disposal and deemed disposal of subsidiaries and joint ventures | – | – | – | 10,451 | 10,451 |
| | 8,684,447 | 3,774,318 | 5,470,891 | 1,907,860 | 19,837,516 |
| Overheads of which: | (4,663,024) | (1,793,850) | (2,216,199) | (672,434) | (9,345,507) |
| – Depreciation of property, plant and equipment | (110,764) | (5,076) | (15,408) | (169,669) | (300,917) |
| – Amortisation of intangible assets | (137,682) | (14,109) | (74,243) | (369,615) | (595,649) |
| Profit before expected credit losses | 4,021,423 | 1,980,468 | 3,254,692 | 1,235,426 | 10,492,009 |
| Expected credit losses made on loans, advances and financing | (1,001,330) | (494,844) | (323,798) | (132,753) | (1,952,725) |
| Expected credit losses (made)/written back on commitments and contingencies | 82,456 | 756 | (113,979) | 11 | (30,756) |
| Other expected credit losses and impairment allowances (made)/written back | (370,037) | (9,929) | 207,739 | (5,530) | (177,757) |
| Segment results | 2,732,512 | 1,476,451 | 3,024,654 | 1,097,154 | 8,330,771 |
| Share of results of joint ventures | 16,749 | – | – | (42,771) | (26,022) |
| Share of results of associates | – | – | 24,567 | 41,694 | 66,261 |
| Profit before taxation and zakat | 2,749,261 | 1,476,451 | 3,049,221 | 1,096,077 | 8,371,010 |
| Taxation and zakat | | | | | (2,778,079) |
| **Profit for the financial year** | | | | | 5,592,931 |
| Segment assets | 211,410,147 | 64,078,193 | 273,763,397 | 97,654,836 | 646,906,573 |
| Investment in associates and joint ventures | 162,906 | – | – | 2,304,101 | 2,467,007 |
| | 211,573,053 | 64,078,193 | 273,763,397 | 99,958,937 | 649,373,580 |
| Unallocated assets | – | – | – | – | 17,347,645 |
| **Total assets** | 211,573,053 | 64,078,193 | 273,763,397 | 99,958,937 | 666,721,225 |
| Segment liabilities | 170,804,101 | 84,449,789 | 271,298,915 | 50,590,077 | 577,142,882 |
| Unallocated liabilities | – | – | – | – | 25,794,490 |
| **Total liabilities** | 170,804,101 | 84,449,789 | 271,298,915 | 50,590,077 | 602,937,372 |
| **Other segment items** | | | | | |
| Capital expenditure | 315,777 | 19,759 | 91,596 | 473,369 | 900,501 |
| Investment in joint ventures | 162,906 | – | – | 2,262,315 | 2,425,221 |
| Investment in associates | – | – | – | 41,786 | 41,786 |

# Notes to the Financial Statements
**for the financial year ended 31 December 2022**

## 51 SEGMENT REPORTING (CONTINUED)
### (A) BUSINESS SEGMENT REPORTING (CONTINUED)

| Group | Consumer Banking RM'000 | Commercial Banking RM'000 | Wholesale Banking RM'000 | CIMB Digital Assets & Group Funding RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| | 31 December 2021 | | | | |
| Net interest income | | | | | |
| – External income | 4,686,084 | 1,923,938 | 3,057,384 | 1,207,007 | 10,874,413 |
| – Inter-segment income/(expense) | 61,742 | 334,599 | 89,423 | (485,764) | – |
| | 4,747,826 | 2,258,537 | 3,146,807 | 721,243 | 10,874,413 |
| Income from Islamic Banking operations | 1,585,484 | 740,759 | 642,133 | 565,105 | 3,533,481 |
| Net non-interest income | 1,681,649 | 502,838 | 1,432,664 | 337,431 | 3,954,582 |
| Gain on disposal and deemed disposal of subsidiaries | – | – | – | 1,150,464 | 1,150,464 |
| | 8,014,959 | 3,502,134 | 5,221,604 | 2,774,243 | 19,512,940 |
| Overheads of which: | (4,431,517) | (1,757,672) | (2,016,810) | (1,212,950) | (9,418,949) |
| – Depreciation of property, plant and equipment | (107,463) | (4,824) | (15,935) | (148,050) | (276,272) |
| – Amortisation of intangible assets | (102,306) | (7,159) | (55,476) | (549,637) | (714,578) |
| Profit before expected credit losses | 3,583,442 | 1,744,462 | 3,204,794 | 1,561,293 | 10,093,991 |
| Expected credit losses made on loans, advances and financing | (1,159,812) | (672,932) | (733,523) | (47,320) | (2,613,587) |
| Expected credit losses (made)/written back for commitments and contingencies | (113,106) | 4,022 | (1,149) | 11 | (110,222) |
| Other expected credit losses and impairment allowances (made)/written back | (392,919) | (3,453) | (78,601) | 41,448 | (433,525) |
| Impairment of goodwill | (397,339) | (259,652) | (462,737) | (95,469) | (1,215,197) |
| Segment results | 1,520,266 | 812,447 | 1,928,784 | 1,459,963 | 5,721,460 |
| Share of results of joint ventures | 10,999 | – | 79,641 | (26,417) | 64,223 |
| Share of results of associates | – | – | 3,758 | 37 | 3,795 |
| Profit before taxation and zakat | 1,531,265 | 812,447 | 2,012,183 | 1,433,583 | 5,789,478 |
| Taxation and zakat | | | | | (1,396,853) |
| **Profit for the financial year** | | | | | 4,392,625 |
| Segment assets | 192,293,384 | 60,119,398 | 258,852,115 | 92,073,779 | 603,338,676 |
| Investment in associates and joint ventures | 151,157 | – | 673,706 | 2,127,283 | 2,952,146 |
| | 192,444,541 | 60,119,398 | 259,525,821 | 94,201,062 | 606,290,822 |
| Unallocated assets | – | – | – | – | 15,616,236 |
| **Total assets** | 192,444,541 | 60,119,398 | 259,525,821 | 94,201,062 | 621,907,058 |
| Segment liabilities | 161,268,385 | 78,564,205 | 257,604,225 | 47,519,805 | 544,956,620 |
| Unallocated liabilities | – | – | – | – | 16,841,690 |
| **Total liabilities** | 161,268,385 | 78,564,205 | 257,604,225 | 47,519,805 | 561,798,310 |
| **Other segment items** | | | | | |
| Capital expenditure | 223,479 | 14,031 | 79,509 | 727,102 | 1,044,121 |
| Investment in joint ventures | 151,157 | – | – | 2,030,188 | 2,181,345 |
| Investment in associates | – | – | 673,706 | 97,095 | 770,801 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 51 SEGMENT REPORTING (CONTINUED)

### (A) BUSINESS SEGMENT REPORTING (CONTINUED)

*Basis of pricing for inter-segment transfers:*

Inter-segmental charges are computed principally based on the interest-bearing assets and liabilities of each business segment with appropriate rates applied.

### (B) GEOGRAPHICAL SEGMENT REPORTING

The Group's business segments are managed on a worldwide basis and they operate mainly in four main geographical areas:

- Malaysia, the home country of the Group, which includes all the areas of operations in the business segments.
- Indonesia, the areas of operation in this country include all the business segments of a subsidiary bank, PT Bank CIMB Niaga Tbk.
- Thailand, the areas of operation in this country include all the business segments of a subsidiary bank, CIMB Thai.
- Other countries include branch and subsidiary operations in Singapore, United Kingdom, China, Cambodia, Hong Kong, Vietnam and Philippines. The overseas operations involved mainly in corporate lending and borrowing, and stockbroking activities. With the exception of Malaysia, Indonesia and Thailand, no other individual country contributed more than 10% of the consolidated net interest income or assets.

| The Group | Net interest income RM'000 | Total non-current assets RM'000 | Total assets RM'000 | Total liabilities RM'000 |
|---|---|---|---|---|
| **2022** | | | | |
| Malaysia | **5,489,007** | **11,129,443** | **419,575,810** | **378,296,622** |
| Indonesia | **3,578,811** | **1,399,938** | **85,490,777** | **73,747,116** |
| Thailand | **1,241,997** | **303,289** | **63,155,144** | **57,221,665** |
| Other countries | **1,319,813** | **471,572** | **98,499,494** | **93,671,969** |
| | **11,629,628** | **13,304,242** | **666,721,225** | **602,937,372** |
| **2021** | | | | |
| Malaysia | 5,294,393 | 11,719,381 | 394,774,903 | 359,573,062 |
| Indonesia | 3,295,584 | 1,522,023 | 89,792,962 | 78,017,495 |
| Thailand | 1,286,248 | 315,793 | 50,015,782 | 44,490,959 |
| Other countries | 998,188 | 445,077 | 87,323,411 | 79,716,794 |
| | 10,874,413 | 14,002,274 | 621,907,058 | 561,798,310 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 52 SIGNIFICANT EVENTS

### 52.1 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

**(a) Issuance of bonds and Sukuk**

On 20 January 2022, CIMB Bank issued USD500.0 million 5-year fixed rate notes ("the Notes") under its USD5.0 billion Global Medium Term Note Programme. The Notes, which bear a coupon rate of 2.125% per annum payable semi-annually, will mature on 20 July 2027, as disclosed in Note 29(w).

**(b) Errors relating to third party financial remittance service**

In January 2022, the Group identified errors that was related to a specific third party financial remittance service, which led to a limited number of customers receiving duplicate credits in their accounts. The Group has since addressed and remedied these processing errors. After careful assessment of the incident, the Group has also implemented additional controls to prevent similar errors from occurring in the future. At the same time, the Group is embarking on a major review of mitigating controls and policies and procedures, surrounding its transaction processing infrastructure. In addition, the Group is committed to ensure and to enhance operational resilience.

The Group will take all necessary measures available to it to recover the duplicate payments, and these have commenced in first quarter for the financial year ended 2022. The Group had provided for the majority of the exposure, amounting to an ECL of RM280.9 million during the financial year ended 31 December 2021 and a full and final provision has been made for the financial year ended 2022. This provision does not impair the Group's ability to pursue recovery measures. The financial impact are disclosed in Note 10 and Note 42.

**(c) Full redemption of bonds and Sukuk**

The redemptions during the financial year are as follows:

(i) On 8 March 2022, CIMB Bank fully redeemed USD15 million 5-year senior floating rate notes as disclosed in Note 29(a);

(ii) On 15 March 2022, CIMB Bank fully redeemed USD500 million 5-year senior fixed rate notes as disclosed in Note 29(b);

(iii) On 18 May 2022, CIMB Bank redeemed its RM1 billion 5-year senior MTN as disclosed in Note 29(d);

(iv) On 21 August 2022, CIMB Niaga redeemed its Series B Sukuk amounted to IDR936,000 million as disclosed in Note 29(o);

(v) On 23 August 2022, CIMB Niaga redeemed its Series C amounted to IDR822,000 million as disclosed in Note 29(e);

(vi) On 2 November 2022, CIMB Niaga redeemed its Series C Bond amounted to IDR843,000 million;

(vii) On 15 November 2022, CIMB Bank redeemed USD40 million 3-year floating rate notes as disclosed in Note 29(n);

(viii) On 19 December 2022, CIMB Niaga redeemed its Series B Sukuk amounted to IDR1,066,000 million as disclosed in Note 29(p).

**(d) Full redemption of subordinated obligations of the Group**

The redemptions during the financial year are as follows:

On 30 November 2022, the Company redeemed its existing RM1.5 billion Tier 2 Subordinated Debt issued under RM10.0 billion Tier 2 Subordinated Debt Programme on the first call date as disclosed in Note 31(a);

**(e) Full redemption of MTN of the Company**

On 10 June 2022, CIMBGH redeemed its RM750 million iMTN issued under the existing Conventional and Islamic Medium Term Notes Programmes, which has a combined limit of RM6.0 billion in nominal value, as disclosed in Note 30(a).

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 52 SIGNIFICANT EVENTS (CONTINUED)

### 52.1 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

**(f) Rights issuance**

On 20 June 2022, CIMB Bank issued 55.6 million Rights Issue at RM5.80 for each Rights Share. The issuance has resulted in an increase in ordinary shares of RM322.7 million.

**(g) Capital injection of VND225 billion into new ordinary shares of CIMB Bank (Vietnam) Limited**

On 18 July 2022, CIMB Bank completed the capital injection of VND225 billion into new ordinary shares of CIMB Bank (Vietnam) Limited.

**(h) Capital injection of RM802 million into new ordinary shares of CIMB Bank**

On 10 November 2022, the Company completed the capital injection of RM802 million into new ordinary shares of CIMB Bank.

**(i) Issuance of subordinated obligations**

Issuance during the financial year are as follows:

(i) On 8 September 2022, the Company issued RM1.5 billion 10 years non-callable 5 years Tier 2 Sukuk Wakalah bearing a periodic distribution rate of 4.40% per annum, payable on a semi-annual basis. (see Note 31(p));

(ii) On 2 December 2022, the Company issued RM1.0 billion 10 years non-callable 5 years Tier 2 Sustainability Sukuk Wakalah bearing a periodic distribution rate of 4.95% per annum, payable on a semi-annual basis. (see Note 31(q)).

**(j) Acquisition of the remaining 51% equity interest in CIMB AI Labs Private Limited ("CIMB AI Labs")**

On 14 September 2022, CIMB Group's wholly-owned subsidiaries, Minorcap Pte Ltd ("Minorcap") and CIMB Group Sdn Bhd ("CIMBG") had completed the acquisition of the remaining 51% equity interest in CIMB Group's associate company in India named CIMB AI Labs (formerly known as Shining Star Solutions and Services Private Limited) from two individual shareholders.

Pursuant to the completion of the acquisition, CIMB AI Labs is now a 100% wholly-owned subsidiary under CIMB Group, held 99.99% and 0.01% by Minorcap and CIMBG respectively, and will be used to house CIMB Group's data analytics centre in India. The establishment of CIMB Group's data analytics centre in India will complement the existing analytics operations in CIMB's Group Consumer Banking, to spearhead data analytics as a core strategy to support CIMB's businesses.

Approval from Bank Negara Malaysia in relation to the proposed acquisition was received by CIMB Group Holdings Berhad on 24 December 2021.

The acquisition has no material financial effects on the financial statements for the financial year ended 31 December 2022.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 52 SIGNIFICANT EVENTS (CONTINUED)

### 52.2 SIGNIFICANT EVENTS SUBSEQUENT TO THE FINANCIAL YEAR

**(a) Issuance of Structured debentures at CIMB Thai**

Subsequent to the financial year, CIMB Thai issued various unsecured structured debentures amounted to THB60.0 million with tenures ranges between 1 month to 3 months from respective issuance dates. It bears variable interest rates depending on the movement of the price per fund unit of the Reference Fund, payable at respective maturity dates. CIMB Thai had also issued various unsecured short term debentures amounted to THB12.3 billion with maturity of 6 months from respective issuance dates. The short term debentures carry fixed interest rates ranges from 1.15% - 1.34%, payable at respective maturity dates. CIMB Thai had also redeemed various unsecured structured debentures and unsecured short term debentures amounting to THB185.4 million and THB325.2 million respectively subsequent to the financial year.

**(b) Issuance of Sustainability Sukuk Wakalah 2023/2033 RM400 million**

On 8 March 2023, the Company issued RM400 million 10 years non-callable 5 years Tier 2 Sustainability Sukuk Wakalah bearing a periodic distribution rate of 4.30% per annum, payable on a semi-annual basis. The said Sustainability Sukuk Wakalah was issued out of the RM15.0 billion Sukuk Wakalah programme. The proceeds from the issuance were used to subscribe to the RM400 million Tier 2 Sustainability Sukuk Wakalah issued by CIMB Bank on the same day, based on similar terms.

## 53 CAPITAL ADEQUACY

The key driving principles of the Group's capital management policies are to diversify its sources of capital to allocate capital efficiently, and achieve and maintain an optimal and efficient capital structure of the Group, with the objective of balancing the need to meet the requirements of all key constituencies, including regulators, shareholders and rating agencies.

This is supported by the Capital Management Plan which is centrally supervised by CIMB Group Executive Committee who periodically assesses and reviews the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group are also provided to the Board of Directors.

The capital adequacy ratios of the banking subsidiaries of the Group are computed as follows:

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework ("CAF") (Capital Components)/Capital Adequacy Framework for Islamic Banks ("CAFIB") (Capital Components), of which the latest revision was issued on 9 December 2020. The revised guidelines took effect on 9 December 2020 for all banking institutions and financial holding companies and sets up the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

On 5 February 2020, BNM issued the policy document on Domestic Systemically Important Banks (D-SIB) Framework, which sets out BNM's assessment methodology to identify D-SIBs in Malaysia, following which CIMB Group Holdings Berhad has been identified as a D-SIB. A D-SIB is required to maintain additional capital buffers to regulatory capital requirements that include a higher loss absorbency (HLA) requirement which came into effect on 31 January 2021. The applicable HLA requirements will be in accordance to the list of D-SIBs published and updated by BNM on an annual basis.

The risk-weighted assets of the Bank Group and the Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets), of which the latest revision was issued on 3 May 2019.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 53 CAPITAL ADEQUACY (CONTINUED)

The Internal Ratings Based ("IRB") Approach adopted by CIMB Bank and CIMB Islamic Bank is applied for the major credit exposures with retail exposures on Advanced IRB approach and non-retail exposures on Foundation IRB approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on the Basic Indicator Approach. As for CIMB Investment Bank Group, the Standardised Approach is applied for Credit Risk and Market Risk while Operational Risk is based on the Basic Indicator Approach.

The capital adequacy ratios of CIMB Thai Bank is based on the Bank of Thailand (BOT) Notification No. SorNorSor. 12/2555 Re: Regulations on Supervision of Capital for Commercial Banks, dated 8 November 2012. Credit Risk and Market Risk are based on Standardised Approach while Operational Risk is based on Basic Indicator Approach.

The capital adequacy ratios of Bank CIMB Niaga is based on Otoritas Jasa Keuangan (OJK)'s requirements. The approach for Credit Risk and Market Risk is based on the Standardised Approach while Operational Risk is based on the Basic Indicator Approach.

The regulatory compliance ratio of CIMB Bank PLC refers to the Solvency Ratio. The Solvency ratio is computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived from CIMB Bank PLC's net worth divided by its risk-weighted assets.

The capital adequacy ratio of CIMB Bank (Vietnam) Ltd. is calculated and managed according to local regulations as per the requirement of State Bank of Vietnam (SBV) in Circular 41/2016/TT-NHNN (dated 30 December 2016), which requires banks and branches of foreign banks to maintain the minimum CAR at 8% which covers credit, market and operational risk. Prior to 2020, the capital adequacy ratio of CIMB Bank (Vietnam) Ltd. was calculated and managed according to local regulations as per the requirement of (SBV) in circular 36/2014/TT-NHNN dated 20 November 2014 with minimum compliance of 9%, amended by circular 06/2016/TT-NHNN dated 27 May 2016 and circular 19/2017/TT-NHNN dated 28 December 2017.

*Capital Structure and Adequacy*

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group as at 31 December 2022 and 31 December 2021. The banking subsidiaries issue various capital instruments pursuant to the respective regulatory guidelines, that qualify as capital pursuant to the CAF and CAFIB issued by BNM.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 53 CAPITAL ADEQUACY (CONTINUED)

(a) The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group as at 31 December 2022 and 31 December 2021.

| | The Group | |
|---|---|---|
| | **2022** | **2021** |
| **Before deducting proposed dividend** | | |
| Common equity tier 1 ratio | **14.943%** | 14.596% |
| Tier 1 ratio | **15.792%** | 15.481% |
| Total capital ratio | **18.891%** | 18.373% |
| **After deducting proposed dividend** | | |
| Common equity tier 1 ratio | **14.526%** | 14.194% |
| Tier 1 ratio | **15.375%** | 15.079% |
| Total capital ratio | **18.474%** | 17.970% |

The Group implemented a Dividend Reinvestment Scheme ("DRS") for the single-tier second interim dividend in respect of the financial year ended 31 December 2021, which would increase the capital adequacy ratios of the Group above those stated above.

The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Credit risk [1] | **283,348,349** | 266,883,396 |
| Market risk | **13,981,992** | 18,638,489 |
| Large exposure risk requirements | **1,194,330** | 891,987 |
| Operational risk | **33,969,638** | 32,221,575 |
| Total risk-weighted assets | **332,494,309** | 318,635,447 |

[1] The RWA for credit risk relating to the Restricted Agency Investment Account (refer Note 9(i)(c) for more details) are as follows:

| | The Group | |
|---|---|---|
| | **RM'000** | **RM'000** |
| Under Restricted Agency Investment Account arrangement | **857,557** | 1,227,746 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 53 CAPITAL ADEQUACY (CONTINUED)

(b) Components of Tier 1 and Tier 2 capital for the financial year ended 31 December 2022 and 31 December 2021 are as follows:

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| **Common Equity Tier 1 capital** | | |
| Ordinary share capital | **29,094,547** | 27,099,681 |
| Other reserves | **33,396,659** | 31,763,582 |
| Qualifying non-controlling interests | **484,612** | 460,905 |
| Less: Proposed dividends | **(1,386,463)** | (1,282,792) |
| Common Equity Tier 1 capital before regulatory adjustments | **61,589,355** | 58,041,376 |
| Less: Regulatory adjustments | | |
| Goodwill | **(6,382,440)** | (6,444,100) |
| Intangible assets | **(1,798,512)** | (1,857,470) |
| Deferred tax assets | **(1,866,077)** | (1,626,326) |
| Investment in capital instruments of unconsolidated financial and insurance/takaful entities | **(3,062,743)** | (2,839,107) |
| Regulatory reserve | **(417,993)** | (129,286) |
| Others | **236,434** | 80,941 |
| Common Equity Tier 1 capital after regulatory adjustments | **48,298,024** | 45,226,028 |
| **Additional Tier 1 capital** | | |
| Perpetual subordinated capital securities | **2,750,000** | 2,750,000 |
| Qualifying capital instruments held by third parties | **72,768** | 69,650 |
| | **2,822,768** | 2,819,650 |
| Less: Regulatory adjustments | | |
| Investments in own Additional Tier 1 capital instruments | **–** | – |
| Additional Tier 1 capital after regulatory adjustments | **2,822,768** | 2,819,650 |
| **Total Tier 1 capital** | **51,120,792** | 48,045,678 |
| **Tier 2 capital** | | |
| Subordinated obligations | **7,800,000** | 6,800,000 |
| Qualifying capital instruments held by third parties | **71,903** | 69,341 |
| Surplus of eligible provisions over expected loss | **1,024,699** | 915,176 |
| General provisions √ | **1,407,065** | 1,429,425 |
| Tier 2 capital before regulatory adjustments | **10,303,667** | 9,213,942 |
| Less: Regulatory adjustments | | |
| Investments in own Tier 2 capital instruments | **–** | – |
| **Total Tier 2 capital** | **10,303,667** | 9,213,942 |
| **Total capital** | **61,424,459** | 57,259,620 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 53 CAPITAL ADEQUACY (CONTINUED)

(c) The capital adequacy of the banking subsidiary companies of the Group are as follows:

| | CIMB Bank Group | CIMB Bank** | CIMB Islamic Bank | CIMB Investment Bank Group | CIMB Thai Bank | Bank CIMB Niaga | CIMB Bank PLC | CIMB Bank (Vietnam) Ltd |
|---|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | | |
| **Before deducting proposed dividend** | | | | | | | | |
| Common equity tier 1 ratio | **15.504%** | **15.491%** | **14.040%** | **97.816%** | **15.068%** | **20.779%** | **N/A** | **N/A** |
| Tier 1 ratio | **16.166%** | **16.308%** | **14.670%** | **97.816%** | **15.068%** | **20.779%** | **N/A** | **N/A** |
| Total capital ratio | **19.822%** | **20.031%** | **17.078%** | **97.816%** | **20.780%** | **21.862%** | **18.615%** | **56.979%** |
| **After deducting proposed dividend** | | | | | | | | |
| Common equity tier 1 ratio | **15.139%** | **14.918%** | **14.040%** | **94.645%** | **15.068%** | **20.779%** | **N/A** | **N/A** |
| Tier 1 ratio | **15.802%** | **15.736%** | **14.670%** | **94.645%** | **15.068%** | **20.779%** | **N/A** | **N/A** |
| Total capital ratio | **19.458%** | **19.458%** | **17.078%** | **94.645%** | **20.780%** | **21.862%** | **18.615%** | **56.979%** |
| **2021** | | | | | | | | |
| **Before deducting proposed dividend** | | | | | | | | |
| Common equity tier 1 ratio | 15.443% | 14.919% | 15.109% | 93.350% | 15.701% | 21.216% | N/A | N/A |
| Tier 1 ratio | 16.228% | 15.834% | 15.875% | 93.350% | 15.701% | 21.216% | N/A | N/A |
| Total capital ratio | 19.690% | 19.051% | 18.853% | 93.365% | 21.797% | 22.294% | 17.525% | 112.477% |
| **After deducting proposed dividend** | | | | | | | | |
| Common equity tier 1 ratio | 15.185% | 14.530% | 15.109% | 88.272% | 15.701% | 21.216% | N/A | N/A |
| Tier 1 ratio | 15.970% | 15.445% | 15.875% | 88.272% | 15.701% | 21.216% | N/A | N/A |
| Total capital ratio | 19.432% | 18.662% | 18.853% | 88.288% | 21.797% | 22.294% | 17.525% | 112.477% |

** Includes the operations of CIMB Bank (L) Limited.

√ Total Capital of CIMB Group as at 31 December 2022 has excluded general provisions restricted from Tier II capital of RM1,369 million (2021: RM1,317 million).

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 54 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Company's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

*(a) Expected credit loss allowance on financial assets at amortised cost and FVOCI*

The expected credit loss allowance for financial assets at amortised cost and FVOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit loss, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit loss;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit loss; and
- Establishing groups of similar financial assets for the purposes of measuring expected credit loss.

Global economic activity is expected to be cautious in 2023 in view of on-going political tensions, uncertainty in Covid-19 cases and possibility of a global recession. Inflationary pressures are likely to remain as governments will likely continue tightening fiscal and monetary policies. This may be partially offset by the relaxation of China's strict pandemic controls which signals a recovery of the Chinese economy, which should translate to a pick-up in global travel activity and consumer spending.

The Group had supported customers impacted by the pandemic by providing targeted assistance programs. Most customers have since migrated out of these programs. The Group will continue to monitor the ECL impact on an on-going basis to ensure a sufficient level of provisions are being made for the targeted portfolios based on the best available information taking into consideration the country's growth and global economic uncertainty arising from external factors which ultimately will impact the domestic outlook. As the Group has set an observation period to monitor the repayments trend of the borrowers under repayment assistance programme, management will make reversal at the end of monitoring period. Management will also be taking necessary actions for post model adjustments to ensure ECL is sufficiently provided for to account for any continued external factors uncertainties.

In addition, amidst of the global uncertainty and economic headwinds including geopolitical tensions, management has updated the forward looking scenarios used in the ECL model to reflect the latest available macroeconomic view of recovery in year 2022. Various prevailing uncertainties will continue to be monitored and the Group will continue to keep track of asset quality of the borrowers.

Refer to Section 57.1 Credit risk measurement for details on the key judgements and assumptions of the estimation of expected credit loss allowance for financial assets at amortised cost and FVOCI.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 54 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES (CONTINUED)

(b) *Goodwill impairment*

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note M(a) of the Summary of Significant Group Accounting Policies.

The first step of the impairment review process requires the identification of independent operating units, dividing the Group's business into the various cash-generating-units ("CGU"). The goodwill is then allocated to these various CGU. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value.

The carrying value of the CGU, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in the market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the individual CGU's pre-tax discount rate, which reflect the specific risks relating to the CGU. This requires exercise of judgement. The assessment of the value in use of each CGU has considered the impact of COVID-19 on earnings. Refer to Note 19 for details of these assumptions and the potential impact of changes to the assumptions. Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

Value-in-use does not reflect future cash outflows or related cost savings (for example reductions in staff costs) or benefits that are expected to arise from a future restructuring to which an entity is not yet committed.

(c) *Fair value of financial instruments*

The majority of the Group's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, prepayment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 57.4.

(d) *Provision of taxation*

The Group is subject to taxation in numerous jurisdictions and is routinely under audit by many different taxing authorities in the ordinary course of business. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain, as taxing authorities may challenge some of the Group's positions, propose adjustments or changes to its tax filings and have differing interpretations of tax law for which the final outcome is not determined until a later date. As a result, the Group maintains provisions for uncertain tax positions that it believes appropriately reflect its risk. These provisions are made using the Group's best estimates of the amount expected to be paid based on a qualitative assessment of all relevant factors.

The Group reviews the adequacy of these provisions at the end of each reporting period and adjusts them based on changing facts and circumstances. Due to the uncertainty associated with tax audits, it is possible that at some future date, liabilities resulting from such audits or related litigation could vary significantly from the Group's provisions. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made. However, based on currently enacted legislation, information currently known by the Group and after consultation with external tax advisors, management believes that the ultimate resolution of any such matters, individually or in the aggregate, will not have a material adverse impact on the Group's financial condition taken as a whole.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 55 NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE

| | | The Group | | The Company | |
|---|---|---|---|---|---|
| | | **2022 RM'000** | **2021 RM'000** | **2022 RM'000** | **2021 RM'000** |
| **Non-current assets held for sale:** | | | | | |
| Property, plant and equipment, right-of-use assets and investment property | (a) | **7,471** | 55,362 | **–** | 3,768 |
| Investment in associates (Note 14e) | | **757,115** | – | **–** | – |
| Disposal group held for sale | (b) | **269** | 467 | **–** | – |
| Total non–current assets held for sale | | **764,855** | 55,829 | **–** | 3,768 |
| **Non-current liabilities held for sale:** | | | | | |
| Disposal group held for sale | (b) | **39** | 67 | **–** | – |
| Total non–current liabilities held for sale | | **39** | 67 | **–** | – |

(a) Property, plant and equipment of the Group where deposits have been received from buyers of the properties and where a definitive buyer has been identified have been classified as held for sale. The disposals are expected to be completed in 2023.

Fair value of property plant and equipment held for sale

In accordance with MFRS 5, the non-current assets held for sale were stated at the lower of carrying amount and fair value less cost to sell. As at 31 December 2022, the property, plant and equipment held for sale that were stated at fair value less cost to sell was RM7,471,000 (2021: RM17,195,000). This is a non-recurring fair value which has been measured using observable inputs under sales comparison approach performed by independent valuers. Sales prices of comparable land and building in close proximity are adjusted for differences in key attributes such as property size. Therefore, it is within Level 2 of the fair value hierarchy.

(b) Disposal group held for sale

During the financial year

The assets and liabilities of the disposal group as at 31 December 2022 are as follows:

| | The Group |
|---|---|
| | **RM'000** |
| **Assets classified as held for sale** | |
| Cash and short term funds | **145** |
| Other assets | **124** |
| | **269** |
| **Liabilities classified as held for sale** | |
| Other liabilities | **39** |
| | **39** |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 55 NON-CURRENT ASSETS AND LIABILITIES HELD FOR SALE (CONTINUED)

(b) Disposal group held for sale (Continued)

In prior year

The assets and liabilities of the disposal group as at 31 December 2021 are as follows:

| | The Group |
|---|---|
| | **RM'000** |
| **Assets classified as held for sale** | |
| Cash and short term funds | 250 |
| Other assets | 217 |
| | 467 |
| **Liabilities classified as held for sale** | |
| Other liabilities | 67 |
| | 67 |

## 56 SIGNIFICANT DEEMED DISPOSAL OF SUBSIDIARY WITH LOSS OF CONTROL

### DISPOSAL IN PRIOR YEAR

**(a) Disposal of interest in a subsidiary that resulted in loss of control in 2021:**

| | Note |
|---|---|
| **Name of subsidiaries** | |
| TNG Digital Sdn Bhd ("TNGD") | 56(b) |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 56 SIGNIFICANT DEEMED DISPOSAL OF SUBSIDIARY WITH LOSS OF CONTROL (CONTINUED)

**(b) The cash flows and net assets of TNGD are as follows:**

| | Note | The Group 2021 RM'000 |
|---|---|---|
| Cash and short-term funds | | 323,246 |
| Deposits and placements with banks and other financial institutions | | 226 |
| Other assets | | 34,691 |
| Property, plant and equipment | | 9,826 |
| Right-of-use assets | | 6,280 |
| Intangible assets | | 50,457 |
| Other liabilities | | (316,615) |
| Lease liabilities | | (6,465) |
| Non-controlling interests | | (46,890) |
| Net assets | | 54,756 |
| Reclassification of option reserve and others | | (6,411) |
| Gain on deemed disposal | | 1,155,890 |
| Deemed considerations (inclusive of fair value adjustment) | | 1,204,235 |
| *Less*: Fair value of equity interest retained as a joint venture | 15 | (1,204,235) |
| Total deemed consideration received in cash | | – |
| *Less*: Cash of subsidiary disposed | | (323,246) |
| Cash outflow on disposal of subsidiary | | (323,246) |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT

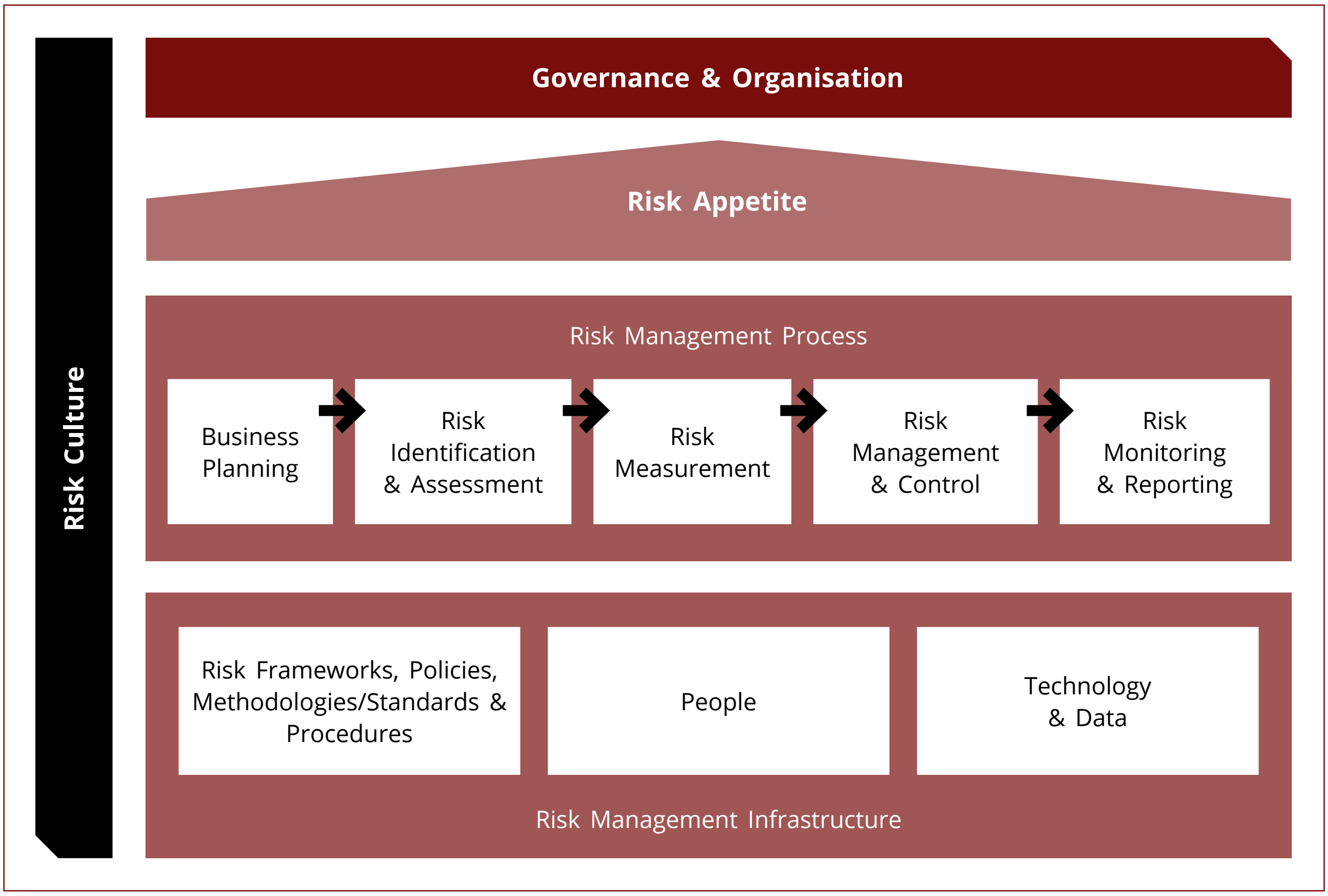
### (A) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group embraces risk management as an integral part of the Group's business, operations and decision-making processes. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk-taking process by providing independent inputs, including relevant valuations, credit evaluations, new product assessments, quantification of capital requirements and risk turn analysis or simulations. These inputs enable the business units to assess the risk-vs-reward of their propositions.

### (B) ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK ("EWRM")

The Group employs a Group EWRM framework as a standardised approach to effectively manage its risks and opportunities. The Group EWRM framework provides the Board and management with tools to anticipate and manage both the existing and potential risks, taking into consideration evolving risk profiles as dictated by changes in business strategies, the external environment and/or regulatory environment.

The key components of the Group's EWRM framework are represented in the diagram below:




The design of the Group EWRM framework incorporates a complementary 'top-down strategic' and 'bottom-up tactical' risk management approach.

The key features of the Group EWRM framework include:

#### (I) RISK CULTURE

The Group embraces risk management as an integral part of its culture and decision-making processes. The Group's risk management philosophy is embodied in the Three Lines-of-Defence approach, whereby risks are managed initially from the onset of risk-taking activities. There is clear accountability of risk ownership across the Group.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (B) ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK ("EWRM") (CONTINUED)

The key features of the Group EWRM framework include (Continued):

#### (II) GOVERNANCE & ORGANISATION

A strong governance structure is important to ensure an effective and consistent implementation of the Group EWRM framework. The Board is ultimately responsible for the Group's strategic direction, which is supported by the risk appetite and risk management frameworks, policies, methodologies/standards and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group's risk management framework is effectively implemented.

#### (III) RISK APPETITE

It is defined as the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk.

#### (IV) RISK MANAGEMENT PROCESS

- Business Planning: Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture, new product and business activities.
- Risk Identification & Assessment: Risks are systematically identified and assessed through the robust application of the Group's risk framework, policies, methodologies/standards and procedures.
- Risk Measurement: Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.
- Risk Management and Control: Risk management limits and controls are used to manage risk exposures within the risk appetite set by the Board. Risk management limits and controls are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- Risk Monitoring and Reporting: Risks on an individual as well as on a portfolio basis are regularly monitored and reported to ensure they remain within the Group's risk appetite.

#### (V) RISK MANAGEMENT INFRASTRUCTURE

- Risk Frameworks' Policies, Methodologies/Standards and Procedures addressing all areas of material risks: Frameworks provide broad objectives and overarching risk management architecture for managing risks. Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures provide more detailed guidance to assist with the implementation of policies.
- People: Attracting the right talent and skills is key to ensuring a well-functioning Group EWRM framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.
- Technology and Data: Appropriate technology and sound data management support risk management activities.

### (C) RISK GOVERNANCE

At the apex of the governance structure are the respective boards of entities within the Group, which decides on the entity's risk appetite corresponding to its business strategies. Each Board Risk and Compliance Committee ("BRCC") reports directly to the respective boards and assumes responsibility on behalf of the respective boards for the supervision of risk management and control activities. Each BRCC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the risk appetite. The BRCC also oversees the implementation of the Group EWRM framework, provides strategic guidance and reviews the decisions of Group Risk and Compliance Committee ("GRCC").

To facilitate the effective implementation of the Group EWRM framework, BRCC has established various specialised/sub-risk committees within the Group, each with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (C) RISK GOVERNANCE (CONTINUED)

The responsibility of risk management supervision and control is delegated to GRCC, which reports directly to BRCC. GRCC, comprised of senior management of the Group, performs the oversight function for the overall management of risks. GRCC is supported by specialised/sub-risk committees, namely Group Credit Committee ("GCC"), Group Market and Conduct Risks Committee ("GMCRC"), Group Operational & Resiliency Risk Committee, Group Asset Liability Management Committee ("GALMC") and Group Asset Quality Committee ("GAQC"), each addressing one or more of the following:

(i) Credit risk, defined as the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;

(ii) Market risk, defined as fluctuations in the value of financial instruments due to changes in market risk factors such as interest/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;

(iii) Liquidity and funding risk, defined as the current and potential risk to earnings, shareholders' funds or reputation arising from the inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses;

(iv) Interest rate/rate of return risk in the banking book, which is the current and potential risk to the Group's earning and economic value arising from movement in interest rates/profit rates;

(v) Operational risk, defined as the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. It includes legal risk but excludes strategic and Shariah non-compliance risks;

(vi) Capital risk, defined as the risk of a bank not having sufficient capital to withstand potential losses suffered in its operations. Capital is important as it can be used to repay depositors, customers, creditors, and other claimants in case there is insufficient liquidity during a crisis;

(vii) Technology risk, is the risk of loss resulting from inadequate or weaknesses in strategy, people, process, technology or external events, which includes financial risk, regulatory/compliance risk and the risk of reputational loss/damage;

(viii) Fraud risk, defined as the risk of loss resulting from an act or course of deception or omission with the intention to conceal, omit, distort, misrepresent, falsify or etc. to: (i) gain unlawful/illegal/unfair personal advantages, (ii) induce another individual(s) to surrender willing/unwilling of a legal right/possession or (iii) damage another individual(s) resulting in a loss to another;

(ix) Outsourcing risk, defined as the risk emanating from outsourcing arrangements that could result in a distruption to business operations, financial loss or reputational damage to the Group;

(x) Shariah Non Compliance ("SNC") risk, defined as the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which CIMB Group may suffer arising from failure to comply with Shariah requirements determined by Shariah Advisory Council ("SAC") of BNM and Securities Commission ("SC"), including standards on Shariah matters issued by BNM pursuant to Section 29(1) of the IFSA, or decisions or advice of the Board Shariah Committee ("BSC") of the Group and other Shariah regulatory authorities of the jurisdictions in which the Group operates; and

(xi) Sustainability risk defined as the risk of financial and non-financial impact arising from environmental, social and ethical issues stemming from transactions and/or activities associated with a business relation and its operations, and/or the Group's own internal operations and employees.

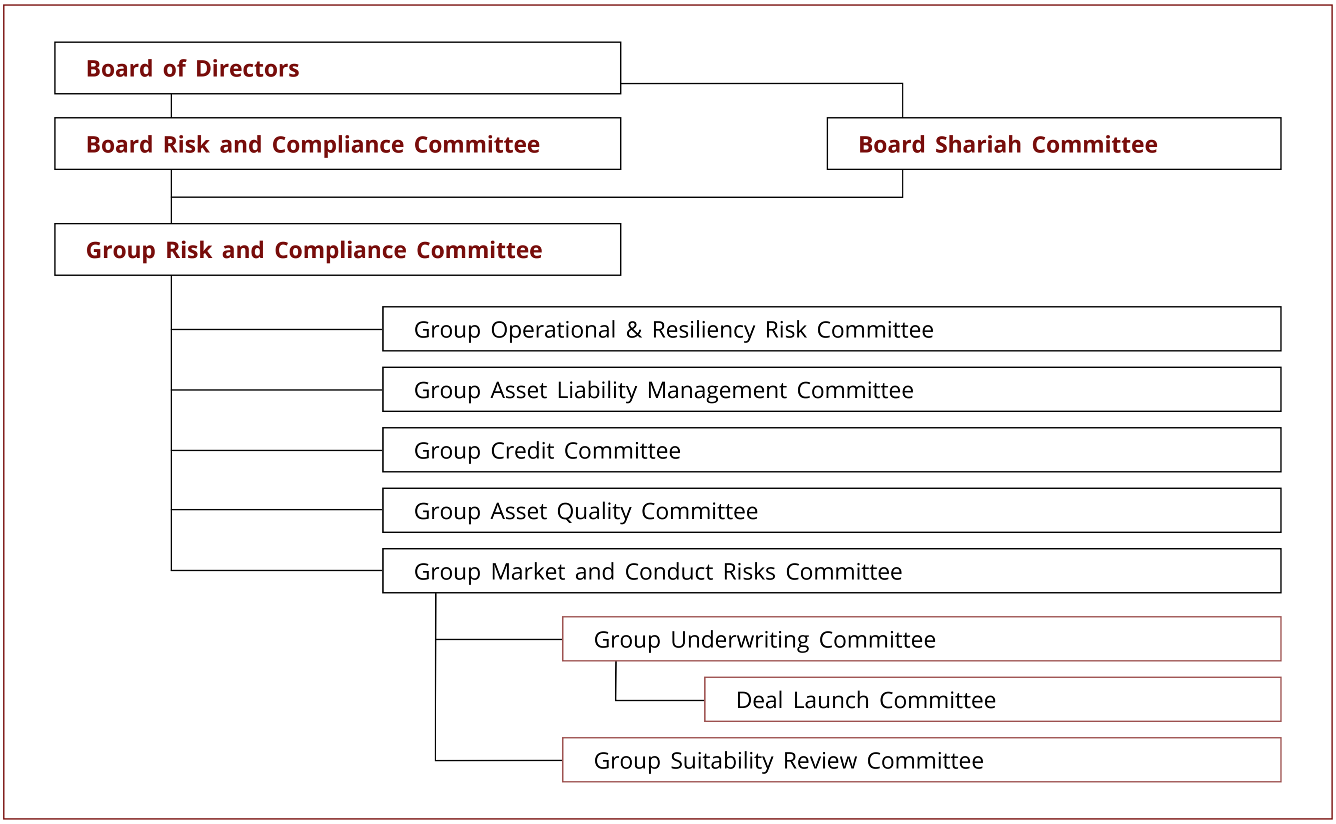
# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (C) RISK GOVERNANCE (CONTINUED)

The structure of CIMB Group Risk Committees is depicted in the following chart:




The overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, the Group and regional committees have consultative and advisory responsibilities on regional matters across the Group as regulators allow. This structure increases regional communication and sharing of technical knowledge and best practices. It further enhances support towards managing and responding to risk management issues, thus providing the Board with a comprehensive view of the activities within the Group.

In addition to the Group Risk Committees, the Group has established a Group Sustainability and Governance Committee ("GSGC") consisting of five Independent Directors to assist the Board in fulfilling its responsibilities in advocating and fostering a culture/ DNA of sustainability, ethical conduct, and integrity across the Group.

Sustainability is also embedded in the roles and responsibilities of various Board Committees. To ensure information-symmetry and consensus across all Board Committees and entity boards, with regards to the direction and progress of the Group's sustainability and climate change strategy deliberated at the GSGC, selected GSGC members and business units such as Group Sustainability are responsible for providing relevant updates and inputs to the various Board Committees and entity boards on a periodic basis.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (C) RISK GOVERNANCE (CONTINUED)

***Three Lines-of-Defence***

The Group's risk management culture is embodied through the adoption of the Three Lines-of-Defence philosophy, whereby risks are managed from the point of risk-taking activities. This is to ensure clear accountability of risks across the Group and risk management as an enabler of the business units. As a first line-of-defence, the line management (including key Business Pillars and Enablers) is primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line-of-defence provides oversight and performs independent monitoring of business activities and reporting to the Board and management to ensure that the Group conducts business and operates within the approved appetite, and is in compliance with regulations. The third line-of-defence is Group Corporate Assurance Division who provides independent assurance on the adequacy and effectiveness of the internal controls and risk management processes.

***The Roles of Group Chief Risk Officer ("CRO") and Group Risk Division ("GRD")***

Within the second line-of-defence is Group Risk, a function independent of business units. It assists the Group's management and stakeholders in the monitoring and controlling risk exposures within the Board-approved risk appetite statement.

Group Risk is headed by the Group CRO, appointed by the Board to lead the Group-wide risk management functions including implementation of the Group EWRM framework. The Group CRO:

(i) actively engages the respective boards and senior management on risk management issues and initiatives; and
(ii) maintains an oversight on risk management functions across all entities within the Group. In each key country of operations, there is a local CRO or a local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and liaise with regulators in the respective countries.

The organisational structure of Group Risk is made of two major components, namely the CRO and the Risk Centres of Excellence ("CoE")

### (I) CRO

- The CRO is supported by the CROs who oversee the risk management functions in overseas branches and banking subsidiaries.
- CRO's main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under his/her purview.
- For countries where a CRO is not present and/or not required, a local Head of Risk Management is appointed to be the overall risk coordinator for that country.

### (II) RISK CENTRES OF EXCELLENCE

- These are specialised teams of risk officers responsible for the active oversight of Group-wide functional risk management and the teams support respective CROs in the various geographies.
- The Risk CoEs consist of Asset liability Management, Credit Risk, Market Risk, Non-Financial Risk Management (comprising Operational, Shariah, Business Continuity Management, Technology, Outsourcing & Fraud Risk Management), Risk Analytics, and Credit Risk Infrastructure CoEs.

#### (1) ASSET LIABILITY MANAGEMENT COE

The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement, monitoring and reporting of liquidity risk and interest rate/rate of return risk in the banking book. It conducts regular stress testing on the Group's liquidity and interest rate risk/rate of return profile, by leveraging on the standardised infrastructure it has designed, built and implemented across the region. It provides the framework and tools for maintenance of the early warning system indicators and contingency funding plan by business owners across the Group.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (C) RISK GOVERNANCE (CONTINUED)

***The Roles of Group Chief Risk Officer ("CRO") and Group Risk Division ("GRD") (Continued)***

The organisational structure of GRD is made of two major components, namely the CRO and the Risk Centres of Excellence ("CoE") (Continued):

### (II) RISK CENTRES OF EXCELLENCE (CONTINUED)

#### (2) CREDIT RISK COE

The Credit Risk CoE consists of Retail and Non-Retail credit risk and is dedicated to the assessment, measurement, management, monitoring and reporting of credit risk in the Group. The scope under the CoE function include areas ranging from development of credit risk policies, procedures and standards to advance portfolio analytics, and implementation of credit risk modelling (including rollout of challenger Alternate Credit Underwriting models leveraging on machine learning techniques for Retail portfolios).

#### (3) MARKET RISK COE

The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalised through the review of treasury positions versus limits framework, performing mark-to-market valuation, calculating Value-at-Risk ("VaR") and market risk capital as well as performing stress testing.

#### (4) NON-FINANCIAL RISK MANAGEMENT COE

The Non-Financial Risk Management ("NFRM") CoE ensures the first line-of-defence manages their operational risk by providing an operational risk framework that enables them to identify, assess, manage and report their operational risks. The team also provides constructive challenge and assessment to the first line-of-defence's execution of the operational risk framework and act as a consultant with the Group in providing operational risk expertise and reporting to senior management.

The Shariah Risk Management ("SRM") unit within the NFRM CoE facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic banking businesses and services. It formulates, recommends and implements appropriate SRM policies and guidelines; as well as develops and implements processes for SNC risk awareness.

NFRM CoE also extend its specialist risk oversight to cover Business Continuity Management, Fraud, Technology and Outsourcing risks.

#### (5) ENTERPRISE RISK AND INFRASTRUCTURE COE

The Enterprise Risk and Infrastructure CoE ensures the Group's compliance to Basel and SCEL regulatory requirements, including implementation and validation of risk models, and management of risk data for credit risk measurement and risk reporting across the Group. In addition, the CoE will develop and implement regional initiatives to manage and monitor climate-related risks in support of the Group's 2050 Net-Zero ambition.

Sustainability risk (including climate risk) is a transverse risk that manifests itself through existing risk types. Due to the cross-cutting nature of Sustainability risk, the implementation of Group-wide sustainability governance framework is currently spearheaded and managed by Group Sustainability as the Sustainability CoE, which sits outside of Group Risk. Notwithstanding this, Sustainability risk has been and will continue to be integrated into the Group's existing risk management frameworks. For instance, a Climate Risk unit was established under the Enterprise Risk and Infrastructure CoE in 2022 to develop and provide a holistic climate risk management framework to monitor and manage the Group's exposure to climate-related physical and transition risks through relevant policies and procedures, risk appetite, climate scenario analysis and stress testing, as well as data analytics.

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (C) RISK GOVERNANCE (CONTINUED)

#### STRATEGIES AND PROCESSES FOR VARIOUS RISK MANAGEMENT

Information on strategies and processes for Credit Risk, Market Risk and Liquidity Risk are available in the later sections.

### 57.1 CREDIT RISK

Credit risk is defined as the possibility of losses due to an obligor or market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

Credit risk is inherent in banking activities and arises from traditional financing activities through conventional loans, financing facilities, trade finance, as well as commitments to support customer's obligation to third parties, e.g. guarantees or kafalah contracts. In derivatives, sales and trading activities, credit risk arises from the possibility that the Group's counterparties will be unable or unwilling to fulfil their obligation on transactions on or before settlement dates.

#### CREDIT RISK MANAGEMENT

Without effective credit risk management, the impact of the potential losses can be overwhelming. The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

Consistent with the three lines-of-defence model on risk management where risks are managed initially from the onset of risk-taking activities, the Group implemented the risk-based delegated authority framework. This promotes clarity of risk accountability whereby the business unit, being the first line-of-defence, manages risk in a proactive manner with Group Risk being independent from the business units, function as the second line-of-defence. This enhances the collaboration between Group Risk and the business units.

The risk-based delegated authority framework encompass joint delegated authority, enhanced credit approval process and outlines a clear set of policies and procedures that defines the limits and types of authority designated to the specific individuals.

The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities holders between business units and Group Risk, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking loans/financing, credit applications are independently evaluated by the Credit Risk CoE team prior to submission to the joint delegated authority or the relevant committees for approval; certain business units officers are delegated with credit approving authority to approve low valued credit facilities. In addition, for loan/financing to sectors and clients that are exposed to high environmental and social risks, the Sustainability CoE conducts due diligence from an environmental and social point of view.

For retail loans, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limit submitted to joint delegated authority and relevant committees for approval.

The GRCC with the support of GCC, GAQC, other relevant credit committees as well as Group Risk, is responsible for ensuring adherence to the Board's approved risk appetite and risk posture. This, amongst others, includes the reviewing and analysing of portfolio trends, asset quality, watch-list reporting and policy reviews. It is also responsible for articulating key credit risks and mitigating controls.

Adherence to and compliance with country sector limit, single customer and country and global counterparty limits are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual. In view of the tightening regulations around climate change and to support the Group's Net Zero commitment by 2050, a climate overlay focusing on sector sensitivity to transition risks (which references the Transition Risk Heatmap developed under United Nations Environment Program Finance Initiative) was integrated by Group Sustainability into Group Risk's Country Sector Limit Methodology for 2023. In order to ensure sustainability considerations are accounted for in the early stages of business planning, an overall sustainability rating was also developed and applied alongside other risk factors as part of the Risk Posture setting for 2023 to set the high level risk direction for the Group and its entities before the formal budget process starts.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 57.1 CREDIT RISK (CONTINUED)

### CREDIT RISK MANAGEMENT (CONTINUED)

Adherence to the above established credit limits is monitored daily by Group Risk, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. For retail products, portfolio limits are monitored monthly by Group Risk.

It is the Group policy that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from both quantitative and qualitative risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the non-retail credit exposures at minimum on an annual basis, and more frequently when material information on the obligor or other external factors is made available.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to the GRCC and BRCC. Asset quality is closely monitored so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

The Group recognises that its financing activities may have an impact on the environment and society and such impact may in turn result in potential financial and reputational risks to the Group. The Group sustainable financing approach integrates environmental, social and economic/ethical considerations, including climate-related physical and transition risks, into the credit risk assessment process for financing practices and capital raising transactions, whereby clients and transactions identified to have high sustainability risk or potential concern are subject to a structured due diligence and escalation process.

The Group quantifies credit concentration risk by leveraging on the credit VaR engine, CreditMetrics. Using the CreditMetrics approach, the portfolio's Value at Risk is estimated after taking into account effects of portfolio diversification across obligors and sectors. Hence, the risk computed covers both default/credit migration risk as well as credit concentration risk (single name and sector concentration).

### CREDIT RISK MITIGATION

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support, form an integral part of the credit risk management process. Credit risk mitigants are taken where possible, and are considered secondary recourse to the obligor for the credit risk underwritten.

(i) Collaterals/Securities

All extension of secured credit facilities as deemed prudent, must be appropriately and adequately collateralised. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy standard. GCC or the relevant credit approving authority is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, quoted shares, unit trusts and debt securities, while physical collateral includes land and buildings and vehicles. Guarantors accepted are in line with BNM's Capital Adequacy Framework (CAF) (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/ counterparty defaults.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 57.1 CREDIT RISK (CONTINUED)

### CREDIT RISK MITIGATION (CONTINUED)

(ii) Collateral Valuation and Management

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collaterals to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a procedure for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

(iii) Netting

In mitigating the counterparty credit risks in swaps and derivative transactions, the Group enters into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates the greater legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

(iv) Portfolio diversification for better clarity

The Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any products, counterparty, sectors and country.

### CREDIT RISK MEASUREMENT

The measurement of expected credit loss allowance under the MFRS9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instrument for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration in credit risk shall be recognised with 12-month expected credit loss allowance.

Under the three-stage approach, the financial instrument is allocated into three stages based on the relative movement of the credit risk.

- Stage 1 includes financial instruments that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date. For these assets, 12-month expected credit loss allowance are recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime expected credit loss allowance are recognised.
- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard on the measurement of allowances are:

(i) Significant increase in credit risk ('SICR')

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a loan/financing has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### CREDIT RISK MEASUREMENT (CONTINUED)

(i) Significant increase in credit risk ('SICR') (Continued)

Retail

A retail loan, advances and financing is perceived to have experienced significant increase in credit risk when the asset meets one of the following criteria:

- Past due for more than 1 month on its contractual payment;
- Habitual delinquent;
- Modified under Agensi Kaunseling dan Pengurusan Kredit ("AKPK") scheme and subject to monitoring period.

Non-retail

The stage allocation will be performed at borrower level. A borrower is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Significant downgrade of internal rating;
- Borrower on watchlist and exhibits weaknesses which, if uncorrected, will potentially become a non-performing account in the next 12 months;
- Past due for more than 1 month on its contractual payment;
- Habitual delinquent.

Treasury

A debt instrument is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Significant downgrade of internal rating;
- Borrower on watchlist and exhibits weaknesses which will potentially become a non-performing account in the next 12 months;
- Margin call or force selling trigger not regularalised within the stipulated period (applicable to option premium financing only).

The Group has not used the low credit risk exemption for any financial instruments for the year ended 31 December 2022 and 31 December 2021. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the management.

(ii) Definition of credit impaired

Loans, advances and financing

The Group classifies a loan, advances and financing as impaired when it meets one or more of the following criteria:

(a) Where the principal or interest/profit or both of the credit facility is past due for more than 90 days or 3 months;

(b) In the case of revolving credit facilities (e.g. overdraft facilities), where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;

(c) Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, and the credit facility exhibits weaknesses in accordance with the Group's internal credit risk rating framework; or

(d) As soon as a default occurs where the principal and/or interest/profit repayments/payments are scheduled on intervals of 3 months or longer.

For the purpose of ascertaining the period in arrears:

- Repayment/payment on each of the instalment amount must be made in full. A partial repayment/payment made on an instalment amount shall be deemed to be still in arrears; and
- Where a moratorium on credit facilities is granted in relation to the rescheduling and restructuring exercise due to specific and exceptional circumstances as set in the Group's internal policy, the determination of period in arrears shall exclude the moratorium period granted.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### CREDIT RISK MEASUREMENT (CONTINUED)

(ii) Definition of credit impaired (Continued)

Loans, advances and financing (Continued)

(e) Force Impaired Credit Facilities

The credit facility is force impaired due to various reasons, such as bankruptcy, appointment of Independent Financial Advisor, etc. In the event where a credit facility is not in default or past due but force impaired, the credit facility shall be classified as impaired upon approval by GAQC.

(f) Cross Default

When an obligor/counterparty has multiple credit facilities with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt/financing obligation triggers default on another debt/financing obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual credit facility level instead of consolidated obligor/counterparty level.

Bonds and other debt instruments measured at amortised cost or FVOCI

The financial instruments are classified as impaired when it meets one or more of the following criteria:

- Bond that have an internal rating of 14 and above shall be classified as impaired upon approval by relevant approval authority. Impaired credits must be graded/classified with the appropriate regulatory financing grading(s).
- Bonds which are force impaired and approved by GAQC will be subject to individual impairment assessment.
- When an obligor/counterparty has multiple loans/bonds with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, an assessment of provision needs to be performed on individual loan/bond level instead of consolidated obligor/counterparty level.

(iii) Definition of default

Loans, advances and financing

The Group defines a financial instrument as in default when it meets one or more of the following criteria:

- Credit-impaired;
- Restructured accounts by AKPK scheme;
- Write-off/charged-off accounts;
- Repossessed accounts (applicable for hire purchase receivables only);
- Force disposed accounts (applicable for non-voluntary ASB loans, advances and financing only).

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss given Default (LGD) throughout the Group's expected loss calculations for loans, advances and financing.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

**CREDIT RISK MEASUREMENT (CONTINUED)**

(iii) Definition of default (Continued)

Bonds and other debt instruments measured at amortised cost or FVOCI

The default criteria is fully aligned with external rating agency's default definition as the Group has chosen to benchmark external data for modelling purposes:

- Failure to make principal and/or interest/profit payment under the contractual terms, which is not remedied within the grace period.
- Bankruptcy filings, administration, receivership, liquidation, winding-up or cessation of business of issuer/obligor.
- Failure to honor corporate-guarantee obligations provided to subsidiaries.
- Distressed exchange offer (e.g. extended maturities, lower coupons and etc.).
- Change in payment terms of a credit arrangement or indenture imposed by the sovereign that results in a diminished financial obligation.

(iv) Measuring ECL – inputs, assumptions and estimation techniques

The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The 12-month or lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. The three components are multiplied together to calculate an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

For individual assessment, the ECL allowance is determined by comparing the outstanding exposure with the present value of cash flow which is expected to be received from the borrower.

Probability of Default

The PD represents the likelihood of a borrower will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

The PD is derived based on the modelling approach of which statistical analysis and expert judgement was performed to identify the risk parameters which correlate with the historical observed default. The model relies on the risk parameters and its correlation with the historical observed default to predict the 12-month PD. The Lifetime PD is developed using forecasted MEV with the applicaton of survival probabilities up to maturity of the loan facility.

Exposure at Default

EAD is the total amount that the Group is exposed to at the time the borrower defaults.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or remaining maturity.
- For revolving products the exposure at default is predicted by taking current drawn balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### CREDIT RISK MEASUREMENT (CONTINUED)

(iv) Measuring ECL – inputs, assumptions and estimation techniques (Continued)

Loss Given Default

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

The assumptions underlying the ECL calculation are monitored and reviewed periodically. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

(v) Forward-looking information incorporated into the ECL models

The estimation of ECL incorporates forward-looking information. The Group has performed statistical analysis based on historical experience and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The relationship of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of PD and LGD. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement has also been applied in this process. Forecasts of these economic variables are sourced from Group's Economics team and external research house.

The Group applies three economic scenarios to reflect an unbiased probability-weighted range of possible future outcome in estimating ECL:

Base case: This represents 'most likely outcome' of future economic conditions which is aligned with information used by the Group for other purposes such as budgeting and stress testing.

Best and Worst case: This represent the 'upside' and 'downside' outcome of future economic conditions.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to some degree of inherent uncertainty and therefore the actual outcomes may be different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and are appropriately representative of the range of possible scenarios. The scenario weightage, number of scenarios and their attributes are reassessed periodically.

The Group and the Company have also identified the key economic variables and carried out sensitivity assessment of ECL for loans, advances and financing (including undrawn loans, advances and financing) and treasury bonds in relation to the changes in these key economic variables whilst keeping other variables unchanged.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### CREDIT RISK MEASUREMENT (CONTINUED)

(v) Forward-looking information incorporated into the ECL models (Continued)

The key economic variables used for the ECL sensitivity assessment:

| | Changes (+/- bps) | |
|---|---|---|
| **Key variables:** | **2022** | **2021** |
| GDP growth | **50** | 100 |
| Equity market index | **5 – 100** | 5 – 50 |
| Housing Price Index (HPI) | **25 – 100** | 50 –150 |
| Overnight policy rate (OPR) | **50** | 50 |
| Exchange Rate | **10 – 50** | 10 – 50 |
| Interbank rate | **20** | 5 – 20 |
| Crude oil price | **100** | 100 |
| Consumer Price Index, CPI | **50 – 350** | 50 – 425 |
| Export | **50** | 75 |
| Minimum Loan Rate | **50** | 50 |
| Imports | **50** | 50 |
| Lending indicator | **50** | 50 |
| Customer Confidence Index | **125** | – |
| Share Price Index | **15** | – |
| Retail Sale | **175** | – |
| BI Rate | **15** | – |
| World Commodity Index Price, non-fuel (CI) | **–** | 150 |
| Private investment | **–** | 50 |

| | The Group (Writeback)/made | | | |
|---|---|---|---|---|
| | **2022** | | **2021** | |
| | **RM'000** | **RM'000** | **RM '000** | **RM '000** |
| | **+** | **–** | **+** | **–** |
| Impact from expected credit losses | **59,593** | **(51,762)** | (19,280) | 20,178 |

The impact captures the non-linearity and offsetting effect arising from the correlation of variables with the ECL and does not reflect any overlay or adjustment which could potentially be put in place as a result of the change in macroeconomics.

(vi) Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous. In performing this grouping, there must be sufficient information for the group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes. The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk and Modeling team.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### WRITE-OFF POLICY

Write-off is usually taken when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. When a loan or debt instrument is deemed uncollectible, it is written off against the related allowance for impairment. Such loans are either written off in full or partially after taking into consideration the realisable value of collateral (if any) and when in the judgement of the management, there is no prospect of recovery. All write-offs must be approved by the Board or its delegated authorities.

The Group may write-off loan or debt instrument that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the year ended 31 December 2022 was RM4,528 million (2021: RM1,512 million).

#### MODIFICATION OF LOANS

Where the original contractual terms of a financial asset have been modified and the instrument has not been derecognised, the resulting modification loss is recognised in the income statements with a corresponding decrease in the gross carrying value of the asset.

If the modification involved a concession that the Group and the Company would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne. ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk.

These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification. The risk of default of such loans after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original loans. The Group and the Company monitor the subsequent performance of modified assets. The Group and the Company may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (Lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

#### OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (“CCR”)

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM’s guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

(i) Credit Risk Mitigation

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into Credit Support Annexes, International Swaps and Derivatives Association Agreement (“CSA”) with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC.

(ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and exposure as at 31 December 2022 and 31 December 2021 there was no requirement for additional collateral to be posted.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.1 MAXIMUM EXPOSURE TO CREDIT RISK (WITHOUT TAKING INTO ACCOUNT ANY COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS)

For financial assets reflected in the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Company would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

All financial assets of the Group are subject to credit risk except for cash in hands, securities instruments in financial investments at fair value through profit or loss, unit trust in debt instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, statutory deposits with central banks as well as non-financial assets.

| | The Group Maximum exposure | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Financial guarantees | **9,235,260** | 8,227,841 |
| Credit related commitments and contingencies | **128,590,081** | 84,659,424 |
| | **137,825,341** | 92,887,265 |

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing for the Group is 66% (2021: 74%) while the financial effect of collateral for derivatives for the Group is 86% (2021: 81%). The financial effect of collateral held for the remaining financial assets are insignificant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net loans, advances and financing that are credit impaired as at 31 December 2022 for the Group is 86% (2021: 88%).

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.2 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

##### (A) FINANCIAL ASSETS SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS – BY TYPE

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | | | | Related amounts not set off in the statement of financial position | | |
| | Gross amounts of recognised financial assets in the statement of financial position RM'000 | Gross amounts of recognised financial liabilities in the statement of financial position RM'000 | Net amounts of financial assets RM'000 | Financial instruments RM'000 | Financial collateral received RM'000 | Net amount RM'000 |
| **Financial assets** | | | | | | |
| **2022** | | | | | | |
| Derivatives | **18,072,158** | **-** | **18,072,158** | **(10,844,054)** | **(3,918,255)** | **3,309,849** |
| Reverse repurchase agreements/reverse Collateralised Commodity Murabahah | **9,751,262** | **-** | **9,751,262** | **(1,473,583)** | **(8,037,433)** | **240,246** |
| Loans, advances and financing | | | | | | |
| – Share margin financing | **50,346** | | **50,346** | **-** | **(49,164)** | **1,182** |
| Amount due from brokers | **19,655** | **(9,278)** | **10,377** | **-** | **-** | **10,377** |
| **Total** | **27,893,421** | **(9,278)** | **27,884,143** | **(12,317,637)** | **(12,004,852)** | **3,561,654** |
| **2021** | | | | | | |
| Derivatives | 11,989,597 | – | 11,989,597 | (7,241,628) | (1,747,043) | 3,000,926 |
| Reverse repurchase agreements | 5,885,498 | – | 5,885,498 | (146,513) | (5,011,917) | 727,068 |
| Loans, advances and financing | | | | | | |
| – Share margin financing | 63,946 | – | 63,946 | – | (59,156) | 4,790 |
| Amount due from brokers | 174,674 | (28,285) | 146,389 | – | – | 146,389 |
| **Total** | 18,113,715 | (28,285) | 18,085,430 | (7,388,141) | (6,818,116) | 3,879,173 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.2 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

##### (B) FINANCIAL LIABILITIES SUBJECT TO OFFSETTING, ENFORCEABLE MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS – BY TYPE

| | The Group | | | | | |
|---|---|---|---|---|---|---|
| | | | | Related amounts not set off in the statement of financial position | | |
| | Gross amounts of recognised financial liabilities in the statement of financial position RM'000 | Gross amounts of recognised financial assets in the statement of financial position RM'000 | Net amounts of financial liabilities RM'000 | Financial instruments RM'000 | Financial collaterals pledged RM'000 | Net amount RM'000 |
| **Financial liabilities** | | | | | | |
| **2022** | | | | | | |
| Derivatives | **17,460,533** | **-** | **17,460,533** | **(10,834,897)** | **(1,997,292)** | **4,628,344** |
| Repurchase agreements/Collateralised Commodity Murabahah | **35,923,201** | **-** | **35,923,201** | **(35,922,333)** | **3,370** | **4,238** |
| **Total** | **53,383,734** | **-** | **53,383,734** | **(46,757,230)** | **(1,993,922)** | **4,632,582** |
| **2021** | | | | | | |
| Derivatives | 10,895,455 | – | 10,895,455 | (7,075,669) | (1,539,903) | 2,279,883 |
| Repurchase agreements/Collateralised Commodity Murabahah | 29,184,383 | – | 29,184,383 | (29,092,176) | – | 92,207 |
| **Total** | 40,079,838 | – | 40,079,838 | (36,167,845) | (1,539,903) | 2,372,090 |

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.3 CONCENTRATION OF RISKS OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

#### (A) GEOGRAPHICAL SECTORS

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2022 and 31 December 2021 are as follows:

| The Group<br>2022 | Malaysia<br>RM'000 | Indonesia<br>RM'000 | Thailand<br>RM'000 | Singapore<br>RM'000 | United States<br>RM'000 | United Kingdom<br>RM'000 | Hong Kong<br>RM'000 | China<br>RM'000 | Others<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash and short-term funds | 23,254,557 | 4,248,619 | 171,936 | 1,821,512 | 2,510,395 | 1,531,902 | 930,446 | 969,389 | 3,411,466 | 38,850,222 |
| Reverse repurchase agreements/ reverse Collateralised Commodity Murabahah | 2,795,250 | 145,672 | 733,250 | 3,914,998 | 12,641 | 775,611 | 22,619 | 16,953 | 1,334,268 | 9,751,262 |
| Deposits and placements with banks and other financial institutions | 1,646,396 | - | - | 254,791 | - | - | 176,219 | 442,511 | 576,565 | 3,096,482 |
| Financial investments at fair value through profit or loss | 12,852,494 | 2,414,112 | 2,889,093 | 10,476,468 | 68,298 | 190,783 | 5,502 | 158,284 | 1,515,097 | 30,570,131 |
| Debt instruments at fair value through other comprehensive income | 32,969,044 | 10,384,319 | 8,573,979 | 3,012,010 | - | 716,113 | 947,726 | 596,956 | 1,175,514 | 58,375,661 |
| Debt instruments at amortised cost | 46,010,025 | 6,310,213 | 4,620,627 | 7,457,873 | - | - | - | 27,211 | 107,475 | 64,533,424 |
| Derivative financial instruments | 2,166,095 | 293,255 | 8,014,781 | 805,627 | 23,733 | 4,846,522 | 280,046 | 12,944 | 1,629,155 | 18,072,158 |
| Loans, advances and financing | 248,033,120 | 55,469,074 | 31,976,981 | 36,260,889 | 692,214 | 4,659,554 | 1,431,146 | 3,324,240 | 12,709,962 | 394,557,180 |
| Other assets | 5,156,052 | 1,057,931 | 2,674,722 | 830,865 | 289,762 | 794,353 | 38,809 | 3,681 | 910,173 | 11,756,348 |
| Financial guarantees | 2,964,356 | 418,704 | 31,772 | 3,961,082 | 482,955 | 13,683 | 101,349 | 11,380 | 1,249,979 | 9,235,260 |
| Credit related commitments and contingencies | 99,472,381 | 6,427,038 | 4,351,723 | 11,324,370 | 10,473 | 1,734,073 | 917,915 | 2,897,955 | 1,454,153 | 128,590,081 |
| **Total credit exposures** | 477,319,770 | 87,168,937 | 64,038,864 | 80,120,485 | 4,090,471 | 15,262,594 | 4,851,777 | 8,461,504 | 26,073,807 | 767,388,209 |

# Notes to the Financial Statements
**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)
## 57.1 CREDIT RISK (CONTINUED)
### 57.1.3 CONCENTRATION OF RISKS OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE (CONTINUED)

#### (A) GEOGRAPHICAL SECTORS (CONTINUED)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2022 and 31 December 2021 are as follows: (Continued)

| The Group 2021 | Malaysia RM'000 | Indonesia RM'000 | Thailand RM'000 | Singapore RM'000 | United States RM'000 | United Kingdom RM'000 | Hong Kong RM'000 | China RM'000 | Others RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash and short-term funds | 22,979,378 | 8,497,141 | 91,569 | 976,484 | 1,564,554 | 1,894,610 | 1,032,735 | 491,005 | 3,616,168 | 41,143,644 |
| Reverse repurchase agreements | 985,658 | 473,994 | 451,689 | 1,210,629 | 10,505 | 598,888 | 147,285 | 23,710 | 1,983,140 | 5,885,498 |
| Deposits and placements with banks and other financial institutions | 2,733,766 | 416,667 | - | 236,988 | - | - | 72,204 | 137,677 | 1,016,418 | 4,613,720 |
| Financial investments at fair value through profit or loss | 16,348,042 | 1,819,654 | 3,942,001 | 9,326,767 | 233,563 | 291,080 | 183,171 | 272,548 | 5,191,744 | 37,608,570 |
| Debt instruments at fair value through other comprehensive income | 33,323,001 | 13,889,058 | 7,330,987 | 2,630,729 | 14,090 | 658,121 | 885,700 | 481,912 | 905,888 | 60,119,486 |
| Debt instruments at amortised cost | 40,957,153 | 5,686,018 | 2,990,832 | 6,057,940 | - | - | - | 155,759 | 158,638 | 56,006,340 |
| Derivative financial instruments | 1,977,046 | 176,693 | 4,912,505 | 626,543 | 1,898 | 2,749,969 | 537,979 | 23,173 | 983,791 | 11,989,597 |
| Loans, advances and financing | 232,297,275 | 51,901,610 | 29,727,128 | 31,823,781 | 452,566 | 3,788,558 | 1,232,404 | 3,306,172 | 10,155,278 | 364,684,772 |
| Other assets | 3,820,214 | 1,169,182 | 2,173,219 | 961,993 | 269,429 | 472,359 | 85,008 | 3,994 | 742,922 | 9,698,320 |
| Financial guarantees | 3,409,971 | 684,965 | 84,080 | 2,684,513 | - | 13,532 | 96,648 | 22,536 | 1,231,596 | 8,227,841 |
| Credit related commitments and contingencies | 68,003,039 | 5,187,679 | 1,066,259 | 7,132,484 | 14,415 | 283,876 | 1,109,279 | 540,033 | 1,322,360 | 84,659,424 |
| **Total credit exposures** | **426,834,543** | **89,902,661** | **52,770,269** | **63,668,851** | **2,561,020** | **10,750,993** | **5,382,413** | **5,458,519** | **27,307,943** | **684,637,212** |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 57.1 CREDIT RISK (CONTINUED)

### 57.1.3 CONCENTRATION OF RISKS OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE (CONTINUED)

#### (A) GEOGRAPHICAL SECTORS (CONTINUED)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2022 and 31 December 2021 are as follows (Continued):

| **The Company**<br>**2022** | **Malaysia**<br>**RM'000** | **Indonesia**<br>**RM'000** | **Total**<br>**RM'000** |
|---|---|---|---|
| Cash and short-term funds | **474,258** | **1** | **474,259** |
| Debt instruments at fair value through other comprehensive income | **1,737,110** | **–** | **1,737,110** |
| Debt instruments at amortised cost | **7,813,401** | **–** | **7,813,401** |
| Other assets | **872** | **–** | **872** |
| Amount owing by subsidiaries | **209** | **–** | **209** |
| | **10,025,850** | **1** | **10,025,851** |

| **The Company**<br>**2021** | **Malaysia**<br>**RM'000** | **Indonesia**<br>**RM'000** | **Total**<br>**RM'000** |
|---|---|---|---|
| Cash and short-term funds | 93,672 | 2 | 93,674 |
| Debt instruments at fair value through other comprehensive income | 1,778,168 | – | 1,778,168 |
| Debt instruments at amortised cost | 6,798,814 | – | 6,798,814 |
| Other assets | 560 | – | 560 |
| Amount owing by subsidiaries | 183 | – | 183 |
| | 8,671,397 | 2 | 8,671,399 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.3 CONCENTRATION OF RISKS OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE (CONTINUED)

#### (B) INDUSTRY SECTORS

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for the following financial assets as at 31 December 2022 and 31 December 2021 based on the industry sectors of the counterparty are as follows:

| The Group 2022 | Cash and short term funds RM'000 | Reverse repurchase agreements/ reverse Collateralised Commodity Murabahah RM'000 | Deposits and placements with banks and other financial institutions RM'000 | Financial investments at fair value through profit or loss RM'000 | Debt instruments at fair value through other comprehensive income RM'000 | Debt instruments at amortised cost RM'000 | Derivative financial instruments RM'000 | Loans, advances and financing RM'000 | Other assets RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Primary agriculture | - | - | - | - | 254,678 | 83,743 | 2,942 | 11,346,743 | 148 | 11,688,254 |
| Mining and quarrying | - | - | - | 17,451 | 452,148 | 786,781 | 76,927 | 3,898,396 | - | 5,231,703 |
| Manufacturing | - | - | - | 200,477 | 943,784 | 62,505 | 148,799 | 28,115,338 | 989 | 29,471,892 |
| Electricity, gas and water | - | - | - | 479,257 | 4,435,577 | 1,181,937 | 35,350 | 5,734,758 | 8,063 | 11,874,942 |
| Construction | - | - | - | 589,683 | 691,280 | 833,151 | 5,446 | 12,719,020 | 2,661 | 14,841,241 |
| Transport, storage and communications | - | - | - | 182,799 | 2,873,842 | 2,518,912 | 209,386 | 13,523,421 | 294,282 | 19,602,642 |
| Education and health | - | - | - | - | 6,623 | - | 527 | 19,081,461 | 386 | 19,088,997 |
| Wholesale and retail trade, and restaurant | - | - | - | 38,643 | 125,416 | - | 1,239 | 31,053,469 | 67 | 31,218,834 |
| _Finance, insurance, real estate business:_ | | | | | | | | | | |
| Finance, insurance/takaful, real estate and business activities | 38,699,971 | 8,857,052 | 3,096,482 | 13,189,397 | 19,741,632 | 17,685,632 | 17,437,490 | 50,042,293 | 9,944,228 | 178,694,177 |
| Real estate | | | | | | | | | | |
| _Others:_ | | | | | | | | | | |
| Household | - | - | - | - | - | - | 367 | 197,604,093 | 61 | 197,604,521 |
| Others | 150,251 | 894,210 | - | 15,872,424 | 28,850,681 | 41,380,763 | 153,685 | 21,438,188 | 1,505,463 | 110,245,665 |
| | 38,850,222 | 9,751,262 | 3,096,482 | 30,570,131 | 58,375,661 | 64,533,424 | 18,072,158 | 394,557,180 | 11,756,348 | 629,562,868 |

# 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 57.1 CREDIT RISK (CONTINUED)

### 57.1.3 CONCENTRATION OF RISKS OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE (CONTINUED)

#### (B) INDUSTRY SECTORS (CONTINUED)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for the following financial assets as at 31 December 2022 and 31 December 2021 based on the industry sectors of the counterparty are as follows (continued):

| The Group 2021 | Cash and short term funds RM'000 | Reverse repurchase agreements RM'000 | Deposits and placements with banks and other financial institutions RM'000 | Financial investments at fair value through profit or loss RM'000 | Debt instruments at fair value through other comprehensive income RM'000 | Debt instruments at amortised cost RM'000 | Derivative financial instruments RM'000 | Loans, advances and financing RM'000 | Other assets RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| Primary agriculture | – | – | – | 92,942 | 293,928 | 38,558 | 22,249 | 10,001,173 | 111 | 10,448,961 |
| Mining and quarrying | – | – | – | 174,525 | 494,100 | 773,667 | 98,369 | 3,987,252 | – | 5,527,913 |
| Manufacturing | – | – | – | 92,035 | 1,016,905 | – | 31,100 | 25,458,574 | 3,243 | 26,601,857 |
| Electricity, gas and water | – | – | – | 444,064 | 5,042,516 | 739,919 | 346,867 | 6,300,765 | 8,093 | 12,882,224 |
| Construction | – | – | – | 576,685 | 882,779 | 820,020 | 14,168 | 12,278,034 | 2,602 | 14,574,288 |
| Transport, storage and communications | – | – | – | 107,118 | 3,060,145 | 2,273,213 | 182,503 | 10,040,429 | 31,787 | 15,695,195 |
| Education and health | – | – | – | – | 22,943 | – | – | 17,790,760 | 1,310 | 17,815,013 |
| Wholesale and retail trade, and restaurant | – | – | – | 57,716 | 57,586 | – | 7,261 | 30,128,397 | 70,951 | 30,321,911 |
| _Finance, insurance, real estate business:_ | | | | | | | | | | |
| Finance, insurance/ takaful, real estate and business activities | 41,143,644 | 4,703,490 | 4,613,720 | 19,608,383 | 16,894,832 | 14,167,619 | 11,105,131 | 44,429,395 | 8,087,714 | 164,753,928 |
| Real estate | | | | | | | | | | |
| _Others:_ | | | | | | | | | | |
| Household | – | – | – | – | – | – | – | 185,310,178 | 107 | 185,310,285 |
| Others | – | 1,182,008 | – | 16,455,102 | 32,353,752 | 37,193,344 | 181,949 | 18,959,815 | 1,492,402 | 107,818,372 |
| | 41,143,644 | 5,885,498 | 4,613,720 | 37,608,570 | 60,119,486 | 56,006,340 | 11,989,597 | 364,684,772 | 9,698,320 | 591,749,947 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.3 CONCENTRATION OF RISKS OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE (CONTINUED)

##### (B) INDUSTRY SECTORS (CONTINUED)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for the following financial assets as at 31 December 2022 and 31 December 2021 based on the industry sectors of the counterparty are as follows (Continued):

| The Company 2022 | Cash and short term funds RM'000 | Other financial assets* RM'000 | Debt instruments at fair value through other comprehensive income RM'000 | Debt instruments at amortised cost RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| Finance, insurance/takaful, real estate and business activities | **474,259** | **1,081** | **1,737,110** | **7,813,401** | **10,025,851** |
| | **474,259** | **1,081** | **1,737,110** | **7,813,401** | **10,025,851** |

| The Company 2021 | Cash and short term funds RM'000 | Other financial assets* RM'000 | Debt instruments at fair value through other comprehensive income RM'000 | Debt instruments at amortised cost RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| Finance, insurance/takaful, real estate and business activities | 93,674 | 743 | 1,778,168 | 6,798,814 | 8,671,399 |
| | 93,674 | 743 | 1,778,168 | 6,798,814 | 8,671,399 |

* Other financial assets include amount owing by subsidiaries and other financial assets

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.3 CONCENTRATION OF RISKS OF FINANCIAL ASSETS WITH CREDIT RISK EXPOSURE (CONTINUED)

##### (B) INDUSTRY SECTORS (CONTINUED)

The analysis of credit risk concentrations for financial guarantees and credit related commitments and contingencies as at 31 December 2022 and 31 December 2021 based on the industry sectors of the counterparty are as follows:

| | The Group | | | |
|---|---|---|---|---|
| | Financial guarantees 2022 RM'000 | Credit related commitments and contingencies 2022 RM'000 | Financial guarantees 2021 RM'000 | Credit related commitments and contingencies 2021 RM'000 |
| Primary agriculture | **75,644** | **3,274,710** | 67,033 | 1,739,184 |
| Mining and quarrying | **91,183** | **4,179,490** | 95,606 | 2,543,076 |
| Manufacturing | **955,628** | **12,023,124** | 1,165,957 | 4,737,207 |
| Electricity, gas and water | **505,517** | **6,292,513** | 504,222 | 3,028,701 |
| Construction | **716,527** | **8,253,914** | 377,286 | 6,135,961 |
| Transport, storage and communications | **203,580** | **5,024,426** | 200,796 | 3,234,577 |
| Education and health | **74,228** | **7,375,358** | 66,811 | 3,010,789 |
| Wholesale and retail trade, and restaurant | **2,843,459** | **11,920,418** | 1,610,236 | 7,594,927 |
| Finance, insurance/takaful, real estate and business activities | **3,533,050** | **16,972,312** | 3,922,788 | 10,146,364 |
| *Others:* | | | | |
| Household | **93,858** | **51,010,204** | 69,579 | 40,437,328 |
| Others | **142,586** | **2,263,612** | 147,527 | 2,051,310 |
| | **9,235,260** | **128,590,081** | 8,227,841 | 84,659,424 |

#### 57.1.4 CREDIT QUALITY OF FINANCIAL ASSETS

##### (A) FINANCIAL ASSETS USING GENERAL 3-STAGE APPROACH

Where expected credit loss model is applied, the credit quality of financial instruments subject to credit risk are assessed by reference to the internal rating system adopted by the Group, as summarised below:

**Loans, advances and financing and loans commitment and financial guarantees**

| Rating classification | New internal rating label* | Previous Internal rating label |
|---|---|---|
| Good | 1 to 17 | 1 to 10b |
| Satisfactory | 18 to 25 | 11a to 13e |
| Impaired | 26 and above | 14 and above |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.4 CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

##### (A) FINANCIAL ASSETS USING GENERAL 3-STAGE APPROACH (CONTINUED)

**Other financial instruments**

| Rating classification | New internal rating label* | Previous Internal rating label |
|---|---|---|
| Investment grade (IG) | 1 to 10 | 1 to 6 |
| Non-investment grade | 11 to 25 | 7a to 13e |
| Impaired | 26 and above | 14 and above |

Other financial instruments include cash and short-term funds, deposits and placements with banks and other financial institutions, reverse repurchase agreements at amortised cost, debt instruments at FVOCI, debt instruments at amortised cost, amount owing by subsidiary and other assets.

* Effective September 2021, the rating grade label was revised to have only numeric instead of alpha numeric for simplicity. The change in rating grade label does not change the number of 25 performing grades and 3 non-performing grades and does not impact the Obligor Risk Rating ("ORR") risk criteria.

Credit quality description can be summarised as follows:

**Good –** There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Group and the Company.

**Satisfactory –** There is concern over the counterparty's ability to make payments when due. However, these have not yet converted to actual delinquency and the counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and interest.

**Investment Grade –** It refers to the credit quality of the financial asset where there is a relatively low risk of credit default as the issuer of the financial asset has a high likelihood to meet payment obligations.

**Non-investment Grade –** There is concern over the credit quality of the financial asset due to the issuer's ability to repay its obligation when due.

**No rating –** This includes exposures under the Standardised Approach and those where ratings are not available and portfolio average were applied.

**Impaired –** Refers to the asset that is being impaired.

**Sovereign –** Refers to exposures relate to government and central bank

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.4 CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

##### (A) FINANCIAL ASSETS USING GENERAL 3-STAGE APPROACH (CONTINUED)

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance ("ECL") is recognised.

| The Group | 12-month ECL (Stage 1) RM'000 | Lifetime ECL not credit-impaired (Stage 2) RM'000 | Lifetime ECL credit-impaired (Stage 3) RM'000 | Purchased credit impaired RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cash and short-term fund and Deposits and placement with Banks and other Financial Institutions** | | | | | |
| **2022** | | | | | |
| Sovereign | **9,901,310** | **–** | **–** | **–** | **9,901,310** |
| Investment grade | **16,017,200** | **–** | **–** | **–** | **16,017,200** |
| Non-investment grade | **117,213** | **–** | **–** | **–** | **117,213** |
| Impaired | **–** | **–** | **2,528** | **–** | **2,528** |
| No rating | **15,913,342** | **–** | **–** | **–** | **15,913,342** |
| **Gross carrying amount** | **41,949,065** | **–** | **2,528** | **–** | **41,951,593** |
| **Total ECL** | **(2,361)** | **–** | **(2,528)** | **–** | **(4,889)** |
| **Net carrying amount** | **41,946,704** | **–** | **–** | **–** | **41,946,704** |
| **2021** | | | | | |
| Sovereign | 29,844,928 | – | – | – | 29,844,928 |
| Investment grade | 13,353,346 | – | – | – | 13,353,346 |
| Non-investment grade | 90,613 | – | – | – | 90,613 |
| Impaired | – | – | 2,401 | – | 2,401 |
| No rating | 2,470,523 | – | – | – | 2,470,523 |
| **Gross carrying amount** | 45,759,410 | – | 2,401 | – | 45,761,811 |
| **Total ECL** | (2,046) | – | (2,401) | – | (4,447) |
| **Net carrying amount** | 45,757,364 | – | – | – | 45,757,364 |
| **Reverse repurchase agreements/reverse Collateralised Commodity Murabahah, at amortised cost** | | | | | |
| **2022** | | | | | |
| Sovereign | **276,094** | **–** | **–** | **–** | **276,094** |
| Investment grade | **1,947,259** | **–** | **–** | **–** | **1,947,259** |
| No rating | **7,527,909** | **–** | **–** | **–** | **7,527,909** |
| **Gross carrying amount** | **9,751,262** | **–** | **–** | **–** | **9,751,262** |
| **Total ECL** | **–** | **–** | **–** | **–** | **–** |
| **Net carrying amount** | **9,751,262** | **–** | **–** | **–** | **9,751,262** |
| **2021** | | | | | |
| Sovereign | 471,448 | – | – | – | 471,448 |
| Investment grade | 1,680,246 | – | – | – | 1,680,246 |
| Non-investment grade | 88,168 | – | – | – | 88,168 |
| No rating | 3,645,636 | – | – | – | 3,645,636 |
| **Gross carrying amount** | 5,885,498 | – | – | – | 5,885,498 |
| **Total ECL** | – | – | – | – | – |
| **Net carrying amount** | 5,885,498 | – | – | – | 5,885,498 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.4 CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

##### (A) FINANCIAL ASSETS USING GENERAL 3-STAGE APPROACH (CONTINUED)

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance ("ECL") is recognised. (Continued)

| The Group | 12-month ECL (Stage 1) RM'000 | Lifetime ECL not credit-impaired (Stage 2) RM'000 | Lifetime ECL credit-impaired (Stage 3) RM'000 | Purchased credit impaired RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Debt instruments at FVOCI** | | | | | |
| **2022** | | | | | |
| Sovereign | **34,036,154** | **–** | **–** | **–** | **34,036,154** |
| Investment grade | **14,140,323** | **–** | **–** | **–** | **14,140,323** |
| Non-investment grade | **8,593,969** | **207,245** | **–** | **–** | **8,801,214** |
| No rating | **1,397,970** | **–** | **–** | **–** | **1,397,970** |
| **Gross carrying amount*** | **58,168,416** | **207,245** | **–** | **–** | **58,375,661** |
| **Total ECL^^** | **(39,988)** | **(1,229)** | **–** | **–** | **(41,217)** |
| **2021** | | | | | |
| Sovereign | 34,106,849 | – | – | – | 34,106,849 |
| Investment grade | 15,461,154 | – | – | – | 15,461,154 |
| Non-investment grade | 8,638,803 | 242,311 | – | – | 8,881,114 |
| No rating | 1,668,163 | 2,206 | – | – | 1,670,369 |
| **Gross carrying amount*** | 59,874,969 | 244,517 | – | – | 60,119,486 |
| **Total ECL^^** | (41,798) | (1,748) | (20,849) | – | (64,395) |

* This represents the fair value of the securities

^^ The ECL is recognised in OCI reserves instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.4 CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

##### (A) FINANCIAL ASSETS USING GENERAL 3-STAGE APPROACH (CONTINUED)

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance ("ECL") is recognised. (Continued)

| The Group | 12-month ECL (Stage 1) RM'000 | Lifetime ECL not credit-impaired (Stage 2) RM'000 | Lifetime ECL credit-impaired (Stage 3) RM'000 | Purchased credit impaired RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Debt instruments at amortised cost** | | | | | |
| **2022** | | | | | |
| Sovereign | **57,364,311** | **–** | **–** | **–** | **57,364,311** |
| Investment grade | **3,042,323** | **–** | **–** | **–** | **3,042,323** |
| Non-investment grade | **1,955,928** | **502,554** | **–** | **–** | **2,458,482** |
| Impaired | **–** | **–** | **1,286,225** | **–** | **1,286,225** |
| No rating | **967,122** | **–** | **–** | **–** | **967,122** |
| **Gross carrying amount** | **63,329,684** | **502,554** | **1,286,225** | **–** | **65,118,463** |
| **Total ECL** | **(5,478)** | **(4,175)** | **(575,386)** | **–** | **(585,039)** |
| **Net carrying amount** | **63,324,206** | **498,379** | **710,839** | **–** | **64,533,424** |
| **2021** | | | | | |
| Sovereign | 49,942,769 | – | – | – | 49,942,769 |
| Investment grade | 3,605,141 | – | – | – | 3,605,141 |
| Non-investment grade | 1,279,370 | 517,861 | – | – | 1,797,231 |
| Impaired | – | – | 1,231,144 | – | 1,231,144 |
| No rating | 77,300 | – | – | – | 77,300 |
| **Gross carrying amount** | 54,904,580 | 517,861 | 1,231,144 | – | 56,653,585 |
| **Total ECL** | (1,878) | (31,265) | (614,102) | – | (647,245) |
| **Net carrying amount** | 54,902,702 | 486,596 | 617,042 | – | 56,006,340 |
| **Loans, advances and financing at amortised cost (i)** | | | | | |
| **2022** | | | | | |
| Good | **187,921,821** | **27,209,565** | **–** | **–** | **215,131,386** |
| Satisfactory | **33,595,752** | **15,533,006** | **–** | **–** | **49,128,758** |
| Impaired | **–** | **–** | **13,314,951** | **5,948** | **13,320,899** |
| No rating | **119,588,395** | **9,680,211** | **–** | **–** | **129,268,606** |
| **Gross carrying amount** | **341,105,968** | **52,422,782** | **13,314,951** | **5,948** | **406,849,649** |
| **Total ECL** | **(1,425,581)** | **(3,629,496)** | **(7,343,173)** | **(1,771)** | **(12,400,021)** |
| **Net carrying amount** | **339,680,387** | **48,793,286** | **5,971,778** | **4,177** | **394,449,628** |
| **2021** | | | | | |
| Good | 170,125,983 | 28,022,449 | – | – | 198,148,432 |
| Satisfactory | 30,818,911 | 15,779,098 | – | – | 46,598,009 |
| Impaired | – | – | 13,285,278 | 7,257 | 13,292,535 |
| No rating | 106,258,067 | 13,352,957 | – | – | 119,611,024 |
| **Gross carrying amount** | 307,202,961 | 57,154,504 | 13,285,278 | 7,257 | 377,650,000 |
| **Total ECL** | (1,534,517) | (4,063,053) | (7,722,465) | (3,046) | (13,323,081) |
| **Net carrying amount** | 305,668,444 | 53,091,451 | 5,562,813 | 4,211 | 364,326,919 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.4 CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

##### (A) FINANCIAL ASSETS USING GENERAL 3-STAGE APPROACH (CONTINUED)

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance ("ECL") is recognised. (Continued)

| The Group | 12-month ECL (Stage 1) RM'000 | Lifetime ECL not credit-impaired (Stage 2) RM'000 | Lifetime ECL credit-impaired (Stage 3) RM'000 | Purchased credit impaired RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Other assets** | | | | | |
| **2022** | | | | | |
| Sovereign | **611,292** | **–** | **–** | **–** | **611,292** |
| Investment grade | **4,345,821** | **–** | **–** | **–** | **4,345,821** |
| Impaired | **–** | **–** | **520,019** | **–** | **520,019** |
| No rating | **6,474,589** | **2,000** | **–** | **–** | **6,476,589** |
| **Gross carrying amount** | **11,431,702** | **2,000** | **520,019** | **–** | **11,953,721** |
| **Total ECL** | **(23,340)** | **(2,000)** | **(520,019)** | **–** | **(545,359)** |
| **Net carrying amount** | **11,408,362** | **–** | **–** | **–** | **11,408,362** |
| **2021** | | | | | |
| Sovereign | 236,087 | – | – | – | 236,087 |
| Investment grade | 3,547,723 | – | – | – | 3,547,723 |
| Impaired | – | – | 421,871 | – | 421,871 |
| No rating | 4,287,141 | 67,712 | – | – | 4,354,853 |
| **Gross carrying amount** | 8,070,951 | 67,712 | 421,871 | – | 8,560,534 |
| **Total ECL** | – | – | (390,664) | – | (390,664) |
| **Net carrying amount** | 8,070,951 | 67,712 | 31,207 | – | 8,169,870 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.4 CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

##### (A) FINANCIAL ASSETS USING GENERAL 3-STAGE APPROACH (CONTINUED)

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance ("ECL") is recognised. (Continued)

| The Group | 12-month ECL (Stage 1) RM'000 | Lifetime ECL not credit-impaired (Stage 2) RM'000 | Lifetime ECL credit-impaired (Stage 3) RM'000 | Purchased credit impaired RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Loan commitments and Financial guarantee contracts** | | | | | |
| **2022** | | | | | |
| Good | **77,814,464** | **3,157,761** | **–** | **–** | **80,972,225** |
| Satisfactory | **6,658,038** | **1,395,123** | **–** | **–** | **8,053,161** |
| Impaired | **–** | **–** | **411,078** | **–** | **411,078** |
| No rating | **48,644,327** | **560,915** | **–** | **–** | **49,205,242** |
| **Gross exposure** | **133,116,829** | **5,113,799** | **411,078** | **–** | **138,641,706** |
| **Total ECL** | **(367,055)** | **(138,749)** | **(310,561)** | **–** | **(816,365)** |
| **Net exposure** | **132,749,774** | **4,975,050** | **100,517** | **–** | **137,825,341** |
| **2021** | | | | | |
| Good | 55,908,998 | 2,423,103 | – | – | 58,332,101 |
| Satisfactory | 3,865,425 | 3,012,774 | – | – | 6,878,199 |
| Impaired | – | – | 479,523 | – | 479,523 |
| No rating | 27,165,635 | 813,308 | – | – | 27,978,943 |
| **Gross exposure** | 86,940,058 | 6,249,185 | 479,523 | – | 93,668,766 |
| **Total ECL** | (408,101) | (169,537) | (203,863) | – | (781,501) |
| **Net exposure** | 86,531,957 | 6,079,648 | 275,660 | – | 92,887,265 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 57.1 CREDIT RISK (CONTINUED)

### 57.1.4 CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

#### (A) FINANCIAL ASSETS USING GENERAL 3-STAGE APPROACH (CONTINUED)

i) Analysis of credit quality of loans, advances and financing by product

| | Loans and advances at amortised cost | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| The Group 2022 | Overdraft RM'000 | Term loans/ financing RM'000 | Bills receivable RM'000 | Trust receipts RM'000 | Claims on customers under acceptance credits RM'000 | Staff loans RM'000 | Credit card receivables RM'000 | Revolving credits RM'000 | Share margin financing RM'000 | Total gross carrying amount RM'000 |
| **12-month ECL (Stage 1)** | 3,965,155 | 276,999,236 | 5,984,455 | 1,927,146 | 3,432,629 | 1,683,811 | 8,769,284 | 38,293,906 | 50,346 | 341,105,968 |
| - Good | 1,417,826 | 156,041,385 | 4,676,552 | 1,582,628 | 1,528,372 | 1,205,171 | 3,355,370 | 18,114,517 | - | 187,921,821 |
| - Satisfactory | 283,580 | 29,866,190 | 45,265 | 21,545 | 132,685 | 1,817 | 2,739,749 | 503,554 | 1,367 | 33,595,752 |
| - No rating | 2,263,749 | 91,091,661 | 1,262,638 | 322,973 | 1,771,572 | 476,823 | 2,674,165 | 19,675,835 | 48,979 | 119,588,395 |
| **Lifetime ECL not credit-impaired (Stage 2)** | 777,689 | 46,246,568 | 690,033 | 410,324 | 569,563 | 75,799 | 389,278 | 3,263,528 | - | 52,422,782 |
| - Good | 187,533 | 23,783,776 | 330,212 | 370,670 | 346,992 | 72,994 | 1,128 | 2,116,260 | - | 27,209,565 |
| - Satisfactory | 478,219 | 13,678,888 | 358,647 | 30,374 | 107,107 | 950 | 332,760 | 546,061 | - | 15,533,006 |
| - No rating | 111,937 | 8,783,904 | 1,174 | 9,280 | 115,464 | 1,855 | 55,390 | 601,207 | - | 9,680,211 |
| **Lifetime ECL credit-impaired (Stage 3)** | 198,651 | 11,146,713 | 87,413 | 345,760 | 102,839 | 1,491 | 175,837 | 1,256,247 | - | 13,314,951 |
| - Impaired | 198,651 | 11,146,713 | 87,413 | 345,760 | 102,839 | 1,491 | 175,837 | 1,256,247 | - | 13,314,951 |
| **Purchased credit impaired** | - | 5,948 | - | - | - | - | - | - | - | 5,948 |
| - Impaired | - | 5,948 | - | - | - | - | - | - | - | 5,948 |
| **Total** | 4,941,495 | 334,398,465 | 6,761,901 | 2,683,230 | 4,105,031 | 1,761,101 | 9,334,399 | 42,813,681 | 50,346 | 406,849,649 |

# Notes to the Financial Statements
**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)
### 57.1 CREDIT RISK (CONTINUED)
#### 57.1.4 CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)
##### (A) FINANCIAL ASSETS USING GENERAL 3-STAGE APPROACH (CONTINUED)

i) Analysis of credit quality of loans, advances and financing by product (Continued)

| | Loans and advances at amortised cost | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **The Group 2021** | **Overdraft RM'000** | **Term loans/ financing RM'000** | **Bills receivable RM'000** | **Trust receipts RM'000** | **Claims on customers under acceptance credits RM'000** | **Staff loans RM'000** | **Credit card receivables RM'000** | **Revolving credits RM'000** | **Share margin financing RM'000** | **Total gross carrying amount RM'000** |
| **12-month ECL (Stage 1)** | 3,800,251 | 252,359,602 | 5,550,854 | 1,666,894 | 2,794,168 | 1,605,038 | 7,770,884 | 31,591,324 | 63,946 | 307,202,961 |
| - Good | 1,162,785 | 142,662,017 | 4,095,098 | 1,317,402 | 1,193,237 | 1,097,744 | 3,586,004 | 15,011,696 | - | 170,125,983 |
| - Satisfactory | 327,452 | 28,032,476 | 143,045 | 26,131 | 97,182 | 3,898 | 1,687,233 | 499,502 | 1,992 | 30,818,911 |
| - No rating | 2,310,014 | 81,665,109 | 1,312,711 | 323,361 | 1,503,749 | 503,396 | 2,497,647 | 16,080,126 | 61,954 | 106,258,067 |
| **Lifetime ECL not credit-impaired (Stage 2)** | 715,234 | 50,968,306 | 1,091,573 | 102,103 | 594,550 | 102,441 | 421,081 | 3,159,216 | - | 57,154,504 |
| - Good | 186,157 | 25,630,843 | 574,745 | 30,527 | 198,390 | 96,560 | 3,018 | 1,302,209 | - | 28,022,449 |
| - Satisfactory | 443,053 | 13,121,802 | 515,580 | 71,576 | 136,553 | 2,867 | 347,160 | 1,140,507 | - | 15,779,098 |
| - No rating | 86,024 | 12,215,661 | 1,248 | - | 259,607 | 3,014 | 70,903 | 716,500 | - | 13,352,957 |
| **Lifetime ECL credit-impaired (Stage 3)** | 229,708 | 10,291,468 | 242,308 | 932,352 | 74,624 | 2,732 | 187,104 | 1,324,982 | - | 13,285,278 |
| - Impaired | 229,708 | 10,291,468 | 242,308 | 932,352 | 74,624 | 2,732 | 187,104 | 1,324,982 | - | 13,285,278 |
| **Purchased credit impaired** | - | 7,257 | - | - | - | - | - | - | - | 7,257 |
| - Impaired | - | 7,257 | - | - | - | - | - | - | - | 7,257 |
| **Total** | 4,745,193 | 313,626,633 | 6,884,735 | 2,701,349 | 3,463,342 | 1,710,211 | 8,379,069 | 36,075,522 | 63,946 | 377,650,000 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 57.1 CREDIT RISK (CONTINUED)

### 57.1.4 CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

#### (A) FINANCIAL ASSETS USING GENERAL 3-STAGE APPROACH (CONTINUED)

The following table disclose an analysis of the credit risk exposure of financial assets for which an expected credit losses allowance ("ECL") is recognised. (Continued)

| The Company | 12-month ECL (Stage 1) RM'000 | Lifetime ECL not credit-impaired (Stage 2) RM'000 | Lifetime ECL credit-impaired (Stage 3) RM'000 | Purchased credit impaired RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Cash and short-term fund** | | | | | |
| **2022** | | | | | |
| No rating | **474,259** | **–** | **–** | **–** | **474,259** |
| **Gross carrying amount** | **474,259** | **–** | **–** | **–** | **474,259** |
| **Total ECL** | **–** | **–** | **–** | **–** | **–** |
| **Net carrying amount** | **474,259** | **–** | **–** | **–** | **474,259** |
| **2021** | | | | | |
| No rating | 93,674 | – | – | – | 93,674 |
| **Gross carrying amount** | 93,674 | – | – | – | 93,674 |
| **Less: ECL** | – | – | – | – | – |
| **Net carrying amount** | 93,674 | – | – | – | 93,674 |
| **Debt instruments at FVOCI** | | | | | |
| **2022** | | | | | |
| No rating | **1,737,110** | **–** | **–** | **–** | **1,737,110** |
| **Gross carrying amount*** | **1,737,110** | **–** | **–** | **–** | **1,737,110** |
| **Total ECL^^** | **(11,472)** | **–** | **–** | **–** | **(11,472)** |
| **2021** | | | | | |
| No rating | 1,778,168 | – | – | – | 1,778,168 |
| **Gross carrying amount*** | 1,778,168 | – | – | – | 1,778,168 |
| **Total ECL^^** | (12,328) | – | – | – | (12,328) |

* This represents the fair value of the securities

^^ The ECL is recognised in OCI reserves instead of in the statement of financial position as the carrying amount of debt instruments at FVOCI is equivalent to their fair value.

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.4 CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

##### (A) FINANCIAL ASSETS USING GENERAL 3-STAGE APPROACH (CONTINUED)

The following table disclose an analysis of the credit risk exposure of financial assets for which an expected credit losses allowance ("ECL") is recognised. (Continued)

| The Company | 12-month ECL (Stage 1) RM'000 | Lifetime ECL not credit-impaired (Stage 2) RM'000 | Lifetime ECL credit-impaired (Stage 3) RM'000 | Purchased credit impaired RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **Debt instruments at amortised cost** | | | | | |
| **2022** | | | | | |
| No rating | **7,864,777** | **–** | **–** | **–** | **7,864,777** |
| **Gross carrying amount** | **7,864,777** | **–** | **–** | **–** | **7,864,777** |
| **Total ECL** | **(51,376)** | **–** | **–** | **–** | **(51,376)** |
| **Net carrying amount** | **7,813,401** | **–** | **–** | **–** | **7,813,401** |
| **2021** | | | | | |
| No rating | 6,846,781 | – | – | – | 6,846,781 |
| **Gross carrying amount** | 6,846,781 | – | – | – | 6,846,781 |
| **Total ECL** | (47,967) | – | – | – | (47,967) |
| **Net carrying amount** | 6,798,814 | – | – | – | 6,798,814 |
| **Amount owing by subsidiaries** | | | | | |
| **2022** | | | | | |
| Investment grade | **209** | **–** | **–** | **–** | **209** |
| Impaired | **–** | **–** | **775** | **–** | **775** |
| **Gross carrying amount** | **209** | **–** | **775** | **–** | **984** |
| **Total ECL** | **–** | **–** | **(775)** | **–** | **(775)** |
| **Net carrying amount** | **209** | **–** | **–** | **–** | **209** |
| **2021** | | | | | |
| Investment grade | 183 | – | – | – | 183 |
| Impaired | – | – | 775 | – | 775 |
| **Gross carrying amount** | 183 | – | 775 | – | 958 |
| **Total ECL** | – | – | (775) | – | (775) |
| **Net carrying amount** | 183 | – | – | – | 183 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.4 CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

##### (B) FINANCIAL ASSETS USING SIMPLIFIED APPROACH

##### ANALYSIS OF OTHER ASSETS BY CREDIT RATING

The credit quality of other assets are assessed by reference to internal rating system adopted by the Group. Where internal rating system is not applied, external credit rating by major credit rating agencies will be adopted, as summarised below:

**The Group and the Company**

| Rating classification | New internal rating label* | Previous internal rating label | External credit rating |
|---|---|---|---|
| Investment grade (IG) | 1 to 10 | 1 to 6 | AAA to BBB- |
| Non-investment grade | 11 to 28 | 7a to 14c | BB+ and below |

* Effective September 2021, the rating grade label was revised to have only numeric instead of alpha numeric for simplicity. The change in rating grade label does not change the number of 10 Investment grades and 18 non-investment grades and does not impact the ORR risk criteria.

Credit quality description can be summarised below:

**Investment Grade** – It refers to the credit quality of the financial asset where there is a relatively low risk of credit default as the issuer of the financial asset has a high likelihood to meet payment obligations.

**Non-investment Grade** – There is concern over the credit quality of the financial asset due to the issuer's ability to repay its obligation when due.

**No rating –** This includes exposures where ratings are not available and portfolio average were applied.

**Sovereign –** Refers to exposures relate to government and central bank

The following tables are analysis of the credit risk exposure of other assets using simplified approach:

| The Group | Sovereign RM'000 | Investment grade RM'000 | Non-investment grade RM'000 | No rating RM'000 | Gross carrying amount RM'000 | ECL RM'000 | Net carrying amount RM'000 |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| Other assets | **3,029** | **304,265** | **–** | **196,734** | **504,028** | **(156,042)** | **347,986** |
| **Total** | **3,029** | **304,265** | **–** | **196,734** | **504,028** | **(156,042)** | **347,986** |
| **2021** | | | | | | | |
| Other assets | 54,359 | 10,111 | 12,849 | 1,583,018 | 1,660,337 | (131,887) | 1,528,450 |
| **Total** | 54,359 | 10,111 | 12,849 | 1,583,018 | 1,660,337 | (131,887) | 1,528,450 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.1 CREDIT RISK (CONTINUED)

#### 57.1.4 CREDIT QUALITY OF FINANCIAL ASSETS (CONTINUED)

##### (B) FINANCIAL ASSETS USING SIMPLIFIED APPROACH

**ANALYSIS OF OTHER ASSETS BY CREDIT RATING**

The following tables are analysis of the credit risk exposure of other assets using simplified approach (Continued):

| The Company | Sovereign RM'000 | Investment grade RM'000 | Non-investment grade RM'000 | No rating RM'000 | Gross carrying amount RM'000 | ECL RM'000 | Net carrying amount RM'000 |
|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | |
| Other assets | **–** | **–** | **–** | **872** | **872** | **–** | **872** |
| **Total** | **–** | **–** | **–** | **872** | **872** | **–** | **872** |
| **2021** | | | | | | | |
| Other assets | – | – | – | 560 | 560 | – | 560 |
| **Total** | – | – | – | 560 | 560 | – | 560 |

#### 57.1.5 REPOSSESSED COLLATERAL

The Group obtained assets by taking possession of collateral held as security as at 31 December 2022 and 31 December 2021 are as follows:

| | The Group Carrying amount RM'000 | The Company Carrying amount RM'000 |
|---|---|---|
| **2022** | | |
| **Nature of assets** | | |
| Industrial and residential properties, development land and motor vehicles | **210,116** | **–** |
| **2021** | | |
| **Nature of assets** | | |
| Industrial and residential properties, development land and motor vehicles | 188,909 | – |

Repossessed collaterals are sold as soon as practicable. The Group does not utilise the repossessed collaterals for its business use.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 57.1 CREDIT RISK (CONTINUED)

### 57.1.6 MODIFICATION OF LOANS, ADVANCES AND FINANCING

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime expected credit loss – not credit impaired (Stage 2):

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Amortised cost before modification | **397,991** | 19,849,298 |
| Modification loss | **(919)** | (54,567) |
| Amortised cost after modification | **397,072** | 19,794,731 |

Gross carrying amounts of loans, advances and financing of the Group as at 31 December 2022, for which loss allowance has changed to 12-month measurement (Stage 1) during the financial year amounting to RM5,628,000 (2021: RM2,094,536,000).

### 57.1.7 OVERLAYS AND ADJUSTMENTS FOR EXPECTED CREDIT LOSSES AMID COVID-19 ENVIRONMENT

As the current MFRS 9 models are not expected to generate levels of expected credit losses ("ECL") with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL for the year ended and as at 31 December 2022.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various targeted assistance relief and programs measures have expired during the year.

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

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

The adjusted downside scenario assumes a continuous restrictive economic environment due to COVID-19 with a gradual recovery, the impact of these post-model adjustments were estimated at portfolio level, remain outside the core MFRS 9 process and amount to RM1,594.2 million (2021: RM1,434.7 million) of the Group’s ECL on loans, advances/financing (including undrawn loans, advances/financing) as at 31 December 2022. Total overlays for ECL inclusive of the macro-economic adjustments maintained by the Group on loans, advances/financing as at 31 December 2022.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.2 MARKET RISK

Market risk is defined as fluctuation in the market value of financial instruments due to changes in market risk factors such as interest rates/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatilities.

#### MARKET RISK MANAGEMENT ("MRM")

The Group hedges the exposures to market risk by employing various strategies, including the use of derivative instruments.

The Group adopts various measures as part of risk management process. The GRCC with the assistance of GMCRC and its delegated committees ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board.

Market Risk CoE is responsible for measuring and controlling the Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried out with the independent price verification requirements to ensure that financial assets/liabilities are recorded at fair value. The valuation methods and models used are validated by risk management quantitative analysts to assess their applicability relative to market conditions.

The Group adopts the VaR methodology as an approach in the measurement of market risk. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. The usage of market VaR by risk type based on 1-day holding period of the Group's trading exposures as at 31 December 2022 is shown in Note 57.2.1.

Stress testing is conducted to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenarios, consideration is given to various aspects of the market; for example, identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

In addition to the above, Market Risk CoE undertakes the monitoring and oversight process at Treasury & Market's trading floors, which include reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, monitoring limit usage, assessing limits adequacy and verifying transaction prices.

*Capital Treatment for Market Risk*

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

#### 57.2.1 VAR

The usage of market VaR by risk type based on 1-day holding period of the Group's trading exposures are set out as below:

| | The Group | |
|---|---|---|
| | **2022 RM'000** | **2021 RM'000** |
| Foreign exchange risk | **10,447** | 10,687 |
| Interest rate risk | **46,575** | 24,334 |
| Equity risk | **993** | 8,565 |
| Commodity risk | **1,143** | 726 |
| **Total** | **59,158** | 44,312 |
| **Total shareholder's fund** | **62,491,206** | 58,863,263 |
| **Percentage of shareholder's fund** | **0.09%** | 0.08% |

# Notes to the Financial Statements
**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)
## 57.2 MARKET RISK (CONTINUED)
### 57.2.2 INTEREST RATE RISK

Interest rate risk relates to the potential adverse impact on net interest income arising from changes in market rates. One of the primary sources of interest rate risk is the repricing mismatches between interest earning assets and interest bearing liabilities. Interest rate risk is measured and reported at various levels through various techniques including Earnings-at-Risk ("EaR").

**(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates**

The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates.

| The Group 2022 | Non-trading book: Up to 1 month RM'000 | > 1 - 3 months RM'000 | > 3 - 6 months RM'000 | > 6 - 12 months RM'000 | > 1 - 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | |
| Cash and short-term funds | 35,736,945 | - | - | - | - | - | 8,271,915 | - | 44,008,860 |
| Reverse repurchase agreements/ reverse Collateralised Commodity Murabahah | 8,175,433 | 934,909 | 610,730 | - | - | - | 30,190 | - | 9,751,262 |
| Deposits and placements with banks and other financial institutions | - | 2,338,959 | 624,382 | 113,351 | - | - | 19,790 | - | 3,096,482 |
| Financial investments at fair value through profit or loss | - | - | - | - | - | - | 1,432,008 | 31,768,255 | 33,200,263 |
| Debt instruments at fair value through other comprehensive income | 773,205 | 2,116,728 | 1,470,697 | 2,333,695 | 26,415,277 | 24,884,048 | 382,011 | - | 58,375,661 |
| Equity instruments at fair value through other comprehensive income | - | - | - | - | - | - | 300,669 | - | 300,669 |
| Debt instruments at amortised cost | 1,777,905 | 2,688,066 | 4,143,262 | 3,264,161 | 27,004,745 | 25,121,509 | 533,776 | - | 64,533,424 |
| Derivative financial instruments | 6,967 | 100,529 | 43,320 | 12,006 | 633,066 | 652,756 | - | 16,623,514 | 18,072,158 |
| Loans, advances and financing | 274,747,698 | 15,701,060 | 9,859,003 | 10,858,604 | 32,786,616 | 50,580,344 | 23,855 | - | 394,557,180 |
| Other assets | 2,951,534 | 1,700 | 5,024 | 6,640 | 121,095 | 37,364 | 8,632,991 | - | 11,756,348 |
| **Total financial assets** | 324,169,687 | 23,881,951 | 16,756,418 | 16,588,457 | 86,960,799 | 101,276,021 | 19,627,205 | 48,391,769 | 637,652,307 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.2 MARKET RISK (CONTINUED)

#### 57.2.2 INTEREST RATE RISK

**(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates. (Continued)**

The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

| | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **The Group 2022** | **Up to 1 month RM'000** | **> 1 - 3 months RM'000** | **> 3 - 6 months RM'000** | **> 6 - 12 months RM'000** | **> 1 - 5 years RM'000** | **Over 5 years RM'000** | **Non-interest sensitive RM'000** | **Trading book RM'000** | **Total RM'000** |
| **Financial liabilities** | | | | | | | | | |
| Deposits from customers | 232,310,060 | 66,735,518 | 35,416,118 | 33,819,006 | 8,722,893 | 540,349 | 55,406,039 | - | 432,949,983 |
| Investment accounts of customers | 2,391,844 | 2,099,926 | 3,887,801 | 4,582,225 | 132,902 | 492,193 | 97,741 | - | 13,684,632 |
| Deposits and placements of banks and other financial institutions | 16,588,085 | 11,640,720 | 2,577,782 | 1,078,148 | 1,347,810 | 647,910 | 308,794 | - | 34,189,249 |
| Repurchase agreements/Collateralised commodity murabahah | 13,642,010 | 15,073,594 | 5,400,809 | 641,964 | 971,764 | - | 193,060 | - | 35,923,201 |
| Derivative financial instruments | 27,137 | 82,480 | 37,855 | 31,523 | 433,335 | 243,356 | - | 16,604,847 | 17,460,533 |
| Bills and acceptances payable | 854,868 | 628,979 | 489,507 | - | - | - | 29,073 | - | 2,002,427 |
| Financial liabilities designated at fair value through profit or loss | 799,985 | 812,110 | 787,941 | 131,556 | 7,416,889 | 1,032,886 | 29,250 | 53,236 | 11,063,853 |
| Other liabilities | 4,406,515 | 2,007,872 | 997,011 | 1,471,610 | 607,020 | 82,103 | 13,888,146 | - | 23,460,277 |
| Lease liabilities | 23,121 | 7,724 | 11,379 | 26,030 | 284,325 | 147,559 | - | - | 500,138 |
| Recourse obligation on loans and financing sold to Cagamas | - | 160,020 | - | - | 487,568 | - | 3,079 | - | 650,667 |
| Bonds, Sukuk and debentures | 3,200,125 | 586,550 | 102,984 | 48,008 | 5,446,366 | 459,269 | 74,907 | - | 9,918,209 |
| Other borrowings | 41,074 | 10,427 | 3,586,397 | 37,522 | 4,560,731 | 2,056 | 26,578 | - | 8,264,785 |
| Subordinated obligations | - | 700,020 | - | 2,008,933 | 7,876,540 | 311,643 | 117,379 | - | 11,014,515 |
| **Total financial liabilities** | 274,284,824 | 100,545,940 | 53,295,584 | 43,876,525 | 38,288,143 | 3,959,324 | 70,174,046 | 16,658,083 | 601,082,469 |
| **Net interest sensitivity gap** | 49,884,863 | (76,663,989) | (36,539,166) | (27,288,068) | 48,672,656 | 97,316,697 | | 31,733,686 | |
| **Financial guarantees and commitments and contingencies** | | | | | | | | | |
| Financial guarantees | - | - | - | - | - | - | 9,235,260 | - | 9,235,260 |
| Credit related commitments and contingencies | - | - | - | - | - | - | 128,590,081 | - | 128,590,081 |
| Treasury related commitments and contingencies (hedging) | 1,541,630 | 2,675,212 | 1,968,983 | 3,399,346 | 27,397,195 | 10,010,150 | - | - | 46,992,516 |
| **Net interest sensitivity gap** | 1,541,630 | 2,675,212 | 1,968,983 | 3,399,346 | 27,397,195 | 10,010,150 | 137,825,341 | - | 184,817,857 |

# Notes to the Financial Statements
**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)
## 57.2 MARKET RISK (CONTINUED)
### 57.2.2 INTEREST RATE RISK

**(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates. (Continued)**

The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

| The Group 2021 | Non-trading book Up to 1 month RM'000 | > 1 - 3 months RM'000 | > 3 - 6 months RM'000 | > 6 - 12 months RM'000 | > 1 - 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | |
| Cash and short-term funds | 38,282,561 | - | - | - | - | - | 7,386,950 | - | 45,669,511 |
| Reverse repurchase agreements | 5,149,251 | 516,870 | - | 216,225 | - | - | 3,152 | - | 5,885,498 |
| Deposits and placements with banks and other financial institutions | - | 3,679,632 | 867,918 | 62,956 | - | - | 3,214 | - | 4,613,720 |
| Financial investments at fair value through profit or loss | - | - | - | - | - | - | 1,518,581 | 38,760,663 | 40,279,244 |
| Debt instruments at fair value through other comprehensive income | 291,250 | 946,175 | 2,522,235 | 2,410,559 | 25,612,051 | 27,968,667 | 368,549 | - | 60,119,486 |
| Equity instruments at fair value through other comprehensive income | - | - | - | - | - | - | 323,105 | - | 323,105 |
| Debt instruments at amortised cost | 1,706,400 | 3,386,396 | 2,235,659 | 2,347,121 | 22,279,208 | 23,612,798 | 438,758 | - | 56,006,340 |
| Derivative financial instruments | 25,383 | 39,504 | 18,950 | 38,240 | 203,972 | 127,759 | - | 11,535,789 | 11,989,597 |
| Loans, advances and financing | 257,706,931 | 13,374,339 | 8,244,693 | 8,617,923 | 28,646,660 | 48,077,923 | 16,303 | - | 364,684,772 |
| Other assets | 2,457,023 | 440,259 | 4,767 | 110,789 | 88,565 | 21,910 | 6,575,007 | - | 9,698,320 |
| **Total financial assets** | **305,618,799** | **22,383,175** | **13,894,222** | **13,803,813** | **76,830,456** | **99,809,057** | **16,633,619** | **50,296,452** | **599,269,593** |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.2 MARKET RISK (CONTINUED)

#### 57.2.2 INTEREST RATE RISK

**(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates. (Continued)**

The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

| The Group 2021 | Non-trading book: Up to 1 month RM'000 | > 1 - 3 months RM'000 | > 3 - 6 months RM'000 | > 6 - 12 months RM'000 | > 1 - 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | | | |
| Deposits from customers | 233,085,302 | 70,872,999 | 40,739,805 | 35,066,698 | 1,817,003 | 304,230 | 40,532,055 | - | 422,418,092 |
| Investment accounts of customers | 1,632,867 | 1,517,174 | 3,255,546 | 3,352,116 | 142,804 | 461,063 | 65,597 | - | 10,427,167 |
| Deposits and placements of banks and other financial institutions | 13,373,450 | 10,759,736 | 2,496,254 | 1,782,647 | 1,174,174 | 850,000 | 265,634 | - | 30,701,895 |
| Repurchase agreements/Collateralised commodity murabahah | 17,678,225 | 10,354,337 | 449,734 | 301,408 | - | - | 400,679 | - | 29,184,383 |
| Derivative financial instruments | 3,790 | 14,259 | 4,885 | 11,173 | 180,939 | 75,980 | - | 10,604,429 | 10,895,455 |
| Bills and acceptances payable | 776,195 | 688,419 | 502,530 | 11,177 | - | - | 56,688 | - | 2,035,009 |
| Financial liabilities designated at fair value through profit or loss | 228,496 | 823,401 | 804,352 | 10,066 | 4,597,510 | 77,819 | 5,178 | 309,960 | 6,856,782 |
| Other liabilities | 2,652,758 | 1,696,377 | 682,754 | 862,134 | 216,221 | 115,784 | 8,579,248 | - | 14,805,276 |
| Lease liabilities | 12,454 | 4,019 | 8,420 | 48,124 | 323,162 | 179,626 | - | - | 575,805 |
| Recourse obligation on loans and financing sold to Cagamas | - | 160,018 | - | 325,988 | 238,559 | 269,291 | 4,390 | - | 998,246 |
| Bonds, Sukuk and debentures | 2,973,067 | 3,850,208 | 1,123,070 | 1,263,208 | 2,726,572 | 1,381,520 | 61,397 | - | 13,379,042 |
| Other borrowings | 1,103,811 | 1,902,104 | 787,195 | 37,510 | 4,264,585 | 859 | 12,408 | - | 8,108,472 |
| Subordinated obligations | - | - | 177 | 1,822,475 | 7,571,015 | 626,378 | 108,540 | - | 10,128,585 |
| **Total financial liabilities** | 273,520,415 | 102,643,051 | 50,854,722 | 44,894,724 | 23,252,544 | 4,342,550 | 50,091,814 | 10,914,389 | 560,514,209 |
| **Net interest sensitivity gap** | 32,098,384 | (80,259,876) | (36,960,500) | (31,090,911) | 53,577,912 | 95,466,507 | | 39,382,063 | |
| **Financial guarantees and commitments and contingencies** | | | | | | | | | |
| Financial guarantees | - | - | - | - | - | - | 8,227,841 | - | 8,227,841 |
| Credit related commitments and contingencies | - | - | - | - | - | - | 84,659,424 | - | 84,659,424 |
| Treasury related commitments and contingencies (hedging) | 1,598,902 | 4,148,746 | 2,972,113 | 3,749,421 | 16,116,549 | 9,579,827 | - | - | 38,165,558 |
| **Net interest sensitivity gap** | 1,598,902 | 4,148,746 | 2,972,113 | 3,749,421 | 16,116,549 | 9,579,827 | 92,887,265 | - | 131,052,823 |

# Notes to the Financial Statements
**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)
## 57.2 MARKET RISK (CONTINUED)
### 57.2.2 INTEREST RATE RISK

(a) **Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates. (Continued)**

The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

| | Non-trading book | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **The Company 2022** | **Up to 1 month RM'000** | **> 1 - 3 months RM'000** | **> 3 - 6 months RM'000** | **> 6 - 12 months RM'000** | **> 1 - 5 years RM'000** | **Over 5 years RM'000** | **Non-interest sensitive RM'000** | **Trading book RM'000** | **Total RM'000** |
| **Financial assets** | | | | | | | | | |
| Cash and short-term funds | 351,437 | - | - | - | - | - | 122,822 | - | 474,259 |
| Debt instruments at fair value through other comprehensive income | - | - | - | 1,010,530 | 533,048 | 181,416 | 12,117 | - | 1,737,111 |
| Debt instruments at amortised cost | - | 695,292 | - | - | 7,053,333 | - | 64,776 | - | 7,813,401 |
| Other assets | - | - | - | - | - | - | 872 | - | 872 |
| Amount owing by subsidiaries | - | - | - | - | - | - | 209 | - | 209 |
| **Total financial assets** | 351,437 | 695,292 | - | 1,010,530 | 7,586,381 | 181,416 | 200,796 | - | 10,025,852 |
| **Financial liabilities** | | | | | | | | | |
| Other liabilities | - | - | - | - | - | - | 12,762 | - | 12,762 |
| Amount owing to subsidiaries | - | - | - | - | - | - | 531 | - | 531 |
| Other borrowings | - | - | 350,000 | - | 3,600,000 | - | 6,970 | - | 3,956,970 |
| Subordinated obligations | - | 700,000 | - | 1,000,000 | 8,650,000 | 200,000 | 77,596 | - | 10,627,596 |
| **Total financial liabilities** | - | 700,000 | 350,000 | 1,000,000 | 12,250,000 | 200,000 | 97,859 | - | 14,597,859 |
| **Net interest sensitivity gap** | 351,437 | (4,708) | (350,000) | 10,530 | (4,663,619) | (18,584) | | - | |

# Notes to the Financial Statements
for the financial year ended 31 December 2022

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.2 MARKET RISK (CONTINUED)

#### 57.2.2 INTEREST RATE RISK

**(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates. (Continued)**

The table below summarises the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

| The Company 2021 | Non-trading book: Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | Non-interest sensitive RM'000 | Trading book RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | |
| Cash and short-term funds | 79,589 | – | – | – | – | – | 14,085 | – | 93,674 |
| Debt instruments at fair value through other comprehensive income | – | – | – | – | 1,575,304 | 190,595 | 12,269 | – | 1,778,168 |
| Debt instruments at amortised cost | – | – | – | 1,489,457 | 5,262,577 | – | 46,780 | – | 6,798,814 |
| Other assets | – | – | – | – | – | – | 560 | – | 560 |
| Amount owing by subsidiaries | – | – | – | – | – | – | 183 | – | 183 |
| **Total financial assets** | 79,589 | – | – | 1,489,457 | 6,837,881 | 190,595 | 73,877 | – | 8,671,399 |
| **Financial liabilities** | | | | | | | | | |
| Other liabilities | – | – | – | – | – | – | 3,158 | – | 3,158 |
| Amount owing to subsidiaries | – | – | – | – | – | – | 13,389 | – | 13,389 |
| Other borrowings | – | – | 750,000 | – | 3,950,000 | – | 7,895 | – | 4,707,895 |
| Subordinated obligations | – | – | – | 1,500,000 | 7,850,000 | 200,000 | 59,761 | – | 9,609,761 |
| **Total financial liabilities** | – | – | 750,000 | 1,500,000 | 11,800,000 | 200,000 | 84,203 | – | 14,334,203 |
| **Net interest sensitivity gap** | 79,589 | – | (750,000) | (10,543) | (4,962,119) | (9,405) | | – | |

# Notes to the Financial Statements
**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)
### 57.2 MARKET RISK (CONTINUED)
#### 57.2.2 INTEREST RATE RISK
**(b) Sensitivity of profit**

The table below shows the sensitivity of the Group's and the Company's banking book to movement in interest rates:

| | The Group | | The Company | |
|---|---|---|---|---|
| | Increase/(decrease) | | Increase/(decrease) | |
| | +100 basis points RM'000 | -100 basis points RM'000 | +100 basis points RM'000 | -100 basis points RM'000 |
| **2022** | | | | |
| Impact to profit (after tax) | **(305,826)** | **305,826** | **1,168** | **(1,168)** |
| **2021** | | | | |
| Impact to profit (after tax) | (508,649) | 508,649 | (3,946) | 3,946 |

Sensitivity is measured using the EaR methodology. The treatments and assumptions applied are based on the contractual repricing and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and others.

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on profit in the next 12 months from policy rate change.

The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on profit of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.2 MARKET RISK (CONTINUED)

#### 57.2.2 INTEREST RATE RISK

**(c) Sensitivity of reserves**

The table below shows the sensitivity of the Group's and the Company's banking book to movement in interest rates:

| | The Group | | The Company | |
|---|---|---|---|---|
| | Increase/(decrease) | | Increase/(decrease) | |
| | +100 basis points RM'000 | -100 basis points RM'000 | +100 basis points RM'000 | -100 basis points RM'000 |
| **2022** | | | | |
| Impact to fair value reserves-debt instruments at fair value through other comprehensive income | **(2,827,833)** | **2,827,833** | **(37,076)** | **37,076** |
| **2021** | | | | |
| Impact to fair value reserves-debt instruments at fair value through other comprehensive income | (2,966,637) | 2,966,637 | (54,485) | 54,485 |

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserves in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments at fair value through other comprehensive income following movements in risk free rates.

The projection assumes that all other variables are held constant. It also assumes a constant reporting date position and that all positions run to maturity.

The above sensitivities of profit and reserves do not take into account the effects of hedging and do not incorporate actions that the Group would take to mitigate the impact of this interest rate risk. In practice, the Group proactively seeks to mitigate the effect of prospective interest movements.

# 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 57.2 MARKET RISK (CONTINUED)

### 57.2.3 FOREIGN EXCHANGE RISK

The Group and the Company are exposed to transactional foreign exchange exposures which are exposures on assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Group and the Company take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manages its exposure to foreign exchange currencies at each entity level.

**(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company.**

| The Group 2022 | MYR RM'000 | IDR RM'000 | THB RM'000 | SGD RM'000 | USD RM'000 | AUD RM'000 | GBP RM'000 | JPY RM'000 | RMB RM'000 | HKD RM'000 | EUR RM'000 | Others RM'000 | Total non-MYR RM'000 | Grand total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | | | | | | |
| Cash and short-term funds | 22,408,607 | 4,210,557 | 171,439 | 815,648 | 11,608,358 | 525,628 | 521,196 | 325,829 | 659,742 | 494,405 | 499,564 | 1,767,887 | 21,600,253 | 44,008,860 |
| Reverse repurchase agreements | 2,402,619 | 144,167 | 733,250 | 2,360,469 | 3,867,947 | 61,587 | 72,031 | 6,781 | - | 1,952 | 12,848 | 87,611 | 7,348,643 | 9,751,262 |
| Deposits and placements with banks and other financial institutions | 1,889,112 | - | - | 72 | 435,163 | - | - | - | 761,448 | - | - | 10,687 | 1,207,370 | 3,096,482 |
| Financial investments at fair value through profit or loss | 13,512,279 | 2,396,563 | 2,851,373 | 10,435,858 | 2,669,786 | 239,730 | - | 780,376 | 158,284 | 136,404 | 19,610 | - | 19,687,984 | 33,200,263 |
| Debt instruments at fair value through other comprehensive income | 31,590,673 | 9,115,415 | 8,413,789 | 2,566,970 | 4,669,793 | 686,173 | - | 335,909 | 64,667 | 685,927 | 184,485 | 61,860 | 26,784,988 | 58,375,661 |
| Equity instruments at fair value through other comprehensive income | 288,032 | 3,595 | 6,445 | 72 | 73 | - | - | - | - | - | 2,452 | - | 12,637 | 300,669 |
| Debt instruments at amortised cost | 46,450,974 | 5,404,792 | 3,481,057 | 7,388,500 | 1,444,435 | - | - | 261,410 | - | - | 55,575 | 46,681 | 18,082,450 | 64,533,424 |
| Derivative financial instruments | 15,598,922 | (54,740) | 79,879,103 | 14,846,983 | (94,841,767) | 155,960 | (2,380,944) | 5,069,451 | 455,940 | 1,167,352 | (3,860,526) | 2,036,424 | 2,473,236 | 18,072,158 |
| Loans, advances and financing | 241,059,640 | 47,327,996 | 28,107,164 | 34,205,123 | 31,557,936 | 460,297 | 5,587,814 | 333,333 | 1,404,991 | 1,666,192 | 598,798 | 2,247,896 | 153,497,540 | 394,557,180 |
| Other assets | 4,946,217 | 1,057,102 | 2,450,530 | 324,901 | 2,525,282 | 9,936 | 3,935 | 73 | 3,663 | 31,125 | 84,437 | 319,147 | 6,810,131 | 11,756,348 |
| | 380,147,075 | 69,605,447 | 126,094,150 | 72,944,596 | (36,062,994) | 2,139,311 | 3,804,032 | 7,113,162 | 3,508,735 | 4,183,357 | (2,402,757) | 6,578,193 | 257,505,232 | 637,652,307 |

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 57.2 MARKET RISK (CONTINUED)

### 57.2.3 FOREIGN EXCHANGE RISK (CONTINUED)

**(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company (Continued)**

| The Group 2022 | MYR RM'000 | IDR RM'000 | THB RM'000 | SGD RM'000 | USD RM'000 | AUD RM'000 | GBP RM'000 | JPY RM'000 | RMB RM'000 | HKD RM'000 | EUR RM'000 | Others RM'000 | Total non-MYR RM'000 | Grand total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | | | | | | | | |
| Deposits from customers | 253,149,182 | 47,460,908 | 28,079,470 | 43,306,373 | 47,053,198 | 1,580,596 | 2,694,168 | 1,454,686 | 969,443 | 3,509,734 | 831,761 | 2,860,464 | 179,800,801 | 432,949,983 |
| Investment accounts of customers | 13,182,966 | - | - | - | 501,666 | - | - | - | - | - | - | - | 501,666 | 13,684,632 |
| Deposits and placements of banks and other financial institutions | 8,953,631 | 656,771 | 3,418,428 | 1,774,502 | 16,103,524 | 183,886 | 46,272 | 631,178 | 1,514,167 | 712,284 | 24,836 | 169,770 | 25,235,618 | 34,189,249 |
| Repurchase agreements/ Collateralised commodity murabahah | 24,834,836 | 1,710,291 | 2,494,806 | - | 6,764,987 | - | - | - | 74,566 | 43,715 | - | - | 11,088,365 | 35,923,201 |
| Financial liabilities designated at fair value through profit or loss | 3,976,968 | 4,364,123 | 2,691,926 | - | 30,836 | - | - | - | - | - | - | - | 7,086,885 | 11,063,853 |
| Derivatives financial instruments | 23,858,312 | 25,667 | 81,053,900 | 27,070,984 | (119,235,873) | 371,542 | 849,125 | 5,905,581 | 380,016 | (1,105,763) | (3,327,342) | 1,614,384 | (6,397,779) | 17,460,533 |
| Bills and acceptances payable | 253,275 | 310,436 | 251,554 | 135,087 | 1,001,877 | - | 53 | 5,968 | 15,188 | - | 28,950 | 39 | 1,749,152 | 2,002,427 |
| Other liabilities | 6,686,691 | 5,624,578 | 3,800,180 | 989,531 | 5,677,753 | 94,837 | 116,330 | 9,336 | 14,309 | 52,140 | 95,885 | 298,707 | 16,773,586 | 23,460,277 |
| Lease liabilities | 233,335 | 69,398 | 24,352 | 104,716 | 39,341 | - | 5,260 | - | - | 14,446 | - | 9,290 | 266,803 | 500,138 |
| Recourse obligation on loans and financing sold to Cagamas | 650,667 | - | - | - | - | - | - | - | - | - | - | - | - | 650,667 |
| Other borrowings | 3,956,970 | 967,482 | - | - | 3,318,311 | - | - | - | - | - | - | 22,022 | 4,307,815 | 8,264,785 |
| Bonds, Sukuk and debentures | 2,474,530 | 482,001 | 342,338 | - | 5,788,476 | - | - | - | - | 830,864 | - | - | 7,443,679 | 9,918,209 |
| Subordinated obligations | 10,970,104 | 44,411 | - | - | - | - | - | - | - | - | - | - | 44,411 | 11,014,515 |
| | 353,181,467 | 61,716,066 | 122,156,954 | 73,381,193 | (32,955,904) | 2,230,861 | 3,711,208 | 8,006,749 | 2,967,689 | 4,057,420 | (2,345,910) | 4,974,676 | 247,901,002 | 601,082,469 |
| Financial guarantees | 2,709,924 | 108,053 | 31,772 | 2,848,562 | 3,253,196 | 736 | 10,439 | 17,387 | 29,812 | 101,349 | 79,973 | 44,057 | 6,525,336 | 9,235,260 |
| Credit related commitments and contingencies | 92,101,714 | 4,051,421 | 4,298,907 | 9,458,664 | 16,344,817 | 77,998 | 983,081 | 78,583 | 574,534 | 450,459 | 163,387 | 6,516 | 36,488,367 | 128,590,081 |
| | 94,811,638 | 4,159,474 | 4,330,679 | 12,307,226 | 19,598,013 | 78,734 | 993,520 | 95,970 | 604,346 | 551,808 | 243,360 | 50,573 | 43,013,703 | 137,825,341 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.2 MARKET RISK (CONTINUED)

#### 57.2.3 FOREIGN EXCHANGE RISK (CONTINUED)

**(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company (Continued)**

| The Group 2021 | MYR RM'000 | IDR RM'000 | THB RM'000 | SGD RM'000 | USD RM'000 | AUD RM'000 | GBP RM'000 | JPY RM'000 | RMB RM'000 | HKD RM'000 | EUR RM'000 | Others RM'000 | Total non-MYR RM'000 | Grand total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial assets** | | | | | | | | | | | | | | |
| Cash and short-term funds | 21,759,290 | 4,571,252 | 182,773 | 366,219 | 13,067,769 | 512,329 | 1,479,930 | 466,366 | 245,073 | 328,293 | 520,110 | 2,170,107 | 23,910,221 | 45,669,511 |
| Reverse repurchase agreements | 494,111 | 471,448 | 451,689 | 757,702 | 3,405,015 | 63,677 | 70,426 | 11,050 | - | 107,622 | 22,120 | 30,638 | 5,391,387 | 5,885,498 |
| Deposits and placements with banks and other financial institutions | 961,211 | - | - | 48 | 3,069,297 | 111,992 | - | - | 137,677 | 72,215 | - | 261,280 | 3,652,509 | 4,613,720 |
| Financial investments at fair value through profit or loss | 15,450,461 | 1,682,492 | 3,924,791 | 8,723,305 | 5,316,407 | 1,343,989 | 62,727 | 3,442,768 | 151,066 | 125,547 | 30,023 | 25,668 | 24,828,783 | 40,279,244 |
| Debt instruments at fair value through other comprehensive income | 31,974,998 | 12,489,125 | 6,323,985 | 2,973,251 | 4,497,021 | 342,878 | 115,428 | 286,375 | 237,667 | 602,687 | 207,337 | 68,734 | 28,144,488 | 60,119,486 |
| Equity instruments at fair value through other comprehensive income | 295,647 | 4,290 | 13,405 | 83 | 7,227 | - | - | - | - | - | 2,453 | - | 27,458 | 323,105 |
| Debt instruments at amortised cost | 41,457,898 | 4,738,843 | 1,840,731 | 5,986,768 | 1,400,046 | - | - | 316,775 | 129,720 | - | 56,491 | 79,068 | 14,548,442 | 56,006,340 |
| Derivative financial instruments | 16,458,955 | 356,641 | (46,087,375) | 3,437,739 | 81,352,120 | (3,675,801) | (3,552,424) | (31,252,805) | 9,311,791 | (723,355) | (11,404,389) | (2,231,500) | (4,469,358) | 11,989,597 |
| Loans, advances and financing | 224,734,703 | 45,769,253 | 24,699,798 | 28,473,393 | 30,335,552 | 521,231 | 4,868,239 | 1,063,778 | 1,527,999 | 1,135,524 | 527,906 | 1,027,396 | 139,950,069 | 364,684,772 |
| Other assets | 4,038,572 | 1,049,885 | 1,585,605 | 240,382 | 2,538,408 | 366 | 8,092 | 1,705 | 3,763 | 47,984 | 59,589 | 123,969 | 5,659,748 | 9,698,320 |
| | 357,625,846 | 71,133,229 | (7,064,598) | 50,958,890 | 144,988,862 | (779,339) | 3,052,418 | (25,663,988) | 11,744,756 | 1,696,517 | (9,978,360) | 1,555,360 | 241,643,747 | 599,269,593 |

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.2 MARKET RISK (CONTINUED)

#### 57.2.3 FOREIGN EXCHANGE RISK (CONTINUED)

**(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company (Continued)**

| The Group 2021 | MYR RM'000 | IDR RM'000 | THB RM'000 | SGD RM'000 | USD RM'000 | AUD RM'000 | GBP RM'000 | JPY RM'000 | RMB RM'000 | HKD RM'000 | EUR RM'000 | Others RM'000 | Total non-MYR RM'000 | Grand total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Financial liabilities** | | | | | | | | | | | | | | |
| Deposits from customers | 251,767,027 | 53,339,038 | 22,354,875 | 34,574,138 | 51,311,694 | 1,331,212 | 2,250,246 | 279,393 | 830,245 | 1,115,678 | 894,981 | 2,369,565 | 170,651,065 | 422,418,092 |
| Investment accounts of customers | 9,964,836 | - | - | - | 462,331 | - | - | - | - | - | - | - | 462,331 | 10,427,167 |
| Deposits and placements of banks and other financial institutions | 6,373,513 | 638,859 | 3,548,201 | 2,410,182 | 14,287,859 | 102,556 | 671,848 | 27,947 | 1,087,200 | 1,062,416 | 237,392 | 253,922 | 24,328,382 | 30,701,895 |
| Repurchase agreements/ Collateralised commodity murabahah | 16,861,226 | 369,224 | 3,287,262 | - | 8,558,333 | - | - | - | 85,455 | 22,883 | - | - | 12,323,157 | 29,184,383 |
| Financial liabilities designated at fair value through profit or loss | 1,061,368 | 3,203,173 | 2,224,409 | - | 367,832 | - | - | - | - | - | - | - | 5,795,414 | 6,856,782 |
| Derivatives financial instruments | 19,009,644 | 285,380 | (46,520,782) | 12,165,917 | 59,990,298 | (2,382,657) | 10,360 | (26,033,730) | 9,750,561 | (1,625,580) | (11,239,740) | (2,514,216) | (8,114,189) | 10,895,455 |
| Bills and acceptances payable | 362,249 | 479,072 | 281,584 | 87,665 | 793,016 | - | 57 | 4,205 | 7,901 | 132 | 19,114 | 14 | 1,672,760 | 2,035,009 |
| Other liabilities | 5,906,680 | 2,719,790 | 2,473,426 | 822,360 | 2,358,739 | 83,982 | 26,485 | 19,434 | 11,155 | 149,491 | 59,272 | 174,462 | 8,898,596 | 14,805,276 |
| Lease liabilities | 259,480 | 120,925 | 26,781 | 98,519 | 30,647 | - | 6,828 | - | - | 19,943 | - | 12,682 | 316,325 | 575,805 |
| Recourse obligation on loans and financing sold to Cagamas | 998,246 | - | - | - | - | - | - | - | - | - | - | - | - | 998,246 |
| Other borrowings | 4,707,895 | 577,767 | - | - | 2,718,406 | - | - | - | - | - | - | 104,404 | 3,400,577 | 8,108,472 |
| Bonds, Sukuk and debentures | 3,632,904 | 1,578,873 | 1,322,087 | - | 6,005,889 | - | - | - | - | 839,289 | - | - | 9,746,138 | 13,379,042 |
| Subordinated obligations | 10,083,169 | 45,416 | - | - | - | - | - | - | - | - | - | - | 45,416 | 10,128,585 |
| | 330,988,237 | 63,357,517 | (11,002,157) | 50,158,781 | 146,885,044 | (864,907) | 2,965,824 | (25,702,751) | 11,772,517 | 1,584,252 | (10,028,981) | 400,833 | 229,525,972 | 560,514,209 |
| Financial guarantees | 2,597,189 | 258,449 | 940 | 2,587,198 | 2,523,877 | - | 11,126 | 3,324 | 36,282 | 96,267 | 46,036 | 67,153 | 5,630,652 | 8,227,841 |
| Credit related commitments and contingencies | 65,801,570 | 3,455,799 | 991,157 | 5,777,828 | 5,323,736 | 428,363 | 535,607 | 96,182 | 401,718 | 1,470,648 | 42,401 | 334,415 | 18,857,854 | 84,659,424 |
| | 68,398,759 | 3,714,248 | 992,097 | 8,365,026 | 7,847,613 | 428,363 | 546,733 | 99,506 | 438,000 | 1,566,915 | 88,437 | 401,568 | 24,488,506 | 92,887,265 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.2 MARKET RISK (CONTINUED)

#### 57.2.3 FOREIGN EXCHANGE RISK (CONTINUED)

**(a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Company (Continued)**

| The Company 2022 | MYR RM'000 | IDR RM'000 | USD RM'000 | Total non-MYR RM'000 | Grand total RM'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and short-term funds | **460,667** | **1** | **13,591** | **13,592** | **474,259** |
| Debt instruments at fair value through other comprehensive income | **1,737,110** | **–** | **–** | **–** | **1,737,110** |
| Debt instruments at amortised cost | **7,813,401** | **–** | **–** | **–** | **7,813,401** |
| Other assets | **872** | **–** | **–** | **–** | **872** |
| Amount owing by subsidiaries | **209** | **–** | **–** | **–** | **209** |
| | **10,012,259** | **1** | **13,591** | **13,592** | **10,025,851** |
| **Financial liabilities** | | | | | |
| Other liabilities | **12,762** | **–** | **–** | **–** | **12,762** |
| Amount due to subsidiaries | **531** | **–** | **–** | **–** | **531** |
| Other borrowings | **3,956,970** | **–** | **–** | **–** | **3,956,970** |
| Subordinated obligations | **10,627,596** | **–** | **–** | **–** | **10,627,596** |
| | **14,597,859** | **–** | **–** | **–** | **14,597,859** |

| The Company 2021 | MYR RM'000 | IDR RM'000 | USD RM'000 | Total non-MYR RM'000 | Grand total RM'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Cash and short-term funds | 80,765 | 2 | 12,907 | 12,909 | 93,674 |
| Debt instruments at fair value through other comprehensive income | 1,778,168 | – | – | – | 1,778,168 |
| Debt instruments at amortised cost | 6,798,814 | – | – | – | 6,798,814 |
| Other assets | 560 | – | – | – | 560 |
| Amount owing by subsidiaries | 183 | – | – | – | 183 |
| | 8,658,490 | 2 | 12,907 | 12,909 | 8,671,399 |
| **Financial liabilities** | | | | | |
| Other liabilities | 3,158 | – | – | – | 3,158 |
| Amount due to subsidiaries | 13,389 | – | – | – | 13,389 |
| Other borrowings | 4,707,895 | – | – | – | 4,707,895 |
| Subordinated obligations | 9,609,761 | – | – | – | 9,609,761 |
| | 14,334,203 | – | – | – | 14,334,203 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.2 MARKET RISK (CONTINUED)

#### 57.2.3 FOREIGN EXCHANGE RISK (CONTINUED)

**(b) Sensitivity of profit and reserves**

The table below shows the sensitivity of the Group's and the Company's profit and reserves to movement in foreign exchange rates:

| | The Group | | The Group | |
|---|---|---|---|---|
| | 1% appreciation in foreign currency Increase/(decrease) 2022 RM'000 | 1% depreciation in foreign currency Increase/(decrease) 2022 RM'000 | 1% appreciation in foreign currency Increase/(decrease) 2021 RM'000 | 1% depreciation in foreign currency Increase/(decrease) 2021 RM'000 |
| Impact to profit (after tax) | **22,133** | **(22,133)** | (16,466) | 16,466 |
| USD | **(29,223)** | **29,223** | (21,390) | 21,390 |
| THB | **50,441** | **(50,441)** | 565 | (565) |
| HKD | **160** | **(160)** | 544 | (544) |
| GBP | **846** | **(846)** | 812 | (812) |
| JPN | **405** | **(405)** | 427 | (427) |
| SGD | **231** | **(231)** | 424 | (424) |
| AUD | **(52)** | **52** | 945 | (945) |
| Others | **(675)** | **675** | 1,207 | (1,207) |
| Impact to reserves | **(27,256)** | **27,256** | (57,661) | 57,661 |
| USD | **–** | **–** | (38,776) | 38,776 |
| SGD | **(25,367)** | **25,367** | (17,601) | 17,601 |
| GBP | **(883)** | **883** | (1,284) | 1,284 |
| Others | **(1,005)** | **1,005** | – | – |

| | The Company | | The Company | |
|---|---|---|---|---|
| | 1% appreciation in foreign currency Increase/(decrease) 2022 RM'000 | 1% depreciation in foreign currency Increase/(decrease) 2022 RM'000 | 1% appreciation in foreign currency Increase/(decrease) 2021 RM'000 | 1% depreciation in foreign currency Increase/(decrease) 2021 RM'000 |
| Impact to profit (after tax) | **103** | **(103)** | 98 | (98) |
| USD | **103** | **(103)** | 98 | (98) |
| Impact to reserves | **–** | **–** | – | – |
| USD | **–** | **–** | – | – |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.2 MARKET RISK (CONTINUED)

#### 57.2.3 FOREIGN EXCHANGE RISK (CONTINUED)

**(b) Sensitivity of profit and reserves (Continued)**

The impact on profit arises from transactional exposures while the impact on reserves arises from net investment hedge from parallel shifts in foreign exchange rates.

The projection assumes that foreign exchange rates move by the same amount and, therefore, do not reflect the potential impact on profit and reserves of some rates changing while others remain unchanged. The projections also assume that all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

### 57.3 LIQUIDITY RISK

Liquidity and funding risk is defined as the current and potential risk to earnings, shareholders' fund or reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both business-as-usual ("BAU") and stress conditions. Due to its large delivery network and marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand, and term deposits, thus providing the Group with a stable large funding base from Individuals, SMEs, corporates and financial institutions segments. The Group maintains some buffers of liquidity throughout the year to ensure safe and sound operations from a strategic, structural and tactical perspective.

The day-to-day responsibility for liquidity risk management and control in each individual entity is delegated to the respective Country Asset Liability Management Committee (Country ALCO) which subsequently report to Group ALCO ("GALCO"). GALCO meets at least once a month to discuss the liquidity risk and funding profile of the Group. The key liquidity risk metrics comprise of internal liquidity gaps or cashflow maturity profile mismatches under business as usual and stress scenarios, regulatory liquidity coverage ratio ("LCR") and Net Stable Funding Ratio ("NSFR") which are measured and monitored regularly. LCR is a quantitative regulatory requirement which seeks to ensure that banking institutions hold sufficient high quality liquid assets ("HQLA") to withstand an acute liquidity stress scenario over a 30-calendar-days horizon.

The Group monitors and reports LCR and NSFR based on the BNM LCR and NSFR Policy Document dated 25 August 2016 and 31 July 2019 respectively. The effective date for NSFR is 1 July 2020. As part of its ordinary course of business, the Group maintains the LCR and NSFR above the regulatory requirements. In addition, liquidity risk stress testing under various scenarios covering bank-specific (idiosyncratic), market-wide and combined crises is performed regularly to identify sources of potential liquidity strain. Liquidity risk positions based on balance sheet forecasts and relevant risk drivers are projected to help in business planning.

In addition to regulatory limits, liquidity risk undertaken by the Group is governed by a set of established liquidity risk limits and appetite. Management Action Triggers ("MATs") have been established to alert the Management to potential and emerging liquidity pressures. Our Group's liquidity risk management policy is subjected to periodic review. The assumptions, risk limits and appetite are regularly reviewed in response to regulatory changes, changing business needs and market conditions.

The Asset-Liability Management function, which is responsible for the independent monitoring of the Group liquidity risk profile, works closely with Group Treasury and Markets in its surveillance on market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key providers of funds. Overseas branches and subsidiaries should seek to be self-sufficient in funding at all times. Group Treasury and Markets only acts as a global provider of funds on a need-to or contingency basis. Each entity has to prudently manage its liquidity position to meet its daily operating needs.

The Group's Contingency Funding Plan ("CFP") is in place to alert and enable the management to act effectively and efficiently during a liquidity or funding crisis and under adverse market conditions. The CFP is subjected to regular testing.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.3 LIQUIDITY RISK (CONTINUED)

#### 57.3.1 CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines:

| The Group 2022 | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and short-term funds | 43,475,478 | - | - | - | - | - | 533,382 | 44,008,860 |
| Reverse repurchase agreements/ reverse Collateralised Commodity Murabahah | 8,186,461 | 946,196 | 618,605 | - | - | - | - | 9,751,262 |
| Deposits and placements with banks and other financial institutions | - | 2,340,829 | 634,848 | 120,805 | - | - | - | 3,096,482 |
| Financial investments at fair value through profit or loss | 7,741,977 | 4,516,817 | 2,574,133 | 1,221,182 | 7,795,224 | 6,720,797 | 2,630,133 | 33,200,263 |
| Debt instruments at fair value through other comprehensive income | 669,803 | 1,850,245 | 1,566,788 | 2,352,808 | 26,908,006 | 25,028,011 | - | 58,375,661 |
| Equity instruments at fair value through other comprehensive income | - | - | - | - | - | - | 300,669 | 300,669 |
| Debt instruments at amortised cost | 1,917,762 | 3,164,737 | 4,142,362 | 3,273,807 | 29,547,402 | 22,487,354 | - | 64,533,424 |
| Derivative financial instruments | 2,954,254 | 3,386,380 | 1,216,714 | 1,832,886 | 5,996,883 | 2,685,041 | - | 18,072,158 |
| Loans, advances and financing | 94,364,041 | 17,360,448 | 8,605,777 | 17,010,207 | 57,414,159 | 199,802,548 | - | 394,557,180 |
| Other assets | 8,291,251 | 2,913,802 | 73,556 | 21,619 | 569,258 | 254,397 | 1,477,219 | 13,601,102 |
| Tax recoverable | - | - | - | - | - | - | 339,068 | 339,068 |
| Deferred tax assets | - | - | - | - | - | - | 1,910,929 | 1,910,929 |
| Statutory deposits with central banks | - | - | - | - | - | - | 10,905,070 | 10,905,070 |
| Investment in associates | - | - | - | - | - | - | 41,786 | 41,786 |
| Investment in joint ventures | - | - | - | - | - | - | 2,425,221 | 2,425,221 |
| Property, plant and equipment | - | - | - | - | - | - | 2,055,881 | 2,055,881 |
| Right-of-use assets | - | - | - | - | - | - | 600,402 | 600,402 |
| Goodwill | - | - | - | - | - | - | 6,382,440 | 6,382,440 |
| Intangible assets | - | - | - | - | - | - | 1,798,512 | 1,798,512 |
| Non-current assets held for sale | - | - | - | - | - | - | 764,855 | 764,855 |
| **Total assets** | 167,601,027 | 36,479,454 | 19,432,783 | 25,833,314 | 128,230,932 | 256,978,148 | 32,165,567 | 666,721,225 |

# Notes to the Financial Statements
**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)
### 57.3 LIQUIDITY RISK (CONTINUED)
#### 57.3.1 CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines (Continued):

| The Group 2022 | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | |
| Deposits from customers | 287,071,893 | 67,074,429 | 35,582,771 | 33,939,455 | 8,741,084 | 540,351 | - | 432,949,983 |
| Investment accounts of customers | 2,480,112 | 2,109,399 | 3,887,801 | 4,582,225 | 132,902 | 492,193 | - | 13,684,632 |
| Deposits and placements of banks and other financial institutions | 16,344,084 | 12,361,105 | 2,588,256 | 899,659 | 1,348,235 | 647,910 | - | 34,189,249 |
| Repurchase agreements/Collateralised commodity murabahah | 13,718,441 | 15,167,242 | 5,421,782 | 642,715 | 973,021 | - | - | 35,923,201 |
| Derivatives financial instruments | 3,433,623 | 3,559,997 | 1,412,682 | 1,615,346 | 5,379,543 | 2,059,342 | - | 17,460,533 |
| Bills and acceptances payable | 802,649 | 320,863 | 164,154 | - | 589,504 | 125,257 | - | 2,002,427 |
| Other liabilities | 18,595,229 | 1,210,242 | 1,025,282 | 1,526,612 | 749,044 | 1,369,957 | 684,272 | 25,160,638 |
| Lease liabilities | 24,613 | 11,106 | 15,585 | 34,128 | 268,658 | 146,048 | - | 500,138 |
| Recourse obligation on loans and financing sold to Cagamas | - | 647 | 2,431 | - | 487,569 | 160,020 | - | 650,667 |
| Deferred tax liabilities | - | - | - | - | - | - | 44,852 | 44,852 |
| Provision for taxation and zakat | 109,651 | - | - | - | - | - | - | 109,651 |
| Financial liabilities designated at fair value through profit or loss | 9,904 | 8,184 | 242,080 | 133,802 | 8,387,854 | 2,282,029 | - | 11,063,853 |
| Bonds, Sukuk and debentures | 85,380 | 55,570 | 114,751 | 51,695 | 9,610,813 | - | - | 9,918,209 |
| Other borrowings | 41,200 | 11,779 | 382,831 | 37,577 | 4,562,324 | 3,229,074 | - | 8,264,785 |
| Subordinated obligations | 23,177 | 760,609 | 33,065 | 2,009,199 | 6,405,032 | 1,783,433 | - | 11,014,515 |
| Non-current liabilities held for sale | - | - | - | - | - | - | 39 | 39 |
| **Total liabilities** | 342,739,956 | 102,651,172 | 50,873,471 | 45,472,413 | 47,635,583 | 12,835,614 | 729,163 | 602,937,372 |
| **Net liquidity gap** | (175,138,929) | (66,171,718) | (31,440,688) | (19,639,099) | 80,595,349 | 244,142,534 | 31,436,404 | 63,783,853 |

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.3 LIQUIDITY RISK (CONTINUED)

#### 57.3.1 CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines (Continued):

| The Group 2021 | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and short-term funds | 45,669,511 | – | – | – | – | – | – | 45,669,511 |
| Reverse repurchase agreements/ reverse Collateralised Commodity Murabahah | 5,151,916 | 517,357 | – | 216,225 | – | – | – | 5,885,498 |
| Deposits and placements with banks and other financial institutions | – | 3,681,768 | 868,895 | 63,057 | – | – | – | 4,613,720 |
| Financial investments at fair value through profit or loss | 7,415,686 | 8,458,269 | 4,010,840 | 2,843,882 | 6,157,319 | 8,722,574 | 2,670,674 | 40,279,244 |
| Debt instruments at fair value through other comprehensive income | 378,907 | 823,795 | 2,615,036 | 2,455,408 | 25,819,915 | 28,026,425 | – | 60,119,486 |
| Equity instruments at fair value through other comprehensive income | – | – | – | – | – | – | 323,105 | 323,105 |
| Debt instruments at amortised cost | 1,824,454 | 3,202,215 | 2,378,431 | 3,657,652 | 25,699,336 | 19,244,252 | – | 56,006,340 |
| Derivative financial instruments | 1,634,394 | 2,015,948 | 1,979,099 | 989,207 | 3,397,995 | 1,972,954 | – | 11,989,597 |
| Loans, advances and financing | 36,466,289 | 17,800,354 | 9,463,699 | 18,970,389 | 56,703,731 | 225,280,310 | – | 364,684,772 |
| Other assets | 7,037,710 | 2,122,283 | 59,207 | 154,779 | 315,340 | 89,195 | 1,477,558 | 11,256,072 |
| Tax recoverable | – | – | – | – | – | – | 674,935 | 674,935 |
| Deferred tax assets | – | – | – | – | – | – | 1,670,475 | 1,670,475 |
| Statutory deposits with central banks | – | – | – | – | – | – | 4,676,200 | 4,676,200 |
| Investment in associates | – | – | – | – | – | – | 770,801 | 770,801 |
| Investment in joint ventures | – | – | – | – | – | – | 2,181,345 | 2,181,345 |
| Property, plant and equipment | – | – | – | – | – | – | 2,068,976 | 2,068,976 |
| Right-of-use assets | – | – | – | – | – | – | 679,582 | 679,582 |
| Goodwill | – | – | – | – | – | – | 6,444,100 | 6,444,100 |
| Intangible assets | – | – | – | – | – | – | 1,857,470 | 1,857,470 |
| Non-current assets held for sale | – | – | – | – | – | – | 55,829 | 55,829 |
| **Total assets** | 105,578,867 | 38,621,989 | 21,375,207 | 29,350,599 | 118,093,636 | 283,335,710 | 25,551,050 | 621,907,058 |

# Notes to the Financial Statements
**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)
### 57.3 LIQUIDITY RISK (CONTINUED)
#### 57.3.1 CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines (Continued):

| The Group 2021 | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Liabilities** | | | | | | | | |
| Deposits from customers | 274,179,522 | 70,067,726 | 40,897,311 | 35,150,743 | 1,818,560 | 304,230 | – | 422,418,092 |
| Investment accounts of customers | 1,697,197 | 1,518,442 | 3,255,545 | 3,352,116 | 142,804 | 461,063 | – | 10,427,167 |
| Deposits and placements of banks and other financial institutions | 13,130,371 | 11,444,994 | 2,498,265 | 1,604,091 | 1,174,174 | 850,000 | – | 30,701,895 |
| Repurchase agreements/Collateralised commodity murabahah | 18,060,343 | 10,371,342 | 450,177 | 302,521 | – | – | – | 29,184,383 |
| Derivatives financial instruments | 1,475,933 | 2,087,632 | 1,803,596 | 850,285 | 3,085,319 | 1,592,690 | – | 10,895,455 |
| Bills and acceptances payable | 759,363 | 387,353 | 192,501 | 11,177 | 566,632 | 117,983 | – | 2,035,009 |
| Other liabilities | 10,834,648 | 852,163 | 703,796 | 922,815 | 466,234 | 1,363,803 | 687,366 | 15,830,825 |
| Lease liabilities | 16,855 | 6,239 | 12,608 | 53,710 | 327,574 | 158,819 | – | 575,805 |
| Recourse obligation on loans and financing sold to Cagamas | – | 399 | 3,991 | 325,988 | 238,560 | 429,308 | – | 998,246 |
| Deferred tax liabilities | – | – | – | – | – | – | 44,149 | 44,149 |
| Provision for taxation and zakat | 214,336 | – | – | – | – | – | – | 214,336 |
| Financial liabilities designated at fair value through profit or loss | 2,335 | 93,006 | 95,550 | 10,235 | 4,968,572 | 1,687,084 | – | 6,856,782 |
| Bonds, Sukuk and debentures | 6,512 | 3,176,043 | 1,217,133 | 1,458,947 | 6,683,350 | 837,057 | – | 13,379,042 |
| Other borrowings | 226,923 | 7,255 | 760,369 | 2,743,598 | 4,261,314 | 109,013 | – | 8,108,472 |
| Subordinated obligations | 82,426 | 13,137 | 12,377 | 1,522,475 | 6,701,324 | 1,796,846 | – | 10,128,585 |
| Non-current liabilities held for sale | – | – | – | – | – | – | 67 | 67 |
| **Total liabilities** | 320,686,764 | 100,025,731 | 51,903,219 | 48,308,701 | 30,434,417 | 9,707,896 | 731,582 | 561,798,310 |
| **Net liquidity gap** | (215,107,897) | (61,403,742) | (30,528,012) | (18,958,102) | 87,659,219 | 273,627,814 | 24,819,468 | 60,108,748 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.3 LIQUIDITY RISK (CONTINUED)

#### 57.3.1 CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines (Continued):

| The Company 2022 | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and short-term funds | 474,259 | – | – | – | – | – | – | 474,259 |
| Debt instruments at fair value through other comprehensive income | – | – | 12,117 | 1,010,529 | 533,048 | 181,416 | – | 1,737,110 |
| Debt instruments at amortised cost | – | 742,658 | 17,410 | – | 7,053,333 | – | – | 7,813,401 |
| Other assets | – | – | – | – | – | – | 83,364 | 83,364 |
| Amount owing from subsidiaries | 209 | – | – | – | – | – | – | 209 |
| Tax recoverable | 185,361 | – | – | – | – | – | – | 185,361 |
| Investment in subsidiaries | – | – | – | – | – | – | 34,666,619 | 34,666,619 |
| Property, plant and equipment | – | – | – | – | – | – | 266 | 266 |
| Right-of-use assets | – | – | – | – | – | – | 430 | 430 |
| Investment properties | – | – | – | – | – | – | 327 | 327 |
| **Total assets** | 659,829 | 742,658 | 29,527 | 1,010,529 | 7,586,381 | 181,416 | 34,751,006 | 44,961,346 |
| **Liabilities** | | | | | | | | |
| Other liabilities | 12,762 | – | – | – | – | – | – | 12,762 |
| Amount owing to subsidiaries | 531 | – | – | – | – | – | – | 531 |
| Deferred tax liabilities | – | – | – | – | – | – | 3 | 3 |
| Other borrowings | – | 1,341 | 355,629 | – | 3,600,000 | – | – | 3,956,970 |
| Subordinated obligations | – | 747,366 | 30,230 | 1,000,000 | 8,650,000 | 200,000 | – | 10,627,596 |
| **Total liabilities** | 13,293 | 748,707 | 385,859 | 1,000,000 | 12,250,000 | 200,000 | 3 | 14,597,862 |
| **Net liquidity gap** | 646,536 | (6,049) | (356,332) | 10,529 | (4,663,619) | (18,584) | 34,751,003 | 30,363,484 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.3 LIQUIDITY RISK (CONTINUED)

#### 57.3.1 CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES

The table below analyses assets and liabilities of the Group and the Company based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of Bank Negara Malaysia Guidelines (Continued):

| The Company 2021 | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | | |
| Cash and short-term funds | 93,674 | – | – | – | – | – | – | 93,674 |
| Debt instruments at fair value through other comprehensive income | – | – | 12,269 | – | 1,575,304 | 190,595 | – | 1,778,168 |
| Debt instruments at amortised cost | – | 26,572 | 20,208 | 1,489,457 | 5,262,577 | – | – | 6,798,814 |
| Other assets | – | – | – | – | – | – | 84,101 | 84,101 |
| Amount owing from subsidiaries | 183 | – | – | – | – | – | – | 183 |
| Tax recoverable | – | – | – | – | – | – | 185,354 | 185,354 |
| Investment in subsidiaries | – | – | – | – | – | – | 32,873,956 | 32,873,956 |
| Property, plant and equipment | – | – | – | – | – | – | 413 | 413 |
| Right-of-use assets | – | – | – | – | – | – | 430 | 430 |
| Investment properties | – | – | – | – | – | – | 345 | 345 |
| Non-current assets held for sale | – | – | – | – | – | – | 3,768 | 3,768 |
| **Total assets** | 93,857 | 26,572 | 32,477 | 1,489,457 | 6,837,881 | 190,595 | 33,148,367 | 41,819,206 |
| **Liabilities** | | | | | | | | |
| Other liabilities | 3,158 | – | – | – | – | – | – | 3,158 |
| Amount owing to subsidiaries | 13,389 | – | – | – | – | – | – | 13,389 |
| Deferred tax liabilities | – | – | – | – | – | – | 227 | 227 |
| Other borrowings | – | 805 | 757,090 | – | 3,950,000 | – | – | 4,707,895 |
| Subordinated obligations | – | 26,572 | 33,189 | 1,500,000 | 7,850,000 | 200,000 | – | 9,609,761 |
| **Total liabilities** | 16,547 | 27,377 | 790,279 | 1,500,000 | 11,800,000 | 200,000 | 227 | 14,334,430 |
| **Net liquidity gap** | 77,310 | (805) | (757,802) | (10,543) | (4,962,119) | (9,405) | 33,148,140 | 27,484,776 |

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.3 LIQUIDITY RISK (CONTINUED)

#### 57.3.2 CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES

**NON-DERIVATIVE FINANCIAL LIABILITIES**

The tables below present the cash flows payable by the Group and the Company under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

| The Group 2022 | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | | |
| Deposits from customers | 287,946,663 | 67,338,657 | 36,857,900 | 34,601,928 | 9,622,894 | 1,118,772 | – | 437,486,814 |
| Investment accounts of customers | 2,481,450 | 2,119,906 | 3,941,262 | 4,719,138 | 138,253 | 649,523 | – | 14,049,532 |
| Deposits and placements of banks and other financial institutions | 17,129,410 | 12,470,177 | 2,657,004 | 1,037,311 | 1,348,859 | 647,910 | – | 35,290,671 |
| Repurchase agreements/ Collateralised commodity murabahah | 13,740,116 | 15,164,301 | 5,423,965 | 642,715 | 973,021 | – | – | 35,944,118 |
| Bills and acceptances payable | 802,734 | 321,903 | 172,273 | 15,502 | 677,793 | 147,906 | – | 2,138,111 |
| Financial liabilities designated at fair value through profit or loss | (24,992) | 18,007 | 263,643 | 195,154 | 9,009,495 | 2,404,389 | – | 11,865,696 |
| Other liabilities | 17,220,791 | 1,223,442 | 1,036,517 | 1,534,621 | 781,223 | 1,889,379 | 682,194 | 24,368,167 |
| Lease liabilities | 4,684 | 31,011 | 32,970 | 64,669 | 334,704 | 83,046 | – | 551,084 |
| Recourse obligation on loans and financing sold to Cagamas | – | 1,669 | 11,878 | 15,178 | 586,097 | 213,122 | – | 827,944 |
| Other borrowings | 41,224 | 41,108 | 490,294 | 110,985 | 4,992,629 | 4,105,853 | – | 9,782,093 |
| Bonds, Sukuk and debentures | 91,803 | 149,101 | 198,106 | 256,023 | 9,935,949 | – | – | 10,630,982 |
| Subordinated obligations | 24,519 | 858,969 | 330,030 | 2,464,838 | 8,368,454 | 1,993,479 | – | 14,040,289 |
| Financial guarantees | 3,650,350 | 882,012 | 104,975 | 1,443,409 | 166,150 | 3,171 | 2,985,193 | 9,235,260 |
| Credit related commitments and contingencies | 71,677,473 | 1,964,949 | 2,312,416 | 11,824,186 | 7,896,405 | 32,250,346 | 664,306 | 128,590,081 |
| | 414,786,225 | 102,585,212 | 53,833,233 | 58,925,657 | 54,831,926 | 45,506,896 | 4,331,693 | 734,800,842 |

# 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 57.3 LIQUIDITY RISK (CONTINUED)

### 57.3.2 CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES (CONTINUED)

**NON-DERIVATIVE FINANCIAL LIABILITIES (CONTINUED)**

The tables below present the cash flows payable by the Group and the Company under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

| The Group 2021 | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | | |
| Deposits from customers | 274,655,310 | 70,544,217 | 41,812,682 | 36,435,290 | 2,514,076 | 361,313 | – | 426,322,888 |
| Investment accounts of customers | 1,697,936 | 1,524,636 | 3,285,076 | 3,416,892 | 146,463 | 534,426 | – | 10,605,429 |
| Deposits and placements of banks and other financial institutions | 13,705,206 | 11,522,567 | 2,621,523 | 1,629,232 | 1,174,071 | 850,000 | – | 31,502,599 |
| Repurchase agreements/ Collateralised commodity murabahah | 18,062,342 | 10,371,687 | 450,177 | 302,521 | – | – | – | 29,186,727 |
| Bills and acceptances payable | 759,397 | 387,822 | 194,634 | 16,063 | 601,570 | 127,905 | – | 2,087,391 |
| Financial liabilities designated at fair value through profit or loss | 2,110 | 98,908 | 102,961 | 26,582 | 5,157,083 | 1,783,098 | – | 7,170,742 |
| Other liabilities | 9,604,721 | 849,068 | 704,153 | 923,690 | 473,944 | 1,624,104 | 676,736 | 14,856,416 |
| Lease liabilities | 13,938 | 26,093 | 28,265 | 75,496 | 361,559 | 38,437 | – | 543,788 |
| Recourse obligation on loans and financing sold to Cagamas | – | 1,008 | 19,502 | 347,639 | 338,428 | 478,633 | – | 1,185,210 |
| Other borrowings | 272,524 | 49,503 | 837,025 | 2,818,455 | 4,591,885 | 1,015 | – | 8,570,407 |
| Bonds, Sukuk and debentures | 7,339 | 3,220,157 | 1,300,511 | 1,564,599 | 6,943,574 | 855,703 | – | 13,891,883 |
| Subordinated obligations | 83,748 | 69,419 | 320,362 | 1,970,025 | 8,293,851 | 2,094,060 | – | 12,831,465 |
| Financial guarantees | 3,378,648 | 583,075 | 104,196 | 1,173,395 | 165,034 | 3,662 | 2,819,831 | 8,227,841 |
| Credit related commitments and contingencies | 48,972,476 | 4,111,096 | 689,986 | 4,012,627 | 7,575,043 | 18,907,637 | 390,559 | 84,659,424 |
| | 371,215,695 | 103,359,256 | 52,471,053 | 54,712,506 | 38,336,581 | 27,659,993 | 3,887,126 | 651,642,210 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.3 LIQUIDITY RISK (CONTINUED)

#### 57.3.2 CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES (CONTINUED)

**NON-DERIVATIVE FINANCIAL LIABILITIES (CONTINUED)**

The tables below present the cash flows payable by the Group and the Company under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

| The Company 2022 | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | | |
| Other liabilities | **12,762** | **–** | **–** | **–** | **–** | **–** | **–** | **12,762** |
| Amount owing to subsidiaries | **531** | **–** | **–** | **–** | **–** | **–** | **–** | **531** |
| Other borrowings | **–** | **30,516** | **391,679** | **71,596** | **3,875,428** | **–** | **–** | **4,369,219** |
| Subordinated obligations | **–** | **779,387** | **146,482** | **1,210,219** | **9,467,017** | **223,956** | **–** | **11,827,061** |
| | **13,293** | **809,903** | **538,161** | **1,281,815** | **13,342,445** | **223,956** | **–** | **16,209,573** |

| The Company 2021 | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | | | |
| Other liabilities | 3,158 | – | – | – | – | – | – | 3,158 |
| Amount owing to subsidiaries | 13,389 | – | – | – | – | – | – | 13,389 |
| Other borrowings | – | 18,325 | 798,843 | 52,554 | 4,226,887 | – | – | 5,096,609 |
| Subordinated obligations | – | 46,638 | 158,658 | 1,706,514 | 8,516,246 | 232,022 | – | 10,660,078 |
| | 16,547 | 64,963 | 957,501 | 1,759,068 | 12,743,133 | 232,022 | – | 15,773,234 |

# Notes to the Financial Statements
**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)
### 57.3 LIQUIDITY RISK (CONTINUED)
#### 57.3.2 CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES (CONTINUED)

**DERIVATIVE FINANCIAL LIABILITIES)**

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

The table below analyses the Group's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis.

| The Group 2022 | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Derivative financial liabilities** | | | | | | | | |
| **Trading derivatives** | | | | | | | | |
| – Foreign exchange derivatives | **(1,525,474)** | **–** | **–** | **–** | **–** | **–** | **–** | **(1,525,474)** |
| – Interest rate derivatives | **(4,293,924)** | **–** | **–** | **–** | **–** | **–** | **–** | **(4,293,924)** |
| – Equity related derivatives | **(187,640)** | **–** | **–** | **–** | **–** | **–** | **–** | **(187,640)** |
| – Commodity related derivatives | **(28,362)** | **–** | **–** | **–** | **–** | **–** | **–** | **(28,362)** |
| – Credit related contracts | **(15,612)** | **–** | **–** | **–** | **–** | **–** | **–** | **(15,612)** |
| – Bond contract | **(30,676)** | **–** | **–** | **–** | **–** | **–** | **–** | **(30,676** |
| **Hedging derivatives** | | | | | | | | |
| – Interest rate derivatives | **219,863** | **(9,715)** | **(49,502)** | **(93,052)** | **(333,412)** | **(124,598)** | **–** | **(390,416)** |
| | **(5,861,825)** | **(9,715)** | **(49,502)** | **(93,052)** | **(333,412)** | **(124,598)** | **-** | **(6,472,104)** |

| The Group 2021 | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Derivative financial liabilities** | | | | | | | | |
| **Trading derivatives** | | | | | | | | |
| – Foreign exchange derivatives | (2,373,704) | – | – | – | – | – | – | (2,373,704) |
| – Interest rate derivatives | (2,678,219) | – | – | – | – | – | – | (2,678,219) |
| – Equity related derivatives | (135,551) | – | – | – | – | – | – | (135,551) |
| – Commodity related derivatives | (212,472) | – | – | – | – | – | – | (212,472) |
| – Credit related contracts | (36,777) | – | – | – | – | – | – | (36,777) |
| – Bond contract | (115,204) | – | – | – | – | – | – | (115,204) |
| **Hedging derivatives** | | | | | | | | |
| – Interest rate derivatives | (5,959) | (78,950) | (94,968) | (100,691) | (514,966) | (61,864) | – | (857,398) |
| | (5,557,886) | (78,950) | (94,968) | (100,691) | (514,966) | (61,864) | – | (6,409,325) |

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.3 LIQUIDITY RISK (CONTINUED)

#### 57.3.2 CONTRACTUAL MATURITY OF ASSETS AND LIABILITIES (CONTINUED)

**DERIVATIVE FINANCIAL LIABILITIES) (CONTINUED)**

The Group's and the Company's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, currency options and cross currency interest rate swaps.

The table below analyses the Group's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

| The Group 2022 | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Derivative financial liabilities** | | | | | | | | |
| **Trading derivatives** | | | | | | | | |
| Foreign exchange derivatives | **(10,730,181)** | **–** | **–** | **–** | **–** | **–** | **–** | **(10,730,181)** |
| **Hedging derivatives** | | | | | | | | |
| Foreign exchange derivatives | | | | | | | | |
| – Outflow | **(170,446)** | **(1,849,532)** | **(989,165)** | **(276,875)** | **(2,519,645)** | **(49,333)** | **–** | **(5,854,996)** |
| – Inflow | **154,809** | **1,729,088** | **944,746** | **259,717** | **2,425,109** | **48,939** | **–** | **5,562,408** |
| | **(10,745,818)** | **(120,444)** | **(44,419)** | **(17,158)** | **(94,536)** | **(394)** | **–** | **(11,022,769)** |

| The Group 2021 | Up to 1 month RM'000 | > 1 – 3 months RM'000 | > 3 – 6 months RM'000 | > 6 – 12 months RM'000 | > 1 – 5 years RM'000 | Over 5 years RM'000 | No-specific maturity RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|
| **Derivative financial liabilities** | | | | | | | | |
| **Trading derivatives** | | | | | | | | |
| Foreign exchange derivatives | (5,052,502) | – | – | – | – | – | – | (5,052,502) |
| **Hedging derivatives** | | | | | | | | |
| Foreign exchange derivatives | | | | | | | | |
| – Outflow | (579,357) | (820,178) | (143,438) | (198,181) | (2,574,082) | (115,056) | – | (4,430,292) |
| – Inflow | 582,143 | 821,981 | 143,797 | 211,635 | 2,572,983 | 113,690 | – | 4,446,229 |
| | (5,049,716) | 1,803 | 359 | 13,454 | (1,099) | (1,366) | – | (5,036,565) |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.4 FAIR VALUE ESTIMATION

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

#### 57.4.1 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY

The fair value hierarchy has the following levels:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets; or
- Quoted prices for identical or similar assets and liabilities in non-active markets; or
- Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets/liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets/liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When fair value is determined using quoted prices of similar assets/liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets/liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group determines fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

Assets/liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters.

The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.4 FAIR VALUE ESTIMATION (CONTINUED)

#### 57.4.1 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

**VALUATION MODEL REVIEW AND APPROVAL**

- Fair valuation of financial instruments is determined either through Mark-to-Market or Mark-to-Model methodology, as appropriate;

- Market Risk Management is mandated to perform mark-to-market, mark-to-model and rate reasonableness verification. Market price and/or rate sources for Mark-to-Market are validated by Market Risk Management as part and parcel of market data reasonableness verification;

- Valuation methodologies for the purpose of determining Mark-to-Model prices will be verified by Group Risk Management Quantitative analysts before submitting to the GMCRC for approval;

- Mark-to-Model process shall be carried out by Market Risk Management in accordance with the approved valuation methodologies. Group Risk Management Quantitative analysts are responsible for independent evaluation and validation of the Group's financial models used for valuation;

- Group Risk Management Quantitative analysts are the guardian of the financial models and valuation methodologies. Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative analysts and approved by Regional Head, Market Risk Management and/or the GMCRC;

- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;

- The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer; and

- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value.

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.4 FAIR VALUE ESTIMATION (CONTINUED)

#### 57.4.1 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value hierarchy:

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair Value | | | | Fair Value | | | |
| 2022 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
| ***Recurring fair value measurements*** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| Financial investments at fair value through profit or loss | | | | | | | | |
| – Money market instruments | – | 23,218,488 | 295,529 | 23,514,017 | – | – | – | – |
| – Quoted securities | 1,340,074 | – | – | 1,340,074 | – | – | – | – |
| – Unquoted securities | 2,416,997 | 4,732,245 | 1,196,930 | 8,346,172 | – | – | – | – |
| Debt instruments at fair value through other comprehensive income | | | | | | | | |
| – Money market instruments | – | 19,921,905 | – | 19,921,905 | – | – | – | – |
| – Unquoted securities | 8,696,620 | 29,757,136 | – | 38,453,756 | – | 1,737,110 | – | 1,737,110 |
| Equity instruments at fair value through other comprehensive income | | | | | | | | |
| – Quoted securities | 24,124 | – | – | 24,124 | – | – | – | – |
| – Unquoted securities | – | – | 276,545 | 276,545 | – | – | – | – |
| Derivative financial instruments | | | | | | | | |
| – Trading derivatives | 11,558 | 16,726,330 | 115,732 | 16,853,620 | – | – | – | – |
| – Hedging derivatives | – | 1,218,538 | – | 1,218,538 | – | – | – | – |
| Loans, advances and financing at fair value through profit or loss | – | 107,552 | – | 107,552 | – | – | – | – |
| **Total** | 12,489,373 | 95,682,194 | 1,884,736 | 110,056,303 | – | 1,737,110 | – | 1,737,110 |
| ***Recurring fair value measurements*** | | | | | | | | |
| **Financial liabilities** | | | | | | | | |
| Derivative financial instruments | | | | | | | | |
| – Trading derivatives | 42,227 | 16,649,411 | 120,231 | 16,811,869 | – | – | – | – |
| – Hedging derivatives | – | 648,664 | – | 648,664 | – | – | – | – |
| Financial liabilities designated at fair value through profit or loss | – | 11,063,853 | – | 11,063,853 | – | – | – | – |
| **Total** | 42,227 | 28,361,928 | 120,231 | 28,524,386 | – | – | – | – |

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.4 FAIR VALUE ESTIMATION (CONTINUED)

#### 57.4.1 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value hierarchy (Continued):

| | The Group | | | | The Company | | | |
|---|---|---|---|---|---|---|---|---|
| | Fair Value | | | | Fair Value | | | |
| **2021** | **Level 1 RM'000** | **Level 2 RM'000** | **Level 3 RM'000** | **Total RM'000** | **Level 1 RM'000** | **Level 2 RM'000** | **Level 3 RM'000** | **Total RM'000** |
| ***Recurring fair value measurements*** | | | | | | | | |
| **Financial assets** | | | | | | | | |
| Financial investments at fair value through profit or loss | | | | | | | | |
| – Money market instruments | – | 28,724,249 | 398,711 | 29,122,960 | – | – | – | – |
| – Quoted securities | 1,406,435 | – | – | 1,406,435 | – | – | – | – |
| – Unquoted securities | – | 8,571,237 | 1,178,612 | 9,749,849 | – | – | – | – |
| Debt instruments at fair value through other comprehensive income | | | | | | | | |
| – Money market instruments | – | 16,399,801 | – | 16,399,801 | – | – | – | – |
| – Unquoted securities | – | 43,719,685 | – | 43,719,685 | – | 1,778,168 | – | 1,778,168 |
| Equity instruments at fair value through other comprehensive income | | | | | | | | |
| – Quoted securities | 37,512 | – | – | 37,512 | – | – | – | – |
| – Unquoted securities | – | – | 285,593 | 285,593 | – | – | – | – |
| Derivative financial instruments | | | | | | | | |
| – Trading derivatives | 146,868 | 11,154,526 | 234,395 | 11,535,789 | – | – | – | – |
| – Hedging derivatives | – | 453,808 | – | 453,808 | – | – | – | – |
| Loans, advances and financing at fair value through profit or loss | – | 357,853 | – | 357,853 | – | – | – | – |
| **Total** | 1,590,815 | 109,381,159 | 2,097,311 | 113,069,285 | – | 1,778,168 | – | 1,778,168 |
| ***Recurring fair value measurements*** | | | | | | | | |
| **Financial liabilities** | | | | | | | | |
| Derivative financial instruments | | | | | | | | |
| – Trading derivatives | 91,701 | 10,472,969 | 39,759 | 10,604,429 | – | – | – | – |
| – Hedging derivatives | – | 291,026 | – | 291,026 | – | – | – | – |
| Financial liabilities designated at fair value through profit or loss | – | 6,856,782 | – | 6,856,782 | – | – | – | – |
| **Total** | 91,701 | 17,620,777 | 39,759 | 17,752,237 | – | – | – | – |

# 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 57.4 FAIR VALUE ESTIMATION (CONTINUED)

### 57.4.1 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2022 and 31 December 2021 for the Group:

| | Financial Assets | | | | Financial Liabilities | |
|---|---|---|---|---|---|---|
| | Financial investments at fair value through profit or loss | Equity instruments at fair value through other comprehensive income | Derivative financial instruments | | Derivative financial instruments | |
| **The Group** | Money market instruments and unquoted securities RM'000 | Unquoted securities RM'000 | Trading derivatives RM'000 | Total RM'000 | Trading derivatives RM'000 | Total RM'000 |
| **2022** | | | | | | |
| At 1 January | 1,577,323 | 285,593 | 234,395 | 2,097,311 | (39,759) | (39,759) |
| Total gains/(losses) recognised in statement of income | (64,470) | - | (120,127) | (184,597) | 3,010 | 3,010 |
| Total gains recognised in other comprehensive income | - | (8,762) | - | (8,762) | - | - |
| Purchases | 1,754 | - | 6,889 | 8,643 | (214,475) | (214,475) |
| Sales and redemption | (52,991) | (105) | - | (53,096) | - | - |
| Settlements | - | - | (7,909) | (7,909) | 133,316 | 133,316 |
| Exchange fluctuation | 30,843 | (181) | 2,484 | 33,146 | (2,323) | (2,323) |
| At 31 December | 1,492,459 | 276,545 | 115,732 | 1,884,736 | (120,231) | (120,231) |
| Total losses/(gains) recognised in Statement of Income for financial year ended 31 December under: | | | | | | |
| – net non-interest income | (64,470) | - | (120,127) | (184,597) | 3,010 | 3,010 |
| Total gains recognised in Other Comprehensive Income for financial year ended 31 December under "revaluation reserves" | - | (8,762) | - | (8,762) | - | - |
| Change in unrealised losses/(gains) recognised in profit or loss relating to assets held on 31 December under "net non-interest income" | (69,580) | - | 447,419 | 377,839 | (92,638) | (92,638) |

# Notes to the Financial Statements
**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)
### 57.4 FAIR VALUE ESTIMATION (CONTINUED)
#### 57.4.1 DETERMINATION OF FAIR VALUE AND FAIR VALUE HIERARCHY (CONTINUED)

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value hierarchy (Continued):

| | Financial Assets | | | | | Financial Liabilities | |
|---|---|---|---|---|---|---|---|
| | Financial investments at fair value through profit or loss | Debt instruments at fair value through other comprehensive income | Equity instruments at fair value through other comprehensive income | Derivative financial instruments | | Derivative financial instruments | |
| **The Group** | Money market instruments and unquoted securities RM'000 | Unquoted securities RM'000 | Unquoted securities RM'000 | Trading derivatives RM'000 | Total RM'000 | Trading derivatives RM'000 | Total RM'000 |
| **2021** | | | | | | | |
| At 1 January | 1,659,307 | 1 | 271,036 | 157,301 | 2,087,645 | (8,313) | (8,313) |
| Total gains/(losses) recognised in statement of income | 29,631 | - | - | 79,805 | 109,436 | (26,474) | (26,474) |
| Total gains recognised in other comprehensive income | - | - | 29,140 | - | 29,140 | - | - |
| Purchases | 4,236 | - | 52 | 6,076 | 10,364 | (28,630) | (28,630) |
| Sales and redemption | (141,336) | (1) | (14,767) | - | (156,104) | - | - |
| Settlements | - | - | - | (8,885) | (8,885) | 23,740 | 23,740 |
| Exchange fluctuation | 25,485 | - | 132 | 98 | 25,715 | (82) | (82) |
| At 31 December | 1,577,323 | - | 285,593 | 234,395 | 2,097,311 | (39,759) | (39,759) |
| Total gains/(losses) recognised in Statement of Income for financial year ended 31 December under: – net non-interest income | 29,631 | - | - | 79,805 | 109,436 | (26,474) | (26,474) |
| Total gains recognised in Other Comprehensive Income for financial year ended 31 December under "revaluation reserves" | - | - | 29,140 | - | 29,140 | - | - |
| Change in unrealised gains/(losses) recognised in profit or loss relating to assets held on 31 December under "net non-interest income" | 26,821 | - | - | 395,810 | 422,631 | (83,282) | (83,282) |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.4 FAIR VALUE ESTIMATION (CONTINUED)

#### 57.4.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST

The following table represents financial assets and liabilities measured at fair value and classified by level with the following fair value hierarchy (Continued):

| | The Group | | | | | The Company | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Fair Value | | | | | Fair Value | | | |
| 2022 | Carrying amount RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Carrying amount RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
| **Financial assets** | | | | | | | | | | |
| Reverse repurchase agreements at amortised cost | 9,751,262 | - | 9,751,262 | - | 9,751,262 | - | - | - | - | - |
| Deposits and placement with banks and other financial institutions | 3,096,482 | - | 3,092,143 | - | 3,092,143 | - | - | - | - | - |
| Debt instruments at amortised cost | 64,533,424 | - | 63,782,807 | - | 63,782,807 | 7,813,401 | - | 7,709,954 | - | 7,709,954 |
| Loans, advances and financing at amortised cost | 394,449,628 | - | 390,810,991 | - | 390,810,991 | - | - | - | - | - |
| **Total** | 471,830,796 | - | 467,437,203 | - | 467,437,203 | 7,813,401 | - | 7,709,954 | - | 7,709,954 |
| **Financial liabilities** | | | | | | | | | | |
| Deposits from customers | 432,949,983 | - | 430,093,466 | - | 430,093,466 | - | - | - | - | - |
| Investment accounts of customers | 13,684,632 | - | 13,737,357 | - | 13,737,357 | - | - | - | - | - |
| Deposits and placements of banks and other financial institutions | 34,189,249 | - | 34,084,394 | - | 34,084,394 | - | - | - | - | - |
| Repurchase agreements/Collateralised commodity murabahah | 35,923,201 | - | 35,900,123 | - | 35,900,123 | - | - | - | - | - |
| Recourse obligation on loans and financing sold to Cagamas | 650,667 | - | 670,727 | - | 670,727 | - | - | - | - | - |
| Bonds, Sukuk and debentures | 9,918,209 | - | 9,767,224 | - | 9,767,224 | - | - | - | - | - |
| Other borrowings | 8,264,785 | - | 8,730,219 | - | 8,730,219 | 3,956,970 | - | 4,303,938 | - | 4,303,938 |
| Subordinated obligations | 11,014,515 | - | 10,882,707 | - | 10,882,707 | 10,627,596 | - | 10,506,650 | - | 10,506,650 |
| **Total** | 546,595,241 | - | 543,866,217 | - | 543,866,217 | 14,584,566 | - | 14,810,588 | - | 14,810,588 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.4 FAIR VALUE ESTIMATION (CONTINUED)

#### 57.4.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST (CONTINUED)

The following table analyses within the fair value hierarchy the Group's and the Company's assets and liabilities' fair value at 31 December 2022 and 31 December 2021, where the fair value does not approximate to carrying amount in the statement of financial position (Continued):

| | The Group | | | | | The Company | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | Fair Value | | | | | Fair Value | | | |
| 2021 | Carrying amount RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 | Carrying amount RM'000 | Level 1 RM'000 | Level 2 RM'000 | Level 3 RM'000 | Total RM'000 |
| **Financial assets** | | | | | | | | | | |
| Reverse repurchase agreements at amortised cost | 5,885,498 | – | 5,885,498 | – | 5,885,498 | – | – | – | – | – |
| Deposits and placement with banks and other financial institutions | 4,613,720 | – | 4,613,333 | – | 4,613,333 | – | – | – | – | – |
| Debt instruments at amortised cost | 56,006,340 | – | 56,614,195 | – | 56,614,195 | 6,798,814 | – | 6,847,763 | – | 6,847,763 |
| Loans, advances and financing at amortised cost | 364,326,919 | – | 362,570,887 | – | 362,570,887 | – | – | – | – | – |
| **Total** | 430,832,477 | – | 429,683,913 | – | 429,683,913 | 6,798,814 | – | 6,847,763 | – | 6,847,763 |
| **Financial liabilities** | | | | | | | | | | |
| Deposits from customers | 422,418,092 | – | 418,824,386 | – | 418,824,386 | – | – | – | – | – |
| Investment accounts of customers | 10,427,167 | – | 10,489,097 | – | 10,489,097 | – | – | – | – | – |
| Deposits and placements of banks and other financial institutions | 30,701,895 | – | 30,608,342 | – | 30,608,342 | – | – | – | – | – |
| Repurchase agreements/Collateralised commodity murabahah | 29,184,383 | – | 29,178,787 | – | 29,178,787 | – | – | – | – | – |
| Recourse obligation on loans and financing sold to Cagamas | 998,246 | – | 1,039,733 | – | 1,039,733 | – | – | – | – | – |
| Bonds, Sukuk and debentures | 13,379,042 | – | 13,439,472 | – | 13,439,472 | – | – | – | – | – |
| Other borrowings | 8,108,472 | – | 8,435,418 | – | 8,435,418 | 4,707,895 | – | 5,037,335 | – | 5,037,335 |
| Subordinated obligations | 10,128,585 | – | 10,338,660 | – | 10,338,660 | 9,609,761 | – | 9,703,343 | – | 9,703,343 |
| **Total** | 525,345,882 | – | 522,353,895 | – | 522,353,895 | 14,317,656 | – | 14,740,678 | – | 14,740,678 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.4 FAIR VALUE ESTIMATION (CONTINUED)

#### 57.4.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST (CONTINUED)

The fair values are based on the following methodologies and assumptions:

**SHORT-TERM FUNDS AND PLACEMENTS WITH FINANCIAL INSTITUTIONS AND REVERSE REPURCHASE AGREEMENTS/REVERSE COLLATERALISED COMMODITY MURABAHAH**

For short-term funds, placements with financial institutions and reverse repurchase agreements/reverse Collateralised Commodity Murabahah with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

**DEBT INSTRUMENTS AT AMORTISED COST**

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Company establish fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

**OTHER ASSETS**

The fair value of other assets approximates the carrying value less impairment allowance at the statement of financial position date.

**LOANS, ADVANCES AND FINANCING**

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans with maturities of six months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risks and maturities.

The fair values of impaired floating and fixed rate loans are represented by their carrying value, net of expected credit losses, being the expected recoverable amount.

**AMOUNT DUE (TO)/FROM SUBSIDIARIES AND RELATED COMPANIES**

The estimated fair values of the amount due (to)/from subsidiaries and related companies approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar loans.

**DEPOSITS FROM CUSTOMERS**

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate of their fair value. For deposit with maturities of six months or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

**INVESTMENT ACCOUNTS OF CUSTOMERS**

The estimated fair values of investment accounts of customers with maturities of less than six months approximate the carrying values. For placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for placements with similar remaining period to maturities.

**DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS**

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.4 FAIR VALUE ESTIMATION (CONTINUED)

#### 57.4.2 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES MEASURED AT AMORTISED COST (CONTINUED)

**OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS/COLLATERALISED COMMODITY MURABAHAH**

The estimated fair values of obligations on securities sold under repurchase agreements/collateralised commodity murabahah with maturities of less than six months approximate the carrying values. For obligations on securities sold under repurchase agreements/collateralised commodity murabahah with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

**BILLS AND ACCEPTANCES PAYABLE**

The estimated fair values of bills and acceptances payable with maturities of less than six months approximate the carrying values. For bills and acceptance payable with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for bills and acceptance payable with similar remaining period to maturity.

**OTHER LIABILITIES**

The fair value of other liabilities approximates the carrying value at the statement of financial position date.

**RECOURSE OBLIGATION ON LOANS AND FINANCING SOLD TO CAGAMAS**

The estimated fair values of loans and financing sold to Cagamas with maturities of less than six months approximate the carrying values. For loans and financing sold to Cagamas with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for loans and financing sold to Cagamas with similar risk profile.

**BONDS, SUKUK AND DEBENTURES AND OTHER BORROWINGS**

The estimated fair values of bonds, Sukuk and debentures and other borrowings with maturities of less than six months approximate the carrying values. For bonds, Sukuk and debentures and other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

**SUBORDINATED OBLIGATIONS**

The fair values for the quoted subordinated obligations are obtained from quoted market prices while the fair values for unquoted subordinated obligations are estimated based on discounted cash flow models.

**CREDIT RELATED COMMITMENT AND CONTINGENCIES**

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.4 FAIR VALUE ESTIMATION (CONTINUED)

#### 57.4.3 QUANTITATIVE INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) (CONTINUED)

Certain credit derivatives products where valuation inputs are unobservable are valued using analytic/semi-analytic pricing models that model credit default with other market variables such as foreign exchange ("FX") rates in a mathematically and theoretically consistent framework. These valuation models are the usual market standard used in credit derivatives pricing.

Credit derivatives inputs deemed to trigger Level 3 classification:
- Correlation between Credit and FX

Actual transactions, where available, are used to regularly recalibrate such unobservable parameters.

For the purpose of Model Reserve, the following ranges (where applicable) are proposed to be used for performing sensitivity analysis to determine such reserves:

- Credit and FX correlation (reserve on a Level 3 input) –
  1. Short Quanto CDS position shocked with larger negative correlation
  2. Long Quanto CDS position shocked with larger positive correlation
- FX Volatility (reserve on valuation model) –
  1. Long volatility shocked with lower volatility
  2. Short volatility shocked with higher volatility

Equity derivatives which primarily include over-the-counter options on individual or basket of shares or market indices are valued using option pricing models such as Black-Scholes and Monte Carlo Simulations.

These models are calibrated with the inputs which include underlying spot prices, dividend and yield curves. A Level 3 input for equity options is historical volatility i.e. volatility derived from the shares' historical prices. The magnitude and direction of the impact to the fair value depend on whether the Group is long or short the exposure.

- Higher volatility will result in higher fair value for net long positions.
- Higher volatility will result in lower fair value for net short positions.

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.4 FAIR VALUE ESTIMATION (CONTINUED)

#### 57.4.3 QUANTITATIVE INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) (CONTINUED)

| 2022<br>Description | Fair value Assets<br>RM'000 | Fair value (Liabilities)<br>RM'000 | Valuation technique(s) | Unobservable input | Range (Weighted average) | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|---|---|---|
| **Derivative financial instruments** | | | | | | |
| **- Trading derivatives** | | | | | | |
| Credit derivatives | **3,571** | **(209)** | Discounted Cash Flow, Stochastic Default and FX Correlation Model | Credit Default/FX Correlation | -45.00% to +20.00% | Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement. |
| Equity derivatives | **112,161** | **(120,022)** | Option pricing | Equity Volatility | 7.75% to 76.87% | Higher volatility results in higher/lower fair value depending on the net long/short positions. |
| **Financial investments at fair value through profit or loss** | | | | | | |
| Promissory notes | **295,529** | **Not applicable** | Weighted probability valuation based on market comparables and discounted cash flow | Estimated revenue of underlying asset, discount factor and probability assigned to each scenario | Not applicable | Higher estimated revenue and lower discount factor would results in higher valuation. Probability assigned would result in higher/lower fair value depending on the amount of cash flows generated for each scenario. |
| Unquoted shares and private equity funds | **1,196,930** | **Not applicable** | Net tangible assets | Net tangible assets | Not applicable | Higher net tangible assets results in higher fair value. |
| **Equity instruments at fair value through other comprehensive income** | | | | | | |
| Unquoted shares and private equity funds | **276,545** | **Not applicable** | Net tangible assets | Net tangible assets | Not applicable | Higher net tangible assets results in higher fair value. |

# Notes to the Financial Statements
**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)
### 57.4 FAIR VALUE ESTIMATION (CONTINUED)
#### 57.4.3 QUANTITATIVE INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) (CONTINUED)

| 2021<br>Description | Fair value Assets<br>RM'000 | Fair value (Liabilities)<br>RM'000 | Valuation technique(s) | Unobservable input | Range (Weighted average) | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|---|---|---|---|
| **Derivative financial instruments** | | | | | | |
| **- Trading derivatives** | | | | | | |
| Credit derivatives | 63 | (514) | Discounted Cash Flow, Stochastic Default and FX Correlation Model | Credit Default/FX Correlation | -55.00% to +10.00% | Given a short correlation position, an increase in correlation, in isolation, would generally result in a decrease in fair value measurement. |
| Equity derivatives | 234,332 | (39,245) | Option pricing | Equity Volatility | 9.11% to 110.22% | Higher volatility results in higher/lower fair value depending on the net long/short positions. |
| **Financial investments at fair value through profit or loss** | | | | | | |
| Promissory notes | 398,711 | Not applicable | Weighted probability valuation based on market comparables and discounted cash flow | Estimated revenue of underlying asset, discount factor and probability assigned to each scenario | Not applicable | Higher estimated revenue and lower discount factor would results in higher valuation. Probability assigned would result in higher/lower fair value depending on the amount of cash flows generated for each scenario. |
| Unquoted shares and private equity funds | 1,178,612 | Not applicable | Net tangible assets | Net tangible assets | Not applicable | Higher net tangible assets results in higher fair value. |
| **Equity instruments at fair value through other comprehensive income** | | | | | | |
| Unquoted shares and private equity funds | 285,593 | Not applicable | Net tangible assets | Net tangible assets | Not applicable | Higher net tangible assets results in higher fair value. |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 57 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 57.4 FAIR VALUE ESTIMATION (CONTINUED)

#### 57.4.3 QUANTITATIVE INFORMATION ABOUT FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) (CONTINUED)

**SENSITIVITY ANALYSIS FOR LEVEL 3**

| | | Effect of reasonably possible alternative assumptions to: Profit or loss | |
|---|---|---|---|
| **The Group 2022** | **Sensitivity of significant unobservable input** | **Favourable changes RM'000** | **Unfavourable changes RM'000** |
| **Derivative financial instruments – trading** | | | |
| – Credit derivatives | **+10%** | **16** | **–** |
| | **–10%** | **–** | **(18)** |
| – Equity derivatives | **+25%** | **9,522** | **–** |
| | **–25%** | **–** | **(12,280)** |
| **Financial investments at fair value through profit or loss** | | | |
| – Promissory notes | **+10%*** | **18,490** | **–** |
| | **–10%*** | **–** | **(18,490)** |
| **Total** | | **28,028** | **(30,788)** |

| | | Effect of reasonably possible alternative assumptions to: Profit or loss | |
|---|---|---|---|
| **The Group 2021** | **Sensitivity of significant unobservable input** | **Favourable changes RM'000** | **Unfavourable changes RM'000** |
| **Derivative financial instruments – trading** | | | |
| – Credit derivatives | +10% | 1 | – |
| | –10% | – | (1) |
| – Equity derivatives | +25% | 21,300 | – |
| | –25% | – | (25,432) |
| **Financial investments at fair value through profit or loss** | | | |
| – Promissory notes | +10%* | 25,609 | – |
| | –10%* | – | (25,609) |
| **Total** | | 46,910 | (51,042) |

* 10% stress is applied to the estimated revenue of underlying assets

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING

### STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and short-term funds | (a) | **18,777,000** | 15,576,658 |
| Reverse Collateralised Commodity Murabahah | | **503,206** | – |
| Deposits and placements with banks and other financial institutions | (b) | **197,875** | 1,263,401 |
| Financial investments at fair value through profit or loss | (c) | **2,075,001** | 5,254,902 |
| Debt instruments at fair value through other comprehensive income | (d) | **5,917,142** | 7,082,534 |
| Debt instruments at amortised cost | (e) | **10,395,507** | 10,118,573 |
| Islamic derivative financial instruments | (f)(i) | **532,332** | 264,327 |
| Financing, advances and other financing/loans | (g) | **123,903,093** | 103,797,100 |
| Other assets | (h) | **4,701,865** | 2,718,901 |
| Deferred tax assets | (i) | **190,837** | 166,320 |
| Tax recoverable | | **6,170** | 1,761 |
| Amount due from conventional operations | | **13,615,714** | 8,953,813 |
| Statutory deposits with central banks | (j) | **2,338,788** | 915,756 |
| Property, plant and equipment | (k) | **4,400** | 3,765 |
| Right-of-use assets | (l) | **2,788** | 3,956 |
| Goodwill | (m) | **136,000** | 136,000 |
| Intangible assets | (n) | **3,965** | 22,661 |
| **Total assets** | | **183,301,683** | 156,280,428 |
| **Liabilities** | | | |
| Deposits from customers | (o) | **118,028,859** | 112,433,852 |
| Investment accounts of customers | (p) | **13,684,632** | 10,427,167 |
| Deposits and placements of banks and other financial institutions | (q) | **11,689,317** | 4,444,554 |
| Investment accounts due to designated financial institutions | (r) | **3,576,590** | 3,919,753 |
| Collateralised Commodity Murabahah | | **2,191,011** | 328,821 |
| Financial liabilities designated at fair value through profit or loss | (s) | **2,857,004** | 799,686 |
| Islamic derivative financial instruments | (f)(i) | **777,653** | 292,760 |
| Bills and acceptances payable | | **39,069** | 26,397 |
| Other liabilities | (t) | **14,451,682** | 8,267,790 |
| Lease liabilities | (u) | **2,261** | 4,398 |
| Amount due to conventional operations | | **1,703,718** | 2,024,744 |
| Provision for taxation | | **30** | 51,434 |
| Sukuk | (v) | **312,978** | 600,044 |
| Subordinated Sukuk | (w) | **1,109,342** | 1,108,045 |
| **Total liabilities** | | **170,424,146** | 144,729,445 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 (CONTINUED)

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **Equity** | | | |
| Islamic banking funds | | **55,696** | 55,696 |
| Ordinary share capital | (x) | **1,000,000** | 1,000,000 |
| Perpetual preference shares | (x) | **350,000** | 420,000 |
| Reserves | (y) | **11,313,906** | 9,946,608 |
| | | **12,719,602** | 11,422,304 |
| Non-controlling interests | | **157,935** | 128,679 |
| Total equity | | **12,877,537** | 11,550,983 |
| **Total equity and liabilities** | | **183,301,683** | 156,280,428 |
| **Restricted Agency Investment Account(*)** | (z) | **14,280,429** | 12,748,755 |
| **Total Islamic Banking Assets** | | **197,582,112** | 169,029,183 |
| **Commitments and contingencies** | (f)(ii) | **63,566,410** | 49,225,642 |

* The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions

### STATEMENT OF INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| Income derived from investment of depositors' funds and others | (aa) | **5,217,522** | 4,538,709 |
| Income derived from investment of investment account | (ab) | **738,920** | 401,384 |
| Net income derived from investment of shareholders' funds | (ac) | **796,945** | 773,401 |
| Modification loss | (ad) | **(2,845)** | (95,749) |
| Expected credit loss on financing, advances and other financing/loans | (ae) | **(538,185)** | (303,947) |
| Expected credit losses written back/(made) for commitments and contingencies | | **48,668** | (25,989) |
| Other expected credit losses made | (af) | **(14,085)** | (1,693) |
| **Total distributable income** | | **6,246,940** | 5,286,116 |
| Income attributable to depositors and others | (ag) | **(2,531,197)** | (2,012,344) |
| Profit distributed to investment account holder | (ah) | **(379,556)** | (208,489) |
| **Total net income** | | **3,336,187** | 3,065,283 |
| Personnel expenses | (ai) | **(79,670)** | (65,647) |
| Other overheads and expenditures | (aj) | **(1,183,521)** | (1,109,440) |
| **Profit before taxation and zakat** | | **2,072,996** | 1,890,196 |
| Taxation and zakat | (ak) | **(504,499)** | (315,674) |
| **Profit for the financial year** | | **1,568,497** | 1,574,522 |
| **Profit attributable to:** | | | |
| Owners of the Parent | | **1,532,838** | 1,535,795 |
| Non-controlling interests | | **35,659** | 38,727 |
| | | **1,568,497** | 1,574,522 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### STATEMENT OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Profit for the financial year | **1,568,497** | 1,574,522 |
| Other comprehensive income/(expense): | | |
| *Items that will not be reclassified subsequently to profit or loss* | | |
| Fair value changes on financial liabilities designated at fair value attributable to own credit risk | **115** | (4) |
| | **115** | (4) |
| *Items that may be reclassified subsequently to profit or loss* | | |
| Debt instruments at fair value through other comprehensive income | **(96,662)** | (107,399) |
| – Net loss from change in fair value | **(106,151)** | (100,143) |
| – Realised gain transferred to statement of income on disposal | **(7,735)** | (46,269) |
| – Changes in expected credit losses | **(2,090)** | 1,232 |
| – Income tax effects | **19,314** | 37,781 |
| Hedging reserve – cash flow hedge | **326** | – |
| - Net gain from change in fair value | **326** | – |
| Exchange fluctuation reserve | **(61,726)** | 37,658 |
| | **(158,062)** | (69,741) |
| Other comprehensive expense for the financial year, net of tax | **(157,947)** | (69,745) |
| Total comprehensive income for the financial year | **1,410,550** | 1,504,777 |
| Total comprehensive income attributable to: | | |
| Owners of the Parent | **1,381,294** | 1,463,722 |
| Non-controlling interests | **29,256** | 41,055 |
| | **1,410,550** | 1,504,777 |
| Income from Islamic Banking operations: | | |
| Total net income | **3,336,187** | 3,065,283 |
| Add: Expected credit losses on financing, advances and other financing/loans | **538,185** | 303,947 |
| Add: Expected credit losses (written back)/made for commitments and contingencies | **(48,668)** | 25,989 |
| Add: Other expected credit losses made | **14,085** | 1,693 |
| | **3,839,789** | 3,396,912 |
| Elimination for transaction with conventional operations | **160,060** | 136,569 |
| | **3,999,849** | 3,533,481 |

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

| | Share capital RM'000 | Perpetual preference shares RM'000 | Islamic Banking funds RM'000 | Debt instruments at fair value through other comprehensive income RM'000 | Exchange fluctuation reserve RM'000 | Hedging reserve RM'000 | Regulatory reserve RM'000 | Own credit risk reserve RM'000 | Share-based payment RM'000 | Capital contribution by Holding company RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | | | | | | | | |
| At 1 January 2022 | 1,000,000 | 420,000 | 55,696 | (68,928) | 17,472 | - | - | (4) | 588 | 944 | 9,996,536 | 11,422,304 | 128,679 | 11,550,983 |
| Net profit for the financial year | - | - | - | - | - | - | - | - | - | - | 1,532,838 | 1,532,838 | 35,659 | 1,568,497 |
| Other comprehensive (expense)/income (net of tax) | - | - | - | (96,662) | (55,323) | 326 | - | 115 | - | - | - | (151,544) | (6,403) | (157,947) |
| - debt instruments at fair value through other comprehensive income | - | - | - | (96,662) | - | - | - | - | - | - | - | (96,662) | - | (96,662) |
| - fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve | - | - | - | - | - | - | - | 115 | - | - | - | 115 | - | 115 |
| - cash flow hedge | - | - | - | - | - | 326 | - | - | - | - | - | 326 | - | 326 |
| - currency translation difference | - | - | - | - | (55,323) | - | - | - | - | - | - | (55,323) | (6,403) | (61,726) |
| Total comprehensive (expense)/income for the financial year | - | - | - | (96,662) | (55,323) | 326 | - | 115 | - | - | 1,532,838 | 1,381,294 | 29,256 | 1,410,550 |
| Interim dividend paid in respect of the financial year ended 31 December 2021 | - | - | - | - | - | - | - | - | - | - | (15,000) | (15,000) | - | (15,000) |
| Share-based payment expense | - | - | - | - | - | - | - | - | 199 | 1,570 | - | 1,769 | - | 1,769 |
| Shares released under Equity Ownership plan | - | - | - | - | - | - | - | - | (765) | - | - | (765) | - | (765) |
| Total transactions with owners recognised directly in equity | - | - | - | - | - | - | - | - | (566) | 1,570 | (15,000) | (13,996) | - | (13,996) |
| Transfer to regulatory reserve | - | - | - | - | - | - | 184,715 | - | - | - | (184,715) | - | - | - |
| Redemption of perpetual preference shares | - | (70,000) | - | - | - | - | - | - | - | - | - | (70,000) | - | (70,000) |
| **At 31 December 2022** | 1,000,000 | 350,000 | 55,696 | (165,590) | (37,851) | 326 | 184,715 | 111 | 22 | 2,514 | 11,329,659 | 12,719,602 | 157,935 | 12,877,537 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

| | Share capital RM'000 | Perpetual preference shares RM'000 | Islamic Banking funds RM'000 | Debt instruments at fair value through other comprehensive income RM'000 | Exchange fluctuation reserve RM'000 | Regulatory reserve RM'000 | Own credit risk reserve RM'000 | Share-based payment RM'000 | Capital contribution by Holding company RM'000 | Retained earnings RM'000 | Total RM'000 | Non-controlling interests RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2021** | | | | | | | | | | | | | |
| At 1 January 2021 | 1,000,000 | 420,000 | 55,696 | 38,471 | (17,858) | 213,032 | - | 1,226 | - | 8,260,339 | 9,970,906 | 87,624 | 10,058,530 |
| Net profit for the financial year | - | - | - | - | - | - | - | - | - | 1,535,795 | 1,535,795 | 38,727 | 1,574,522 |
| Other comprehensive (expense)/ income (net of tax) | - | - | - | (107,399) | 35,330 | - | (4) | - | - | - | (72,073) | 2,328 | (69,745) |
| - debt instruments at fair value through other comprehensive income | - | - | - | (107,399) | - | - | - | - | - | - | (107,399) | - | (107,399) |
| - fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve | - | - | - | - | - | - | (4) | - | - | - | (4) | - | (4) |
| - currency translation difference | - | - | - | - | 35,330 | - | - | - | - | - | 35,330 | 2,328 | 37,658 |
| Total comprehensive (expense)/ income for the financial year | - | - | - | (107,399) | 35,330 | - | (4) | - | - | 1,535,795 | 1,463,722 | 41,055 | 1,504,777 |
| Interim dividend paid in respect of the financial year ended 31 December 2020 | - | - | - | - | - | - | - | - | - | (12,630) | (12,630) | - | (12,630) |
| Share-based payment expense | - | - | - | - | - | - | - | 693 | 944 | - | 1,637 | - | 1,637 |
| Shares released under Equity Ownership plan | - | - | - | - | - | - | - | (1,331) | - | - | (1,331) | - | (1,331) |
| Total transactions with owners recognised directly in equity | - | - | - | - | - | - | - | (638) | 944 | (12,630) | (12,324) | - | (12,324) |
| Transfer from regulatory reserve | - | - | - | - | - | (213,032) | - | - | - | 213,032 | - | - | - |
| At 31 December 2021 | 1,000,000 | 420,000 | 55,696 | (68,928) | 17,472 | - | (4) | 588 | 944 | 9,996,536 | 11,422,304 | 128,679 | 11,550,983 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| **Operating activities** | | |
| Profit before taxation and zakat | **2,072,996** | 1,890,196 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | **1,380** | 1,269 |
| Depreciation of right-of-use assets | **1,437** | 1,498 |
| Amortisation of intangible assets | **21,288** | 38,625 |
| Net unrealised loss on derivatives | **285,527** | 10,189 |
| Accretion of discount less amortisation of premium | **(19,025)** | (54,449) |
| Net gain from sale of debt instruments at fair value through other comprehensive income | **(7,735)** | (46,269) |
| Profit income from debt instruments at amortised cost | **(402,865)** | (426,920) |
| Profit income on debt instruments at fair value through other comprehensive income | **(251,274)** | (234,518) |
| Profit expense on Subordinated Sukuk | **45,315** | 44,428 |
| Profit expense on Sukuk | **–** | 2,678 |
| Share-based payment expense | **1,769** | 1,637 |
| Unrealised gain from financial liabilities designated at fair value through profit or loss | **(182,574)** | (39,343) |
| Unrealised loss from financial investments at fair value through profit or loss | **739** | 9,067 |
| Net loss from foreign exchange transactions | **53,149** | 95,000 |
| Expected credit losses/(written back)/made for commitments and contingencies | **(48,668)** | 25,989 |
| Net gain from hedging activities | **(699)** | (460) |
| Other expected credit losses made | **14,085** | 1,693 |
| Expected credit losses on financing, advances and other financing/loans | **633,676** | 313,810 |
| Modification loss | **2,845** | 95,749 |
| | **148,370** | (160,327) |
| | **2,221,366** | 1,729,869 |
| **(Increase)/decrease in operating assets** | | |
| Reverse Collateralised Commodity Murabahah | **(503,206)** | – |
| Financial investments at fair value through profit or loss | **3,234,626** | (29,075) |
| Islamic derivative financial instruments | **(67,940)** | (17,543) |
| Financing, advances and other financing/loans | **(20,765,415)** | (6,846,736) |
| Statutory deposits with central banks | **(1,423,032)** | (538,689) |
| Other assets | **(2,001,678)** | (614,119) |
| Amount due from conventional operations | **(4,661,901)** | (1,617,169) |
| Right-of-use assets | **(420)** | (295) |
| | **(26,188,966)** | (9,663,626) |
| **Increase/(decrease) in operating liabilities** | | |
| Deposits from customers | **5,595,007** | 3,432,508 |
| Deposits and placements of banks and other financial institutions | **7,244,763** | 2,048,747 |
| Other liabilities | **6,207,484** | (782,278) |
| Lease liabilities | **(1,618)** | (74) |
| Financial liabilities designated at fair value through profit or loss | **2,239,892** | 767,419 |
| Bills and acceptance payable | **12,672** | 7,500 |
| Collateralised Commodity Murabahah | **1,862,190** | 29,585 |
| Amount due to conventional operations | **(321,026)** | 53,896 |
| Investment accounts of customers | **2,914,302** | 6,916,809 |
| | **25,753,666** | 12,474,112 |
| Cash flows generated from operations | **1,786,066** | 4,540,355 |
| Taxation and zakat paid | **(551,735)** | (298,265) |
| Net cash flows generated from operating activities | **1,234,331** | 4,242,090 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Purchase of property, plant and equipment | | **(2,519)** | (3,603) |
| Purchase of intangible assets | | **(2,869)** | (1,435) |
| Profit income from debt instruments at fair value through other comprehensive income | | **205,397** | 154,799 |
| Profit income from debt instruments at amortised cost | | **369,292** | 357,045 |
| Net purchase of debt instruments at amortised cost | | **(245,549)** | (405,743) |
| Net proceeds/(purchase) of debt instruments at fair value through other comprehensive income | | **1,068,777** | (2,508,728) |
| Reclassified to intangible assets | | **82** | – |
| Proceeds from disposal of property, plant and equipment | | **365** | 1,650 |
| Proceeds from disposal of intangible assets | | **232** | 371 |
| Net cash flows generated from/(used in) investing activities | | **1,393,208** | (2,405,644) |
| **Financing activities** | | | |
| Proceeds from issuance of subordinated Sukuk (i) | | **300,000** | – |
| Repayment of subordinated Sukuk (i) | | **(300,000)** | (10,000) |
| Profit expense paid on subordinated Sukuk (i) | | **(44,018)** | (44,719) |
| Profit expense paid on Sukuk (i) | | **(39,359)** | (64,122) |
| Dividends paid | | **(15,000)** | (12,630) |
| Redemption of Sukuk (i) | | **(263,894)** | (443,552) |
| Repayment of lease liabilities (i) | | **(519)** | (595) |
| Issuance of preference shares | | **(70,000)** | – |
| Net cash flows used in financing activities | | **(432,790)** | (575,618) |
| **Net increase in cash and cash equivalents** | | **2,194,749** | 1,260,828 |
| **Cash and cash equivalents at beginning of financial year** | | **16,840,059** | 15,540,973 |
| **Effect of exchange rate changes** | | **(59,933)** | 38,258 |
| **Cash and cash equivalents at end of financial year** | | **18,974,875** | 16,840,059 |
| **Cash and cash equivalents comprise:** | | | |
| **Cash and short-term funds** | (a) | **18,777,000** | 15,576,658 |
| **Deposits and placements with banks and other financial institutions** | (b) | **197,875** | 1,263,401 |
| | | **18,974,875** | 16,840,059 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### STATEMENT OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 (CONTINUED)

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

| | Sukuk RM'000 | Subordinated Sukuk RM'000 | Lease liabilities RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 1 January 2022** | **600,044** | **1,108,045** | **4,398** | **1,712,487** |
| Proceeds from issuance | **–** | **300,000** | **–** | **300,000** |
| Repayment and redemption | **(263,894)** | **(300,000)** | **(519)** | **(564,413)** |
| Profit expense paid | **(39,359)** | **(44,018)** | **–** | **(83,377)** |
| Exchange fluctuation | **(21,258)** | **–** | **–** | **(21,258)** |
| Other non-cash movement | **37,445** | **45,315** | **(1,618)** | **81,142** |
| **At 31 December 2022** | **312,978** | **1,109,342** | **2,261** | **1,424,581** |
| **At 1 January 2021** | 1,026,028 | 1,118,336 | 5,067 | 2,149,431 |
| Repayment and redemption | (443,552) | (10,000) | (595) | (454,147) |
| Profit expense paid | (64,122) | (44,719) | – | (108,841) |
| Exchange fluctuation | 18,676 | – | – | 18,676 |
| Other non-cash movement | 63,014 | 44,428 | (74) | 107,368 |
| **At 31 December 2021** | 600,044 | 1,108,045 | 4,398 | 1,712,487 |

### (a) CASH AND SHORT-TERM FUNDS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Cash and balances with banks and other financial institutions | **2,155,794** | 1,906,286 |
| Money at call and deposit placements maturing within one month | **16,621,206** | 13,670,372 |
| | **18,777,000** | 15,576,658 |
| Less: Expected credit loss | **–** | – |
| | **18,777,000** | 15,576,658 |

### (b) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Licensed banks | **198,150** | 1,263,401 |
| | **198,150** | 1,263,401 |
| Less: Expected credit loss | **(275)** | – |
| | **197,875** | 1,263,401 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (b) DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS (CONTINUED)

Expected credit losses movement for money at call and deposits and placements with banks and other financial institutions:

| | 12-month expected credit losses (Stage 1) RM'000 | Total RM'000 |
|---|---|---|
| **At 1 January 2022** | **–** | **–** |
| **Total charge to Statement of Income:** | **269** | **269** |
| New financial assets purchased | **80** | **80** |
| Financial assets that have been derecognised | **(79)** | **(79)** |
| Change in credit risk | **268** | **268** |
| Exchange fluctuation | **6** | **6** |
| **At 31 December 2022** | **275** | **575** |
| **At 1 January 2021** | – | – |
| **Total charge to Statement of Income:** | – | – |
| New financial assets purchased | 51 | 51 |
| Change in credit risk | (51) | (51) |
| **At 31 December 2021** | – | – |

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (c) FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| **Money market instruments:** | | |
| **Unquoted** | | |
| Malaysian Government treasury bills | **445,009** | 62,959 |
| Cagamas bonds | **405,119** | 104,948 |
| Islamic negotiable instruments of deposit | **99,789** | 2,444,411 |
| Government Investment Issues | **709,296** | 584,426 |
| Islamic Commercial Paper | **–** | 1,299,801 |
| | **1,659,213** | 4,496,545 |
| **Unquoted securities:** | | |
| *In Malaysia:* | | |
| Corporate Sukuk | **383,013** | 703,546 |
| *Outside Malaysia:* | | |
| Corporate Sukuk | **–** | 22,299 |
| Private equity and unit trusts funds | **32,775** | 32,512 |
| | **415,788** | 758,357 |
| | **2,075,001** | 5,254,902 |

### (d) DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| **Fair value** | | |
| **Money market instruments:** | | |
| **Unquoted** | | |
| Islamic Cagamas bonds | **35,238** | 5,119 |
| Government Investment Issues | **1,689,309** | 1,427,460 |
| | **1,724,547** | 1,432,579 |
| **Unquoted securities:** | | |
| *In Malaysia:* | | |
| Corporate Sukuk | **3,550,135** | 3,866,378 |
| *Outside Malaysia:* | | |
| Corporate Sukuk | **–** | 35,598 |
| Other Government bonds | **642,460** | 1,747,979 |
| | **4,192,595** | 5,649,955 |
| | **5,917,142** | 7,082,534 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (d) DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (CONTINUED)

Expected credit losses movement for debt instruments at fair value through other comprehensive income:

The carrying amount of debt instruments at fair value through other comprehensive income is equivalent to their fair value. The loss allowance is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

| | 12-month expected credit losses (Stage 1) RM'000 | Lifetime expected credit losses – not credit impaired (Stage 2) RM'000 | Total RM'000 |
|---|---|---|---|
| **At 1 January 2022** | **3,145** | **–** | **3,145** |
| **Total charge to Statement of Income:** | **(2,090)** | **–** | **(2,090)** |
| New financial assets purchased | **1,380** | **–** | **1,380** |
| Financial assets that have been derecognised | **(71)** | **–** | **(71)** |
| Change in credit risk | **(3,399)** | **–** | **(3,399)** |
| Exchange fluctuation | **1** | **–** | **1** |
| **At 31 December 2022** | **1,056** | **–** | **1,056** |
| **At 1 January 2021** | 1,913 | – | 1,913 |
| **Total charge to Statement of Income:** | 1,232 | – | 1,232 |
| New financial assets purchased | 16,892 | – | 16,892 |
| Financial assets that have been derecognised | (1,136) | – | (1,136) |
| Change in credit risk | (14,524) | – | (14,524) |
| **At 31 December 2021** | 3,145 | – | 3,145 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (e) DEBT INSTRUMENTS AT AMORTISED COST

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| **Money market instruments:** | | |
| **Unquoted** | | |
| Islamic Cagamas bonds | **30,113** | 30,117 |
| Other Government securities | **12,652** | 12,801 |
| Malaysian Government Sukuk | **101,341** | 101,341 |
| Government Investment Issue | **3,508,796** | 3,323,270 |
| Khazanah bonds | **89,047** | 89,047 |
| | **3,741,949** | 3,556,576 |
| **Unquoted securities** | | |
| *In Malaysia* | | |
| Corporate Sukuk | **5,634,991** | 5,315,624 |
| *Outside Malaysia* | | |
| Corporate Sukuk | **28,892** | 29,958 |
| Others Government bonds | **1,008,527** | 1,243,787 |
| | **6,672,410** | 6,589,369 |
| Total | **10,414,359** | 10,145,945 |
| Amortisation of premium, net of accretion of discount | **(18,332)** | (26,584) |
| Less: Expected credit losses | **(520)** | (788) |
| | **10,395,507** | 10,118,573 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (e) DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

Expected credit losses movement for debt instruments at amortised cost:

| | 12-month expected credit losses (Stage 1) RM'000 | Total RM'000 |
|---|---|---|
| **At 1 January 2022** | **788** | **788** |
| **Total charge to Statement of Income:** | **(271)** | **(271)** |
| New financial assets purchased | **2,127** | **2,127** |
| Change in credit risk | **(2,398)** | **(2,398** |
| Exchange fluctuation | **3** | **3** |
| **At 31 December 2022** | **520** | **520** |

| | 12-month expected credit losses (Stage 1) RM'000 | Total RM'000 |
|---|---|---|
| **At 1 January 2021** | 337 | 337 |
| **Total charge to Statement of Income:** | 447 | 447 |
| New financial assets purchased | 1,001 | 1,001 |
| Financial assets that have been derecognised | (57) | (57) |
| Change in credit risk | (497) | (497) |
| Exchange fluctuation | 4 | 4 |
| **At 31 December 2021** | 788 | 788 |

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (e) DEBT INSTRUMENTS AT AMORTISED COST (CONTINUED)

Gross carrying amount movement for debt instruments at amortised cost:

| | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Total RM'000 |
|---|---|---|
| **At 1 January 2022** | **462,399** | **462,399** |
| Other movements | **15,233** | **15,233** |
| Exchange fluctuation | **24,140** | **24,140** |
| **At 31 December 2022** | **501,772** | **501,772** |

Gross carrying amount movement for debt instruments at amortised cost:

| | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Total RM'000 |
|---|---|---|
| **At 1 January 2021** | – | – |
| Transfer within stages | 465,530 | 465,530 |
| Other movements | 2,385 | 2,385 |
| Exchange fluctuation | (5,516) | (5,516) |
| **At 31 December 2021** | 462,399 | 462,399 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

## (f) ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES

### (I) ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS

The following tables summarise the contractual or underlying principal amounts of trading derivative and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at the date of statements of financial position and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Islamic derivative financial instruments" Assets and Liabilities respectively.

| | 31 December 2022 | | |
|---|---|---|---|
| | **Principal RM'000** | **Asset RM'000** | **Liability RM'000** |
| **Trading derivatives** | | | |
| Foreign exchange derivatives | | | |
| Currency forwards | **11,373,784** | **239,201** | **(291,700)** |
| – Less than 1 year | **10,967,680** | **196,361** | **(255,410)** |
| – 1 year to 3 years | **41,783** | **5,028** | **(4,287)** |
| – More than 3 years | **364,321** | **37,812** | **(32,003)** |
| Currency swaps | **15,656,728** | **196,664** | **(202,954)** |
| – Less than 1 year | **15,656,728** | **196,664** | **(202,954)** |
| Currency spots | **25,087** | **77** | **(79)** |
| – Less than 1 year | **25,087** | **77** | **(79)** |
| Currency options | **52,555** | **1,650** | **(1,650)** |
| – Less than 1 year | **52,555** | **1,650** | **(1,650)** |
| Cross currency profit rate swaps | **822,617** | **36,624** | **(32,636)** |
| – Less than 1 year | **81,925** | **2,196** | **(2,168)** |
| – 1 year to 3 years | **255,780** | **18,733** | **(18,569)** |
| – More than 3 years | **484,912** | **15,695** | **(11,899)** |
| Profit rate derivatives | | | |
| Islamic profit rate swaps | **5,604,176** | **28,905** | **(246,542)** |
| – Less than 1 year | **1,378,419** | **7,102** | **(6,977)** |
| – 1 year to 3 years | **881,700** | **257** | **(22,895)** |
| – More than 3 years | **3,344,057** | **21,546** | **(216,670)** |
| Equity derivatives | | | |
| Equity options | **12,029** | **130** | **(124)** |
| – Less than 1 year | **12,029** | **130** | **(124)** |
| Commodity derivatives | | | |
| Commodity options | **4,259** | **8** | **(8)** |
| – Less than 1 year | **4,259** | **8** | **(8)** |
| Credit related contracts | | | |
| Total return swaps | **40,400** | **477** | **(477)** |
| – More than 3 years | **40,400** | **477** | **(477)** |
| **Hedging derivatives** | | | |
| Islamic profit rate swaps | **882,286** | **28,596** | **(1,483)** |
| – 1 year to 3 years | **107,286** | **3,112** | **–** |
| – More than 3 years | **775,000** | **25,484** | **(1,483)** |
| Total derivative assets/(liabilities) | **34,473,921** | **532,332** | **(777,653)** |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (f) ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### (I) ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

| | 31 December 2021 | | |
|---|---|---|---|
| | Principal RM'000 | Asset RM'000 | Liability RM'000 |
| **Trading derivatives** | | | |
| Foreign exchange derivatives | | | |
| Currency forwards | 10,018,789 | 111,940 | (115,244) |
| – Less than 1 year | 9,527,048 | 48,968 | (60,880) |
| – 1 year to 3 years | 85,637 | 10,886 | (8,885) |
| – More than 3 years | 406,104 | 52,086 | (45,479) |
| Currency swaps | 10,174,807 | 50,023 | (41,390) |
| – Less than 1 year | 10,174,168 | 50,023 | (41,268) |
| – 1 year to 3 years | 639 | - | (122) |
| Currency spots | 60,108 | 65 | (85) |
| – Less than 1 year | 60,108 | 65 | (85) |
| Currency options | 235,665 | 1,244 | (1,214) |
| – Less than 1 year | 235,665 | 1,244 | (1,214) |
| Cross currency profit rate swaps | 891,991 | 50,104 | (46,899) |
| – Less than 1 year | 149,811 | 613 | (570) |
| – More than 3 years | 742,180 | 49,491 | (46,329) |
| Profit rate derivatives | | | |
| Islamic profit rate swaps | 4,718,534 | 44,709 | (81,641) |
| – Less than 1 year | 600,645 | 3,573 | (3,456) |
| – 1 year to 3 years | 1,956,708 | 19,891 | (19,824) |
| – More than 3 years | 2,161,181 | 21,245 | (58,361) |
| Equity derivatives | | | |
| Equity options | 19,513 | 229 | (219) |
| – Less than 1 year | 19,513 | 229 | (219) |
| Commodity derivatives | | | |
| Commodity swap | 23,481 | 1,133 | (978) |
| – Less than 1 year | 23,481 | 1,133 | (978) |
| Commodity options | 46,640 | 65 | (65) |
| – Less than 1 year | 46,640 | 65 | (65) |
| Credit related contracts | | | |
| Total return swaps | 41,000 | 1,248 | (1,248) |
| – More than 3 years | 41,000 | 1,248 | (1,248) |
| **Hedging derivatives** | | | |
| Islamic profit rate swaps | 721,918 | 3,567 | (3,777) |
| – Less than 1 year | 140,000 | 126 | – |
| – 1 year to 3 years | 55,000 | 407 | – |
| – More than 3 years | 526,918 | 3,034 | (3,777) |
| Total derivative assets/(liabilities) | 26,952,446 | 264,327 | (292,760) |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (f) ISLAMIC DERIVATIVE FINANCIAL INSTRUMENTS, COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### (II) COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group enters into various commitments and incur certain contingent liabilities with legal recourse to their customers.

These commitments and contingencies are not secured over the assets of the Group, except for certain financial assets at fair value through profit or loss being pledged as credit support assets for certain over-the-counter derivative contracts.

Treasury related derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in "Islamic Derivative Financial Instruments" Assets and Liabilities respectively. Refer Note 58(f)(I).

The notional or principal amount of the commitments and contingencies constitute the following:

| | 2022 Principal RM'000 | 2021 Principal RM'000 |
|---|---|---|
| Credit related | | |
| Direct credit substitutes | **348,105** | 282,545 |
| Certain transaction-related contingent items | **972,966** | 730,082 |
| Short-term self-liquidating trade-related contingencies | **140,107** | 81,410 |
| Irrevocable commitments to extend credit: | | |
| – Maturity not exceeding one year | **15,291,877** | 11,681,141 |
| – Maturity exceeding one year | **12,279,327** | 9,469,506 |
| Miscellaneous commitments and contingencies: | | |
| – Shariah-compliant equity option | **60,107** | 28,512 |
| Total credit-related commitments and contingencies | **29,092,489** | 22,273,196 |
| Total treasury-related commitments and contingencies (Note 58(f)(I)) | **34,473,921** | 26,952,446 |
| Total commitments and contingencies | **63,566,410** | 49,225,642 |

# Notes to the Financial Statements
**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)
### (g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS
#### (I) BY TYPE AND SHARIAH CONTRACT

| | Sale-based contracts | | | | | | Lease-based contracts | | Profit sharing contracts | | Loan contract | Others | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2022 | Murabahah RM'000 | Bai' Bithaman Ajil RM'000 | Bai' al-'Inah RM'000 | Bai' al-Dayn RM'000 | Tawarruq RM'000 | Bai' Salam RM'000 | Ijarah Muntahiah Bi al-Tamlik* RM'000 | Al-Ijarah Thumma al-Bai'# RM'000 | Mudharabah RM'000 | Musharakah RM'000 | Qard RM'000 | Ujrah RM'000 | Kafalah RM'000 | Total RM'000 |
| **At amortised cost** | | | | | | | | | | | | | | |
| Cash line^ | - | 165 | 659 | - | 1,364,944 | - | - | - | - | - | 12,917 | - | - | 1,378,685 |
| Term financing | | | | | | - | | | | | | | | |
| House financing | 172,793 | 4,043,521 | - | - | 34,524,609 | - | 1,072,578 | - | - | 5,500,082 | - | - | - | 45,313,583 |
| Syndicated financing | - | - | - | - | 2,241,328 | - | - | - | 423 | - | - | - | - | 2,241,751 |
| Hire purchase receivables | 615,257 | - | - | - | - | - | - | 15,267,838 | - | - | - | - | - | 15,883,095 |
| Other term financing | 199,549 | 882,650 | 1,342,309 | - | 41,220,216 | 602,649 | 36,010 | - | 71,916 | 6,053,277 | 67,186 | - | - | 50,475,762 |
| Lease receivable | - | - | - | - | - | - | 217,495 | - | - | - | - | - | - | 217,495 |
| Bills receivable | 771,892 | - | - | 362,735 | - | - | - | - | - | - | - | - | - | 1,134,627 |
| Islamic trust receipts | 21,616 | - | - | - | - | - | - | - | - | - | 20,502 | - | - | 42,118 |
| Claims on customers under acceptance credits | 855,198 | - | - | 142,288 | - | - | - | - | - | - | - | - | 39,069 | 1,036,555 |
| Staff financing | - | - | - | - | 268,330 | - | - | - | - | 27,561 | - | - | - | 295,891 |
| Revolving credits | - | - | - | - | 7,107,893 | - | - | - | - | 205,509 | - | - | - | 7,313,402 |
| Credit card receivables | - | - | - | - | - | - | - | - | - | - | 366,582 | 190,087 | - | 556,669 |
| Gross financing, advances and other financing/loans | 2,636,305 | 4,926,336 | 1,342,968 | 505,023 | 86,727,320 | 602,649 | 1,326,083 | 15,267,838 | 72,339 | 11,786,429 | 467,187 | 190,087 | 39,069 | 125,889,633 |
| Fair value changes arising from fair value hedge | | | | | | | | | | | | | | (1,832) |
| | | | | | | | | | | | | | | 125,887,801 |
| Less: Expected credit losses | | | | | | | | | | | | | | (1,984,708) |
| **Net financing, advances and other financing/loans** | | | | | | | | | | | | | | 123,903,093 |

^ Includes current account in excess

* The beneficial owner of the asset belongs to the subsidiaries of CIMB Group. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

# CIMB Islamic is the owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

#### (I) BY TYPE AND SHARIAH CONTRACT (CONTINUED)

| | Sale-based contracts | | | | | Lease-based contracts | | Profit sharing contracts | | Loan contract | Others | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2021 | Murabahah RM'000 | Bai' Bithaman Ajil RM'000 | Bai' al-'Inah RM'000 | Bai' al-Dayn RM'000 | Tawarruq RM'000 | Ijarah Muntahiah Bi al-Tamlik* RM'000 | Al-Ijarah Thumma al-Bai'# RM'000 | Mudharabah RM'000 | Musharakah RM'000 | Qard RM'000 | Ujrah RM'000 | Kafalah RM'000 | Total RM'000 |
| **At amortised cost** | | | | | | | | | | | | | |
| Cash line^ | - | 295 | 866 | - | 1,119,109 | - | - | - | - | 8,118 | - | - | 1,128,388 |
| Term financing | | | | | | | | | | | | | |
| House financing | 206,562 | 4,498,841 | - | - | 27,289,680 | 1,150,034 | - | - | 4,734,509 | - | - | - | 37,879,626 |
| Syndicated financing | - | - | 20,275 | - | 1,694,829 | - | - | 478 | - | - | - | - | 1,715,582 |
| Hire purchase receivables | 327,802 | - | - | - | - | - | 12,935,554 | - | - | - | - | - | 13,263,356 |
| Other term financing | 645,029 | 1,030,219 | 1,654,204 | - | 35,453,047 | 39,989 | - | 72,644 | 4,934,888 | 48,376 | - | - | 43,878,396 |
| Lease receivable | - | - | - | - | - | 147,053 | - | - | - | - | - | - | 147,053 |
| Bills receivable | 641,132 | - | - | 496,935 | - | - | - | - | - | 458 | - | - | 1,138,525 |
| Islamic trust receipts | 34,970 | - | - | - | - | - | - | - | - | - | - | - | 34,970 |
| Claims on customers under acceptance credits | 688,423 | - | - | 71,233 | - | - | - | - | - | - | - | 26,397 | 786,053 |
| Staff financing | - | - | - | - | 225,183 | - | - | - | 24,911 | - | - | - | 250,094 |
| Revolving credits | - | - | - | - | 4,705,217 | - | - | - | 6,810 | - | - | - | 4,712,027 |
| Credit card receivables | - | - | - | - | - | - | - | - | - | 289,517 | 145,587 | - | 435,104 |
| Gross financing, advances and other financing/loans | 2,543,918 | 5,529,355 | 1,675,345 | 568,168 | 70,487,065 | 1,337,076 | 12,935,554 | 73,122 | 9,701,118 | 346,469 | 145,587 | 26,397 | 105,369,174 |
| Fair value changes arising from fair value hedge | | | | | | | | | | | | | 1,565 |
| | | | | | | | | | | | | | 105,370,739 |
| Less: Expected credit losses | | | | | | | | | | | | | (1,573,639) |
| **Net financing, advances and other financing/loans** | | | | | | | | | | | | | 103,797,100 |

^ Includes current account in excess

* The beneficial owner of the asset belongs to the subsidiaries of CIMB Group. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

\# CIMB Islamic is the owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

#### (I) BY TYPE AND SHARIAH CONTRACT (CONTINUED)

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Gross financing, advances and other financing/loans | | |
| – At amortised cost | **125,889,633** | 105,369,174 |
| | **125,889,633** | 105,369,174 |

**Sale-based contracts**

– Murabahah

A contract of sale of assets at a mark-up price, which includes a profit margin as agreed by the contracting parties. The price, costs and profit margin in Murabahah shall be made transparent and agreed upon between buyer and seller. Income is recognised on effective profit rate basis over the expected life of the contract based on the principal amounts outstanding.

– Bai' al-'Inah

A contract of sale and purchase of an asset whereby the seller sells to buyer in cash and subsequently buys back the asset at a marked up and deferred. Income is recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

– Tawarruq vis-à-vis Commodity Murabahah

Tawarruq structure for CIMB Islamic's financing product consists of three (3) sales and purchases transaction. The first involves, the purchase of a commodity by the Bank from Commodity Trader 1, on cash and spot basis. Secondly, the Bank will sell the commodity using Murabahah contract, to customer on deferred basis. Subsequently, the customer will sell the commodity to Commodity Trader 2 on cash and spot basis. Finally, the customer will get a cash to finance the customer's needs.

– Bai' Bithaman Ajil

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or installment basis within an agreed period of time. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding. Meanwhile, profit expense from deposits shall be recognised on accrual basis by maturity date.

– Bai' al-Dayn

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding. Meanwhile, profit expense from deposits shall be recognised on accrual basis by maturity date.

**Lease-based contracts**

– Ijarah

A lease contract that transfers the ownership of a usufruct of an asset to another party for a specified period in exchange for a rental. Ijarah contract may end with the transfer of the legal title of the leased asset to the lessee is called Ijarah Muntahia bi al-Tamlik (IMBT). Effective transfer of the legal title is a consequent to the conclusion of the lease arrangement that can be in the form of a sale or a gift of the asset to the lessee. Al-Ijarah Thumma al-Bai (AITAB) is a form of Ijarah Muntahia bi al-Tamlik where the sale of asset to the lessee is executed at the completion of the lease period. Income is recognised on effective profit rate basis over the lease term.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

#### (I) BY TYPE AND SHARIAH CONTRACT (CONTINUED)

**Profit sharing contracts**

– Musharakah

Agreement of cooperation between two or more parties to a particular business, where each parties contribute funds. Profits are shared based on agreement, while loss is based on the portion of the contribution of funds in the form of cash or non-cash assets permitted by Shariah. Profits are recognised in the period the entitlement is based on Laporan Hasil Usaha in accordance with the agreed nisbah. Gain on Musharakah financing that has become the bank's rights and have not been paid by the customer is recognised as a profit sharing receivable.

**Loan contract**

– Qard

A contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No income from financing shall be generated from the transactions.

**Rahnu**

Rahnu is a contract between a pledgor (rahin) and a pledeee (murtahin) whereby an asset is pledged as collateral (marhun) to the pledgee to provide assurance that the liability or obligation against the pledgee will be fulfilled.

**Ujrah**

Arrangement that involves payment of a service fee in exchange for the services rendered to customers.

**Kafalah**

Guarantee contract given by the guarantor (kafil) to a third party (makful lahu) to fulfil the obligations of the second party or those guaranteed (makful 'anhu, ashil).

(a) During the financial year, the Group has undertaken fair value hedges on the profit rate risk of RM52,610,000 (2021: RM65,935,000) financing using Islamic profit rate swaps.

(b) Included in financing, advances and other financing/loans are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement between CIMB Islamic Bank and CIMB Bank Berhad. CIMB Bank Berhad is exposed to risks and rewards on RPSIA financing and will account for all the expected credit losses arising thereon.

As at 31 December 2022, the gross exposure and expected credit losses relating to RPSIA financing are RM3,577,694,000 (2021: RM3,952,201,000) and RM748,000 (2021: RM1,506,000) respectively, which are recognised in the Financial Statements of CIMB Bank Berhad.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

#### (I) BY TYPE AND SHARIAH CONTRACT (CONTINUED)

(c) Movement of Qard financing

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| At 1 January | **346,469** | 254,869 |
| New disbursement | **295,412** | 182,685 |
| Repayment | **(156,123)** | (97,265) |
| Exchange fluctuation | **(18,571)** | 6,180 |
| At 31 December | **467,187** | 346,469 |
| Sources and uses of Qard Financing | | |
| Sources of Qard fund: | | |
| Depositors fund | **466,307** | 345,921 |
| Shareholders fund | **880** | 548 |
| | **467,187** | 346,469 |
| Uses of Qard fund: | | |
| Personal use | **455,018** | 338,513 |
| Business use | **12,169** | 7,956 |
| | **467,187** | 346,469 |

#### (II) BY TYPE OF CUSTOMERS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Domestic non-bank financial institutions | **2,793,836** | 2,390,409 |
| Domestic business enterprises | | |
| – Small medium enterprises | **16,532,445** | 13,129,102 |
| – Others | **11,161,025** | 8,569,603 |
| Government and statutory bodies | **1,795,874** | 1,406,573 |
| Individuals | **75,995,936** | 66,144,694 |
| Other domestic entities | **14,793,139** | 10,807,395 |
| Foreign entities | **2,817,378** | 2,921,398 |
| | **125,889,633** | 105,369,174 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

#### (III) BY PROFIT SENSITIVITY

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Fixed rate | | |
| – House financing | **6,125,065** | 5,146,410 |
| – Hire purchase receivables | **13,815,419** | 12,294,218 |
| – Other fixed rate financing | **12,441,791** | 9,626,371 |
| Variable rate | | |
| – House financing | **39,188,518** | 32,733,217 |
| – Others | **54,318,840** | 45,568,958 |
| | **125,889,633** | 105,369,174 |

#### (IV) BY ECONOMIC PURPOSES

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Personal use | **3,308,788** | 3,067,600 |
| Credit card | **556,670** | 435,104 |
| Purchase of consumer durables | **8,677** | 10,686 |
| Construction | **2,487,963** | 2,567,430 |
| Residential property | **46,085,289** | 38,941,530 |
| Non-residential property | **11,424,553** | 8,720,457 |
| Purchase of fixed assets other than land and building | **4,394,594** | 3,622,817 |
| Purchase of securities | **15,156,435** | 14,911,564 |
| Purchase of transport vehicles | **16,342,166** | 13,553,411 |
| Working capital | **22,932,548** | 15,922,137 |
| Other purpose | **3,191,950** | 3,616,438 |
| | **125,889,633** | 105,369,174 |

#### (V) BY GEOGRAPHICAL DISTRIBUTION

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Malaysia | **109,096,313** | 91,821,666 |
| Indonesia | **14,038,964** | 10,910,334 |
| Singapore | **2,297,658** | 1,615,488 |
| Hong Kong | **4,346** | – |
| China | **338,615** | 292,999 |
| Other countries | **113,737** | 728,687 |
| | **125,889,633** | 105,369,174 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

#### (VI) BY RESIDUAL CONTRACTUAL MATURITY

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Within one year | **13,387,110** | 9,219,188 |
| One year to less than three years | **3,056,213** | 2,883,720 |
| Three years to less than five years | **9,007,876** | 7,305,278 |
| Five years and more | **100,438,434** | 85,960,988 |
| | **125,889,633** | 105,369,174 |

#### (VII) BY ECONOMIC SECTOR

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Primary agriculture | **4,759,011** | 3,398,745 |
| Mining and quarrying | **916,512** | 847,692 |
| Manufacturing | **5,522,387** | 4,406,354 |
| Electricity, gas and water supply | **1,507,678** | 1,450,378 |
| Construction | **3,672,041** | 2,770,811 |
| Transport, storage and communications | **4,958,507** | 2,242,568 |
| Education, health and others | **2,759,560** | 2,263,923 |
| Wholesale and retail trade, and restaurants and hotels | **7,031,551** | 4,861,994 |
| Finance, insurance/takaful, real estate and business activities | **11,431,534** | 10,765,315 |
| Household | **76,477,473** | 66,685,002 |
| Others | **6,853,379** | 5,676,392 |
| | **125,889,633** | 105,369,174 |

#### (VIII) CREDIT IMPAIRED FINANCING, ADVANCES AND OTHER FINANCING/LOANS BY ECONOMIC PURPOSES

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Personal use | **68,878** | 43,507 |
| Credit cards | **13,000** | 14,726 |
| Purchase of consumer durables | **264** | – |
| Residential property | **999,516** | 365,213 |
| Non-residential property | **165,763** | 105,668 |
| Purchase of fixed assets other than land and building | **60,097** | 77,442 |
| Construction | **367** | 672 |
| Purchase of securities | **9,149** | 5,509 |
| Purchase of transport vehicles | **165,038** | 135,640 |
| Working capital | **139,157** | 128,298 |
| Other purpose | **81,245** | 30,722 |
| | **1,702,474** | 907,397 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

#### (IX) CREDIT IMPAIRED FINANCING, ADVANCES AND OTHER FINANCING/LOANS BY GEOGRAPHICAL DISTRIBUTIONS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Malaysia | **1,411,589** | 645,986 |
| Indonesia | **273,893** | 249,749 |
| Singapore | **16,992** | 11,662 |
| | **1,702,474** | 907,397 |

#### (X) CREDIT IMPAIRED FINANCING, ADVANCES AND OTHER FINANCING/LOANS BY ECONOMIC SECTOR

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Primary agriculture | **25,706** | 21,506 |
| Mining and quarrying | **2,251** | 4,868 |
| Manufacturing | **15,253** | 57,800 |
| Construction | **29,701** | 20,267 |
| Transport, storage and communications | **9,608** | 12,759 |
| Education, health and others | **62,074** | 6,268 |
| Wholesale and retail trade, and restaurants and hotels | **169,268** | 116,376 |
| Finance, insurance/takaful, real estate and business activities | **74,233** | 69,087 |
| Household | **1,144,620** | 470,782 |
| Others | **169,760** | 127,684 |
| | **1,702,474** | 907,397 |

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

#### (XI) MOVEMENTS IN THE EXPECTED CREDIT LOSSES FOR FINANCING, ADVANCES AND OTHER FINANCING/LOANS ARE AS FOLLOWS:

| | 12-month expected credit losses (Stage 1) RM'000 | Lifetime expected credit losses – not credit impaired (Stage 2) RM'000 | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Total RM'000 |
|---|---|---|---|---|
| **Financing, advances and other financing/ loans at amortised cost** | | | | |
| **At 1 January 2022** | **295,183** | **940,324** | **338,132** | **1,573,639** |
| Changes in expected credit losses due to transfer within stages: | **169,175** | **(244,693)** | **75,518** | **–** |
| Transferred to Stage 1 | **268,763** | **(246,360)** | **(22,403)** | **–** |
| Transferred to Stage 2 | **(97,506)** | **261,529** | **(164,023)** | **–** |
| Transferred to Stage 3 | **(2,082)** | **(259,862)** | **261,944** | **–** |
| **Total charge to Statement of Income:** | **(251,981)** | **508,538** | **375,016** | **631,573** |
| New financial assets originated | **98,696** | **4,359** | **21,743** | **124,798** |
| Financial assets that have been derecognised | **(37,984)** | **(37,922)** | **–** | **(75,906)** |
| Writeback in respect of full recoveries | **–** | **–** | **(42,435)** | **(42,435)** |
| Change in credit risk | **(312,693)** | **542,101** | **395,708** | **625,116** |
| Write-offs | **–** | **(1)** | **(232,246)** | **(232,247)** |
| Exchange fluctuation | **1,713** | **(12,480)** | **(6,977)** | **(17,744)** |
| Transfer from related companies | **(1,043)** | **(140)** | **(2,860)** | **(4,043)** |
| Other movements | **15** | **(226)** | **33,741** | **33,530** |
| **At 31 December 2022** | **213,062** | **1,191,322** | **580,324** | **1,984,708** |
| **Financing, advances and other financing/ loans at amortised cost** | | | | |
| **At 1 January 2021** | 489,055 | 436,159 | 399,437 | 1,324,651 |
| Changes in expected credit losses due to transfer within stages: | 318,576 | (168,564) | (150,012) | – |
| Transferred to Stage 1 | 562,231 | (529,668) | (32,563) | – |
| Transferred to Stage 2 | (242,175) | 549,989 | (307,814) | – |
| Transferred to Stage 3 | (1,480) | (188,885) | 190,365 | – |
| **Total charge to Statement of Income:** | (523,921) | 669,781 | 257,904 | 403,764 |
| New financial assets originated | 80,287 | 4,738 | 47,193 | 132,218 |
| Financial assets that have been derecognised | (44,069) | (30,609) | – | (74,678) |
| Writeback in respect of full recoveries | – | – | (71,198) | (71,198) |
| Change in credit risk | (560,139) | 695,652 | 281,909 | 417,422 |
| Write-offs | – | (4) | (197,986) | (197,990) |
| Exchange fluctuation | 10,535 | 2,750 | 1,973 | 15,258 |
| Transfer from related companies | 984 | 132 | 2,698 | 3,814 |
| Other movements | (46) | 70 | 24,118 | 24,142 |
| **At 31 December 2021** | 295,183 | 940,324 | 338,132 | 1,573,639 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (g) FINANCING, ADVANCES AND OTHER FINANCING/LOANS (CONTINUED)

#### (XII) MOVEMENTS IN CREDIT IMPAIRED FINANCING, ADVANCES AND OTHER FINANCING/LOANS

Gross carrying amount movement for financing, advances and other financing/loans at amortised cost classified as credit impaired:

| | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Total RM'000 |
|---|---|---|
| **At 1 January 2022** | **907,397** | **907,397** |
| Transfer within stages | **1,179,170** | **1,179,170** |
| New financial assets originated | **30,187** | **30,187** |
| Write-offs | **(232,246)** | **(232,246)** |
| Amount fully recovered | **(168,110)** | **(168,110)** |
| Other changes in financing, advances and other financing/loans | **(8,767)** | **(8,767)** |
| Exchange fluctuation | **(5,157)** | **(5,157)** |
| **At 31 December 2022** | **1,702,474** | **1,702,474** |

| | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Total RM'000 |
|---|---|---|
| **At 1 January 2021** | 1,621,340 | 1,621,340 |
| Transfer within stages | (362,570) | (362,570) |
| New financial assets originated | 193,876 | 193,876 |
| Write-offs | (197,986) | (197,986) |
| Amount fully recovered | (335,549) | (335,549) |
| Other changes in financing, advances and other financing/loans | (14,341) | (14,341) |
| Exchange fluctuation | 2,627 | 2,627 |
| **At 31 December 2021** | 907,397 | 907,397 |

| | 2022 | 2021 |
|---|---|---|
| Ratio of credit impaired financing to total financing, advances and other financing/loans | **1.35%** | 0.86% |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (h) OTHER ASSETS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Deposits and prepayments | **3,734,721** | 1,610,722 |
| Sundry debtors net of expected credit losses* | **815,848** | 1,019,440 |
| Treasury related receivables | **97,987** | 29,645 |
| Collateral pledged for derivative transactions | **33,183** | 49,640 |
| Clearing accounts | **20,126** | 9,454 |
| | **4,701,865** | 2,718,901 |

* Sundry debtors net of expected credit losses of the group of RM15,921,000 (2021: RM271,000).

(a) Movements of expected credit losses on sundry debtors are as follows:

(i) Under simplified approach

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| **At 1 January** | **271** | 273 |
| Expected credit losses made/(written back) during the financial year | **302** | (2) |
| Write off | **(462)** | – |
| **At 31 December** | **111** | 271 |

(ii) Under general approach

| | 12-month expected credit losses (Stage 1) RM'000 | Lifetime expected credit losses – not credit impaired (Stage 3) RM'000 | Total RM'000 |
|---|---|---|---|
| **At 1 January 2022** | **–** | **–** | **–** |
| Total charge to Income Statement: | **14,083** | **1,727** | **15,810** |
| Change in credit risk | **14,083** | **1,727** | **15,810** |
| **At 31 December 2022** | **14,083** | **1,727** | **15,810** |

(iii) Gross carrying amount movement of other assets classified as credit impaired under general approach:

| | Lifetime expected credit losses – not credit impaired (Stage 3) RM'000 | Total RM'000 |
|---|---|---|
| **At 1 January 2022** | **–** | **–** |
| Other changes | **1,727** | **1,727** |
| **At 31 December 2022** | **1,727** | **1,727** |

**Impact of movements in gross carrying amount on expected credit losses:**

Stage 1 and Stage 3 ECL increased by RM14 million and RM2 million respectively for the Group due to change in credit risk.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (i) DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Deferred tax assets | **190,837** | 166,320 |
| Deferred tax liabilities | **–** | – |
| | **190,837** | 166,320 |

Further breakdown are as follows:

| **Deferred tax assets** | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Expected credit losses | **124,819** | 123,601 |
| Property, plant and equipment | **(59)** | (137) |
| Fair value reserve – Debt instruments at fair value through other comprehensive income | **47,809** | 28,495 |
| Other temporarily differences | **6** | 191 |
| Lease liability | **288** | 427 |
| Provision for expenses | **18,328** | 14,498 |
| | **191,191** | 167,075 |
| Offsetting | **(354)** | (755) |
| | **190,837** | 166,320 |
| | | |
| **Deferred tax liabilities** | | |
| Intangible assets | **(114)** | (369) |
| Rights-of-use assets | **(240)** | (386) |
| | **(354)** | (755) |
| Offsetting | **354** | 755 |
| | **–** | – |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (i) DEFERRED TAXATION (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

| Deferred tax assets/(liabilities) | Note | Expected credit losses RM'000 | Accelerated tax depreciation RM'000 | Fair value reserve – Debt instruments at fair value through other comprehensive income RM'000 | Other temporary differences RM'000 | Right-of-use assets RM'000 | Intangible assets RM'000 | Lease liability RM'000 | Provision for expenses RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | | | | |
| At 1 January | | **123,601** | **(137)** | **28,495** | **191** | **(386)** | **(369)** | **427** | **14,498** | **166,320** |
| Credited/(charged) to statement of income | (ak) | **1,218** | **65** | **-** | **(185)** | **146** | **253** | **(139)** | **3,856** | **5,214** |
| (Under)/over provision in prior year | | **-** | **13** | **-** | **-** | **-** | **2** | **-** | **(26)** | **(11)** |
| Transferred to equity | | **-** | **-** | **19,314** | **-** | **-** | | **-** | **-** | **19,314** |
| At 31 December 2022 | | **124,819** | **(59)** | **47,809** | **6** | **(240)** | **(114)** | **288** | **18,328** | **190,837** |
| **2021** | | | | | | | | | | |
| At 1 January | | 90,886 | 148 | (9,286) | 294 | (532) | (691) | 568 | 12,508 | 93,895 |
| Credited/(charged) to statement of income | (ak) | 36,501 | 1 | – | (103) | 146 | 39 | (141) | 1,993 | 38,436 |
| (Under)/over provision in prior year | | (3,786) | (286) | – | – | – | 283 | – | (3) | (3,792) |
| Transferred to equity | | – | – | 37,781 | – | – | | – | – | 37,781 |
| At 31 December 2021 | | 123,601 | (137) | 28,495 | 191 | (386) | (369) | 427 | 14,498 | 166,320 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (j) STATUTORY DEPOSITS WITH CENTRAL BANKS

The non-interest bearing statutory deposits are maintained by certain subsidiaries with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities. The non-interest bearing statutory deposits of a foreign subsidiary and foreign branches of the banking subsidiary are maintained with respective central banks in compliance with the applicable legislation.

On 15 May 2020, BNM has issued Statutory Reserve Requirement ("SRR") guideline and with effect from 16 May 2020, banking institutions are allowed to recognise Malaysian Government Sukuk and Malaysian Government Issue to fully meet the SRR requirement of 2%. This flexibility is available until 31 December 2022.

### (k) PROPERTY, PLANT AND EQUIPMENT

| | | Renovations, work-in-progress, office equipment, furniture and fittings RM'000 | Motor vehicles RM'000 | Computer equipment and hardware RM'000 | Total RM'000 |
|---|---|---|---|---|---|
| **2022** | | | | | |
| **Cost** | | | | | |
| At 1 January | | **10,914** | **508** | **22,803** | **34,225** |
| Additions | | **984** | **–** | **1,535** | **2,519** |
| Disposals | | **(391)** | **–** | **(435)** | **(826)** |
| Reclassified to intangible assets | (n) | **–** | **–** | **(82)** | **(82)** |
| Exchange fluctuation | | **(245)** | **–** | **(82)** | **(327)** |
| At 31 December | | **11,262** | **508** | **23,739** | **35,509** |
| **Accumulated depreciation** | | | | | |
| At 1 January | | 8,411 | 478 | 21,571 | 30,460 |
| Charge for the financial year | | 1,009 | 30 | 341 | 1,380 |
| Disposals | | (234) | – | (227) | (461) |
| Exchange fluctuation | | (201) | – | (69) | (270) |
| At 31 December | | 8,985 | 508 | 21,616 | 31,109 |
| **Net book value at 31 December** | | 2,277 | – | 2,123 | 4,400 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (k) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Renovations, work-in-progress, office equipment, furniture and fittings RM'000 | Motor vehicles RM'000 | Computer equipment and hardware RM'000 | Total RM'000 |
|---|---|---|---|---|
| **2021** | | | | |
| **Cost** | | | | |
| At 1 January | 11,109 | 508 | 22,293 | 33,910 |
| Additions | 2,419 | – | 1,184 | 3,603 |
| Disposals | (2,766) | – | (730) | (3,496) |
| Exchange fluctuation | 152 | – | 56 | 208 |
| At 31 December | 10,914 | 508 | 22,803 | 34,225 |
| **Accumulated depreciation** | | | | |
| At 1 January | 8,546 | 400 | 21,927 | 30,873 |
| Charge for the financial year | 932 | 78 | 259 | 1,269 |
| Disposals | (1,179) | – | (667) | (1,846) |
| Exchange fluctuation | 112 | – | 52 | 164 |
| At 31 December | 8,411 | 478 | 21,571 | 30,460 |
| **Net book value at 31 December** | 2,503 | 30 | 1,232 | 3,765 |

No work-in-progress for the Group in 2022 and 2021.

### (l) RIGHT-OF-USE ASSETS

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

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Buildings | **2,788** | 3,956 |

There are additions to the Right-of-use assets during the financial year of RM420,000 (2021: RM295,000). Depreciation charge during the financial year for Right-of-use assets are RM1,437,000 (2021: RM1,498,000).

At 31 December 2022, the variable lease payment expense and low-value leases expense that are not included in lease liabilities are RM817,000 (2021: RM1,221,000) and RMNil (2021: RM174) respectively.

### (m) GOODWILL

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| At 1 January/31 December | **136,000** | 136,000 |

Goodwill is wholly allocated to the consumer banking cash-generating unit ("CGU"). This CGUs do not carry any intangible assets with indefinite useful life.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (m) GOODWILL (CONTINUED)

**Impairment test for goodwill**

Value-in-use

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2023 financial budgets approved by the Board of Directors, projected for four years (2023 to 2026) based on the average historical Gross Domestic Product ("GDP") growth of the country covering a four years period, revised for current economic conditions. Cash flows beyond the four years period are extrapolated using an estimated growth rate of 3.83% (2021: 4.06%). The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rate used in determining the recoverable amount of all the CGU is 11.29% (2021: 9.17%). The discount rate is pre-tax and reflects the specific risks relating to the CGU.

The recoverable amount is assessed by incorporating multiple scenarios with variation in the assumptions used including discount rate and haircut on the cash flow projections, to allow assessment on the sensitivity of goodwill recoverable amount taking into consideration assumed probabilities of different future events and/or scenarios.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

**Impairment charge**

There was no impairment charge for the financial year ended 31 December 2022 and 31 December 2021.

### (n) INTANGIBLE ASSETS

| | | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|---|
| **Computer software** | | | |
| **Cost** | | | |
| At 1 January | | **148,128** | 147,403 |
| Additions | | **2,869** | 1,435 |
| Disposals | | **(314)** | (912) |
| Reclassified from property, plant and equipment | (k) | **82** | – |
| Exchange fluctuation | | **(230)** | 202 |
| At 31 December | | **150,535** | 148,128 |
| **Accumulated amortisation** | | | |
| At 1 January | | **125,467** | 87,264 |
| Charge for the financial year | | **21,288** | 38,625 |
| Disposal | | **–** | (541) |
| Exchange fluctuation | | **(185)** | 119 |
| At 31 December | | **146,570** | 125,467 |
| **Net book value at 31 December** | | **3,965** | 22,661 |

The remaining amortisation period of the intangible assets is between 3 months and 4.4 years.

The above intangible assets include computer software under construction at cost of the Group of RM1,138,677,000 (2021: RM331,792,000).

During the financial year, the Group revised the remaining useful lives of some software intangible assets ranging from 6 years to 7 years, to remaining useful lives ranging from 6 months to 7 months due to technology changes/developments. The revision was accounted for as a change in accounting estimate and as a result, the amortisation charge for the financial year has increased by RM29 million for the Group.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (o) DEPOSITS FROM CUSTOMERS

#### (I) BY TYPE OF DEPOSITS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Savings deposit | | |
| Wadiah | **817,990** | 847,570 |
| Mudharabah | **2,531,044** | 2,312,875 |
| Commodity Murabahah (via Tawarruq arrangement)* | **7,802,926** | 7,612,717 |
| | **11,151,960** | 10,773,162 |
| Demand deposit | | |
| Wadiah | **1,488,856** | 1,120,097 |
| Qard | **15,020,156** | 14,512,297 |
| Mudharabah | **1,155,818** | 305,352 |
| Commodity Murabahah (via Tawarruq arrangement)* | **4,644,456** | 5,262,989 |
| | **22,309,286** | 21,200,735 |
| Term deposit | **78,922,360** | 72,629,090 |
| Commodity Murabahah Deposits-i (via Tawarruq arrangement) | **47,017,544** | 45,604,331 |
| Fixed Return Income Account-i (via Tawarruq arrangement)* | **31,309,442** | 26,576,472 |
| Negotiable Islamic Debt Certificate (NIDC) | | |
| Hybrid (Bai' Bithamin Ajil (BBA) and Bai' al-Dayn) | **595,374** | 448,287 |
| Fixed Deposit-i | **5,439,716** | 7,683,047 |
| Wadiah | **148** | 123 |
| Mudharabah | **5,439,568** | 7,682,924 |
| Specific investment account | **100,638** | 99,600 |
| Mudharabah | **100,638** | 99,600 |
| Others | **104,899** | 48,218 |
| Qard | **104,899** | 48,218 |
| | **118,028,859** | 112,433,852 |

*Included Qard contract of RM5,066,445,000 (2021: RM4,314,834,000)

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (o) DEPOSITS FROM CUSTOMERS (CONTINUED)

#### (II) BY MATURITY STRUCTURES OF TERM DEPOSITS AND INVESTMENT ACCOUNT ARE AS FOLLOWS:

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Due within six months | **74,111,010** | 69,969,746 |
| Six months to one year | **9,095,615** | 10,268,016 |
| One year to three years | **378,318** | 144,843 |
| Three years to five years | **852,999** | 5,473 |
| More than five years | **24,772** | 23,659 |
| | **84,462,714** | 80,411,737 |

#### (III) BY TYPE OF CUSTOMER

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Government and statutory bodies | **7,050,474** | 4,880,194 |
| Business enterprises | **45,908,468** | 44,663,839 |
| Individuals | **37,416,362** | 33,810,686 |
| Others | **27,653,555** | 29,079,133 |
| | **118,028,859** | 112,433,852 |

#### WADIAH (YAD DHAMANAH)

A safe keeping contract whereby the custodian guarantees payment of the whole amount of deposits, or any part thereof, outstanding in the account of the depositors, when demanded. The depositors are not entitled to any share of the profits (generated from usage of the deposits by the custodian). However, the custodian, at its discretion, may give hibah to the depositors, nevertheless, the hibah shall not be pre-conditioned.

#### COMMODITY MURABAHAH

A contract of sale and purchase of commodities as underlying assets. The customer appoints the Bank to act as the customer's agent for the purchase and sale of the commodity. At the first stage, the buyer will purchase an asset on credit from the original seller, and at the second stage, the buyer will then sell the asset on cash basis to a third party. It is named as Tawarruq because the buyer purchased the asset on credit with no intention of benefiting from it, rather to sell it to obtain cash. Profit expense shall be recognised on accrual basis by maturity date.

#### MUDHARABAH

A contract between a capital provider (rabbul mal) and an entrepreneur (Mudharib) under which the rabbul mal provides capital to be managed by the mudharib and any profit generated from the capital is shared between the rabbul mal and mudharib according to mutually agreed Profit Sharing Ratio ("PSR") whilst financial losses are borne by the rabbul mal provided that such losses are not due to the mudharib's, negligence (taqsir) or breach of specified terms (mukhalafah al-shurut). Mudharabah contract shall not stipulate a pre-determined fixed amount of profit to one contracting party. This contract is categorised into two types:

a) Unrestricted Mudharabah (Mudharabah Mutlaqah) is a contract in which the rabbul mal permits the mudharib to manage the venture without any specific restriction.

b) Restricted Mudharabah (Mudharabah Muqayyadah) is a contract in which the rabbul mal imposes specific restriction on the mudharabah terms such as determination of location, period for investment, type of project and commingling of funds.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (o) DEPOSITS FROM CUSTOMERS (CONTINUED)

#### (III) BY TYPE OF CUSTOMER (CONTINUED)

**MUDHARABAH (CONTINUED)**

Profit shall be recognised on accrual basis by actual liquidation of assets of mudharabah contract or constructive basis according to acceptable profit recognition method which may include valuation according to acceptable market methodology, independent valuation or valuation based on estimated figures.

**BAI' BITHAMAN AJIL**

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Profit expense from deposits shall be recognised on accrual basis by maturity date.

**BAI' AL-DAYN**

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Profit expense from deposits shall be recognised on accrual basis by maturity date.

**QARD**

A contract of lending a fungible asset to a borrower who is bound to return an equivalent replacement. No profit expense from deposits shall be paid from the transactions.

**TAWARRUQ VIS-À-VIS COMMODITY MURABAHAH**

Tawarruq structure for CIMB Islamic's financing product consists of three (3) sales and purchases transaction. The first involves, the purchase of a commodity by the Bank from Commodity Trader 1, on cash and spot basis. Secondly, the Bank will sell the commodity using Murabahah contract, to customer on deferred basis. Subsequently, the customer will sell the commodity to Commodity Trader 2 on cash and spot basis. Finally, the customer will get a cash to finance the customer's needs.

### (p) INVESTMENT ACCOUNTS OF CUSTOMERS

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| Unrestricted investment accounts (Mudharabah) | | | |
| – without maturity | | | |
| Special Mudharabah Investment Account | | **1,252,671** | 892,710 |
| – with maturity | | | |
| Term Investment Account-i | | **11,902,747** | 9,023,282 |
| Unrestricted investment accounts (Wakalah) | | | |
| – without maturity | | | |
| Daily Investment Account-i | | | |
| Restricted investment accounts (Mudharabah) | | **27,548** | 48,844 |
| – with maturity | | | |
| Restricted Profit Sharing Investment Account (RPSIA) | | **501,666** | 462,331 |
| | 22 | **13,684,632** | 10,427,167 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (p) INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

#### (I) MOVEMENT IN THE INVESTMENT ACCOUNTS OF CUSTOMERS

| | 2022 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | Mudharabah | | Wakalah | | Mudharabah | | Wakalah | |
| | Unrestricted Investment Account RM'000 | Restricted Investment Account RM'000 | Unrestricted Investment Account RM'000 | Total RM'000 | Unrestricted Investment Account RM'000 | Restricted Investment Account RM'000 | Unrestricted Investment Account RM'000 | Total RM'000 |
| At 1 January | **9,915,992** | **462,331** | **48,844** | **10,427,167** | 2,678,870 | – | – | 2,678,870 |
| *Funding inflows/ outflows* | | | | | | | | |
| New placement during the financial year | **17,539,488** | **–** | **22,151** | **17,561,639** | 9,951,656 | 448,997 | 49,368 | 10,450,021 |
| Redemption during the year | **(14,558,336)** | **–** | **(43,467)** | **(14,601,803)** | (2,817,129) | – | (525) | (2,817,654) |
| Income from investment | **419,927** | **40,271** | **800** | **460,998** | 225,371 | 13,971 | 26 | 239,368 |
| *Company's share of profit* | | | | | | | | |
| Profit distributed to mudarib | **(161,653)** | **(328)** | **(780)** | **(162,761** | (122,776) | (140) | (25) | (122,941) |
| Incentive fee | **–** | **(608)** | **–** | **(608)** | – | (497) | – | (497) |
| At 31 December | **13,155,418** | **501,666** | **27,548** | **13,684,632** | 9,915,992 | 462,331 | 48,844 | 10,427,167 |
| Investment asset: | | | | | | | | |
| House financing | **2,952,815** | **–** | **–** | **2,952,815** | 2,179,136 | – | – | 2,179,136 |
| Hire purchase receivables | **8,871,451** | **–** | **–** | **8,871,451** | 6,829,206 | – | – | 6,829,206 |
| Other term financing | **1,331,152** | **–** | **27,548** | **1,358,700** | 907,650 | – | 48,844 | 956,494 |
| Marketable securities | **–** | **500,197** | **–** | **500,197** | – | 461,761 | – | 461,761 |
| Miscellaneous Other Assets | **–** | **1,469** | **–** | **1,469** | – | 570 | – | 570 |
| Total investment | **13,155,418** | **501,666** | **27,548** | **13,684,632** | 9,915,992 | 462,331 | 48,844 | 10,427,167 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (p) INVESTMENT ACCOUNTS OF CUSTOMERS (CONTINUED)

#### (II) PROFIT SHARING RATIO AND RATE OF RETURN

| | 2022 Investment account holder | | 2021 Investment account holder | |
|---|---|---|---|---|
| | Average profit sharing ratio (%) | Average rate of return (%) | Average profit sharing ratio (%) | Average rate of return (%) |
| Unrestricted investment accounts: | | | | |
| no specific tenure | **5.32** | **0.14** | 3.12 | 0.08 |
| less than 1 year | **43.87** | **1.83** | 56.94 | 2.03 |

| | 2022 Investment account holder | | | 2021 Investment account holder | | |
|---|---|---|---|---|---|---|
| | Average profit sharing ratio (%) | Average rate of return (%) | Performance incentive fee (%) | Average profit sharing ratio (%) | Average rate of return (%) | Performance incentive fee (%) |
| Restricted investment accounts: | | | | | | |
| more than 5 years | **99.00** | **2.75** | **1.08** | 99.00 | 2.10 | 1.28 |

#### (III) BY TYPE OF CUSTOMERS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Business enterprises | **1,916,959** | 1,233,940 |
| Individuals | **11,521,762** | 9,179,078 |
| Others | **245,911** | 14,149 |
| | **13,684,632** | 10,427,167 |

**Mudharabah**

This category comprises restricted and unrestricted investment accounts. The placements from investment accounts that are used to fund specific financing are called Restricted Profit Sharing Investment Accounts ("RPSIA"). The RPSIA and unrestricted investment accounts are a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture will be shared based on pre-agreed ratios with CIMB Islamic as Mudharib (manager or manager of funds), and losses shall be borne solely by investors.

**Wakalah**

Daily Investment Account-i is a daily investment account based on a Wakalah bi al-istithmar contract, agreed between the customers as capital providers (principal) and CIMB Islamic as an investment agent whereby CIMB Islamic will channel the funds in investment assets which are Shariah compliant. The profit distribution is after deducting the agency fee and any agreed performance incentive fee to CIMB Islamic (if any). The principal may agree to the agent retaining all or part of the excess profit as performance incentive fee if the actual profit is higher than the indicative profit. Any losses (if any) shall be borne by the customer, provided that such losses are not due to CIMB Islamic's misconduct (Ta'addi), negligence (Taqsir), or breach of specific terms (Mukhalafah al-Shurut). Daily Investment Account-i is classified as unrestricted investment accounts.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (q) DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Licensed banks | **10,655,492** | 3,595,142 |
| Licensed investment banks | **572,975** | 387,882 |
| Bank Negara Malaysia | **5,000** | 5,000 |
| Other financial institutions | **455,850** | 456,530 |
| | **11,689,317** | 4,444,554 |

### (r) INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Restricted investment accounts | | |
| Mudharabah | **3,576,590** | 3,919,753 |
| By type of counterparty | | |
| Licensed banks | **3,576,590** | 3,919,753 |

#### (I) MOVEMENT IN THE INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| At 1 January | **3,919,753** | 4,751,241 |
| *Funding inflows/outflows* | | |
| New placement during the year | **–** | 424,332 |
| Redemption during the year | **(432,522)** | (1,348,381) |
| Income from investment | **134,652** | 156,469 |
| *CIMB Islamic Bank's share of profit* | | |
| Profit distributed to mudarib | **(1,347)** | (1,565) |
| Incentive fee | **(43,946)** | (62,343) |
| At 31 December | **3,576,590** | 3,919,753 |
| Investment asset: | | |
| Other term financing | **3,254,059** | 3,440,943 |
| Marketable securities | **(145,733)** | 56,573 |
| Miscellaneous other assets | **468,264** | 422,237 |
| Total investment | **3,576,590** | 3,919,753 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (r) INVESTMENT ACCOUNTS DUE TO DESIGNATED FINANCIAL INSTITUTIONS (CONTINUED)

#### (II) PROFIT SHARING RATIO, RATE OF RETURN AND PERFORMANCE INCENTIVE

| | 2022 Investment account holder | | | 2021 Investment account holder | | |
|---|---|---|---|---|---|---|
| | Average profit sharing ratio (%) | Average rate of return (%) | Performance incentive fee (%) | Average profit sharing ratio (%) | Average rate of return (%) | Performance incentive fee (%) |
| Restricted investment accounts: | | | | | | |
| less than 1 year | **99.00** | **2.75** | **1.08** | 99.00 | 2.11 | 1.32 |

These placements are the Restricted Profit Sharing Investment Account ("RPSIA") placed by CIMB Bank Berhad amounting to RM3,576,590,000 (2021: RM3,919,753,000) for tenures within 1 month (2021: within 1 month) at indicative profit rates from 3.01% to 3.93% per annum (2021: 1.75% to 2.28% per annum). These placements are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne solely by the investors.

### (s) FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Deposits from customers – structured investments | **2,857,004** | 799,686 |

The Group has issued structured investments, and have designated them at fair value in accordance with MFRS9. The Group has the ability to do this when designating these instruments at fair value reduces an accounting mismatch, is managed by the Group on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of the financial liabilities designated at fair value of the Group as at 31 December 2022 was RM222,678,000 (2021: RM39,988,000) lower than the contractual amount at maturity. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

### (t) OTHER LIABILITIES

| | | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| Clearing accounts | | **6,644,980** | 3,764,772 |
| Structured deposits | | **21,100** | 28,833 |
| Accruals and other payables | | **86,735** | 58,847 |
| Expected credit losses for loan commitments and financial guarantee contracts | (I) | **76,840** | 126,524 |
| Others | | **7,622,027** | 4,288,814 |
| | | **14,451,682** | 8,267,790 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (t) OTHER LIABILITIES (CONTINUED)

#### (I) MOVEMENT IN THE EXPECTED CREDIT LOSSES FOR LOAN COMMITMENTS AND FINANCIAL GUARANTEE CONTRACTS ARE AS FOLLOWS:

| | 12-month expected credit losses (Stage 1) RM'000 | Lifetime expected credit losses – not credit impaired (Stage 2) RM'000 | Lifetime expected credit losses – credit impaired (Stage 3) RM'000 | Total RM'000 |
|---|---|---|---|---|
| **At 1 January 2022**: | **77,317** | **42,872** | **6,335** | **126,524** |
| Changes in expected credit losses due to transfer within stages: | **14,718** | **(19,820)** | **5,102** | **–** |
| Transferred to Stage 1 | **17,525** | **(16,994)** | **(531)** | **–** |
| Transferred to Stage 2 | **(2,762)** | **4,602** | **(1,840)** | **–** |
| Transferred to Stage 3 | **(45)** | **(7,428)** | **7,473** | **–** |
| **Total charge to Statement of Income:** | **(40,719)** | **(7,521)** | **(428)** | **(48,668)** |
| New exposures | **80,032** | **240** | **2,075** | **82,347** |
| Exposures derecognised or matured | **(35,659)** | **(11,505)** | **(3,347)** | **(50,511)** |
| Change in credit risk | **(85,092)** | **3,744** | **844** | **(80,504)** |
| Exchange fluctuation | **(1,038)** | **42** | **(112)** | **(1,108)** |
| Other movements | **(37)** | **123** | **6** | **92** |
| **At 31 December 2022** | **50,241** | **15,696** | **10,903** | **76,840** |
| | | | | |
| **At 1 January 2021** | 59,912 | 33,152 | 7,011 | 100,075 |
| Changes in expected credit losses due to transfer within stages: | 31,152 | (27,109) | (4,043) | – |
| Transferred to Stage 1 | 36,251 | (33,508) | (2,743) | – |
| Transferred to Stage 2 | (5,054) | 10,020 | (4,966) | – |
| Transferred to Stage 3 | (45) | (3,621) | 3,666 | – |
| **Total charge to Statement of Income:** | (13,971) | 36,632 | 3,328 | 25,989 |
| New exposures | 70,482 | 129 | – | 70,611 |
| Exposures derecognised or matured | (37,771) | (16,971) | (4,216) | (58,958) |
| Change in credit risk | (46,682) | 53,474 | 7,544 | 14,336 |
| Exchange fluctuation | 264 | 169 | 27 | 460 |
| Other movements | (40) | 28 | 12 | – |
| **At 31 December 2021** | 77,317 | 42,872 | 6,335 | 126,524 |

The gross exposures of loan commitments and financial guarantee contracts that are credit impaired is RM46,290,000 (2021: RM15,517,000).

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (u) LEASE LIABILITIES

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Buildings | **2,261** | 4,398 |

### (v) SUKUK

| | | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| IDR2,000,000 million Sukuk (Series A: 2019/2020; Series B: 2019/2022, Series C:2019/2024) | (a) | **121,883** | 402,062 |
| IDR1,000,000 million Sukuk (Series A: 2020/2021; Series B: 2020/2023; Series C: 2020/2025) | (b) | **191,095** | 197,982 |
| | | **312,978** | 600,044 |

(a) On 21 August 2019, CIMB Niaga issued IDR2,000,000 million Sukuk. The Sukuk is divided into 3 series. Nominal value of 1-year Series A Sukuk, 3-year Series B Sukuk, and 5-year Series C Sukuk amounted to IDR635,000 million, IDR936,000 million, and IDR429,000 million respectively, with fixed interest rate of 7.10%, 7.90% and 8.25% per annum respectively.

On 31 August 2020, CIMB Niaga redeemed its Series A Sukuk amounted to IDR635,000 million.

(b) On 27 March 2020, CIMB Niaga issued IDR1,000,000 million Sukuk. The Sukuk are divided into 3 series. Nominal value of 1-year Series A Sukuk, 3-year Series B Sukuk, and 5-year Series C Sukuk amounted to IDR322,000 million, IDR287,000 million, and IDR391,000 million respectively, with fixed interest rate of 5.80%, 7.00% and 7.25% per annum respectively

On 7 April 2021, CIMB Niaga redeemed its 1-year Series A Bond amounted to IDR322,000 million.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (w) SUBORDINATED SUKUK

| | | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| Subordinated Sukuk 2017/2027 RM300 million | (a) | **–** | 300,155 |
| Subordinated Sukuk 2019/2029 RM800 million | (b) | **807,973** | 807,890 |
| Subordinated Sukuk 2022/2032 RM300 million | (c) | **301,369** | – |
| | | **1,109,342** | 1,108,045 |

(a) On 28 December 2017, CIMB Islamic had issued RM300 million Tier 2 Junior Sukuk ("Sukuk") at par and is due on 28 December 2027, with optional redemption on 28 December 2022 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.70% per annum.

The Sukuk is part of the Basel III Tier 2 Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic is allowed to raise Tier 2 capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM300 million Sukuk qualify as Tier 2 Capital for the purpose of the total capital ratio computation of CIMB Islamic.

On 28 December 2022, CIMB Islamic redeemed its existing RM300 million Tier 2 Junior Sukuk issued from the RM5 billion Tier 2 Junior Sukuk Programme on the first call date.

(b) On 25 September 2019, CIMB Islamic had issued RM800 million Tier 2 Junior Sukuk ("the Sukuk") at par and is due on 25 September 2029, with optional redemption on 25 September 2024 or any periodic payment date thereafter. The Sukuk bears a profit rate of 3.75% per annum.

The Sukuk is part of the Basel III Tier 2 Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, CIMB Islamic is allowed to raise Tier 2 capital of up to RM5.0 billion nominal value outstanding at any one time.

The RM800 million Sukuk qualify as Tier 2 Capital for the purpose of the total capital ratio computation of CIMB Islamic.

(c) On 28 November 2022, the Bank had issued RM300 million Tier 2 Junior Sukuk ("the Sukuk") at par and is due on 26 November 2032, with optional redemption on 28 November 2027 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.90% per annum.

The Sukuk is part of the Basel III Tier 2 Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, the Bank is allowed to raise Tier 2 capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM300 million Sukuk qualify as Tier 2 Capital for the purpose of the total capital ratio computation of the Bank.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (x) ORDINARY SHARE CAPITAL AND PERPETUAL PREFERENCE SHARES

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| **Ordinary shares** | | |
| **Issued and fully paid** | | |
| At 1 January/31 December | **1,000,000** | 1,000,000 |
| **Perpetual preference shares** | | |
| **Issued and fully paid** | | |
| At 1 January/31 December | **420,000** | 420,000 |
| Redemption during the financial year | **(70,000)** | – |
| At 31 December | **350,000** | 420,000 |

The preference shares shall rank pari passu among themselves, and in priority to the ordinary shares.

Each preference share shall on a winding-up or other return of capital confer on its holder the right to receive, in priority to the holders of ordinary shares, the cash repayment in full the nominal amount and premium payable of that preference share after the payment and discharge of all debts and liabilities of CIMB Islamic and the costs of winding up or such capital reduction exercise.

A preference share shall not entitle its holder to participate in the surplus assets and profits of CIMB Islamic beyond such redemption rights as are expressly set out in these Articles.

CIMB Islamic may declare dividends on any of the preference shares.

The preference shares are not convertible to ordinary shares or any other class of share of CIMB Islamic.

On 14 January 2022, CIMB Islamic has redeemed RM70 million Basel II Additional Tier 1 Perpetual Preference Shares from CIMB Bank Berhad.

### (y) RESERVES

(a) Regulatory reserve of the Group is maintained by the banking subsidiaries in Malaysia, which is transferred from the retained earnings, as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 9 beginning 1 January 2018.

BNM Guidelines on Financial Reporting for Islamic Banking Institutions requires banking institutions to maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

(b) Share-based payment reserve arose from the Employee Ownership Plan and Long Term Incentive Plan ("LTIP"), the Group's share-based compensation benefits.

(c) Exchange translation differences have arisen from translation of net assets of foreign subsidiaries, Labuan offshore banking subsidiary and the CIMB Bank's foreign branches. These translation differences are shown under exchange fluctuation reserve.

(d) For debt instruments at fair value through other comprehensive income ("FVOCI"), changes in fair value are accumulated within the financial assets at FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit or loss when the investment is disposed of.

(e) Changes in fair value of financial liabilities designated at fair value relating to the Group's own credit risk are recognised in other comprehensive income. These changes are also accumulated within own credit risk reserve within equity.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (z) RESTRICTED AGENCY INVESTMENT ACCOUNT

(I) The details of the Restricted Agency Investment ("RAIA") financing is as below. The exposures and corresponding risk weighted amount are reported in investors' financial statements.

**RAIA arrangement**

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| Financing and advances | **11,280,429** | 10,248,755 |
| Commitments and contingencies | **3,000,000** | 2,500,000 |
| | **14,280,429** | 12,748,755 |

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| Total RWA for Credit Risk | **857,557** | 1,227,746 |

RAIA is an arrangement between CIMB Bank and CIMB Islamic, and the contract is based on the Wakalah principle where CIMB Bank provides the funds, whilst the assets are managed by CIMB Islamic (as the Wakeel or agent). In the arrangement, CIMB Islamic has transferred substantially all the risk and rewards of ownership of the Investment (i.e. the financing facility) to CIMB Bank. Accordingly, the underlying assets (including the undisbursed portion of the financing commitment) and allowance for impairment arising thereon, if any, are recognised and accounted for by CIMB Bank.

The recognition and derecognition of the above are in accordance to Note E and G in the financial statements of the Group.

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (z) RESTRICTED AGENCY INVESTMENT ACCOUNT (CONTINUED)

(II) Movement in the Investment Account

**Wakalah**

**Restricted Agency Investment Account – RAIA**

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| At 1 January | **10,248,755** | 5,030,980 |
| Funding inflows/outflows | | |
| New placement during the year | **1,500,000** | 5,200,000 |
| Redemption during the year | **(272,945)** | – |
| Income from investment | **(195,381)** | 17,775 |
| At 31 December | **11,280,429** | 10,248,755 |
| Investment asset: | | |
| Syndicated financing | **1,532,275** | – |
| Revolving credit | **701,354** | 1,201,933 |
| Other term financing | **9,046,800** | 9,046,822 |
| Total investment | **11,280,429** | 10,248,755 |

(III) Rate of Return

| | Investment account holder Average rate of return | |
|---|---|---|
| | **2022 (%)** | **2021 (%)** |
| Restricted investment accounts: | | |
| 1 month or less | **2.63** | – |
| more than 1 month to 3 months | **2.72** | 1.45 |
| more than 3 months to 6 months | **2.80** | 2.44 |
| more than 4 years to 5 years | **3.62** | 3.51 |
| more than 5 years | **4.15** | 4.24 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (aa) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Income derived from investment of: | | |
| (i) General investment deposits | **4,028,532** | 3,566,031 |
| (ii) Specific investment deposits | **2,377** | 1,924 |
| (iii) Other deposits | **1,186,613** | 970,754 |
| | **5,217,522** | 4,538,709 |

**(i) Income derived from investment of general investment deposits**

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| **Finance income and hibah:** | | |
| Financing, advances and other financing/loans | | |
| – Profit income | **3,223,417** | 2,867,405 |
| – Unwinding income* | **18,423** | 23,118 |
| Money at call and deposit with financial institutions | **268,792** | 164,301 |
| Debt instruments at fair value through other comprehensive income | **139,034** | 115,781 |
| Debt instrument at amortised cost | **225,247** | 244,569 |
| Others | **2,930** | 7 |
| | **3,877,843** | 3,415,181 |
| Accretion of discount less amortisation of premium | **(25,499)** | (26,798) |
| Other finance income for financial assets at fair value through profit or loss | | |
| – Financial investments at fair value through profit or loss | **47,749** | 41,561 |
| – Financing, advances and other financing/loan at fair value through profit or loss | **–** | 908 |
| – Net accretion of discount less amortisation of premium | **36,583** | 62,277 |
| Total finance income and hibah | **3,936,676** | 3,493,129 |
| **Other operating income:** | | |
| Foreign exchange loss | **(39,832)** | (68,310) |
| Net gain from sale of debt instruments at fair value through other comprehensive income | **13,252** | 32,066 |
| Net unrealised gain/(loss) arising from financing, advances and other financings at fair value through profit or loss | **–** | 3,603 |
| Net gain/(loss) arising from financial investments at fair value through profit or loss | | |
| – Realised | **2,798** | 4,075 |
| – Unrealised | **(827)** | (6,123) |
| | **(24,609)** | (34,689) |
| **Fees and commission income:** | | |
| Fee on financing and advances | **71,363** | 69,808 |
| Guarantee fees | **14,352** | 10,114 |
| Service charges and fees | **22,068** | 22,393 |
| Other fee income | **7,198** | 4,695 |
| | **114,981** | 107,010 |
| Other income | **1,484** | 581 |
| | **4,028,532** | 3,566,031 |

* Unwinding income is income earned on credit impaired financial assets

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (aa) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONTINUED)

**(ii) Income derived from investment of specific investment deposits**

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| Money at call and deposit with financial institutions | **2,377** | 1,924 |
| | **2,377** | 1,924 |

**(iii) Income derived from investment of other deposits**

| | 2022<br>RM'000 | 2021<br>RM'000 |
|---|---|---|
| **Finance income and hibah:** | | |
| Financing, advances and other financing/loans | | |
| – Profit income | **918,802** | 752,001 |
| – Unwinding income* | **7,450** | 8,397 |
| Money at call and deposit with banks and other financial institutions | **93,853** | 57,337 |
| Reverse Collateralised Commodity Murabahah | **1,067** | 3 |
| Debt instruments at fair value through other comprehensive income | **53,387** | 40,164 |
| Debt instrument at amortised cost | **92,163** | 89,682 |
| | **1,166,722** | 947,584 |
| Accretion of discount less amortisation of premium | **(9,655)** | (9,065) |
| | **1,157,067** | 938,519 |
| Other finance income for financial assets at fair value through profit or loss | | |
| – Financial investments at fair value through profit or loss | **19,768** | 15,290 |
| – Financing, advances and other financing/loans at fair value through profit or loss | **–** | 310 |
| – Net accretion of discount less amortisation of premium | **15,109** | 22,705 |
| Total finance income and hibah | **1,191,944** | 976,824 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (aa) INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS (CONTINUED)

**(iii) Income derived from investment of other deposits (Continued)**

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| **Other operating income:** | | |
| Foreign exchange loss | **(7,634)** | (20,391) |
| Net (loss)/gain from sale of debt instruments at fair value through other comprehensive income | **(4,401)** | 11,281 |
| Net unrealised gain arising from financing, advances and other financings at fair value through profit or loss | **–** | 1,228 |
| Net gain/(loss) from financial investments at fair value through profit or loss | | |
| – Realised | **574** | 1,273 |
| – Unrealised | **86** | (2,303) |
| | **(11,375)** | (8,912) |
| **Fees and commission income:** | | |
| Advisory fees | **18** | – |
| Placement fees | **802** | – |
| Guarantee fees | **4,859** | 2,827 |
| Service charges and fees | **53** | 50 |
| Underwriting fees | **42** | – |
| Other fee income | **497** | – |
| Fee and commission income | **6,271** | 2,877 |
| Fee and commission expense | **(213)** | – |
| Net fees and commission expense | **6,058** | 2,877 |
| Other income | **(14)** | (35) |
| | **6,044** | 2,842 |
| | **1,186,613** | 970,754 |

* Unwinding income is income earned on credit impaired financial assets

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (ab) INCOME DERIVED FROM INVESTMENT OF INVESTMENT ACCOUNT

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Financing, advances and other financing/loans: | | |
| – Profit income | **704,899** | 383,615 |
| – Unwinding income* | **61** | 3 |
| Debt instrument at amortised cost | **25,989** | 8,372 |
| Money at call and deposit with financial institutions | **137** | 3,548 |
| | **731,086** | 395,538 |
| Accretion of discount less amortisation of premium | **6,845** | 5,598 |
| | **737,931** | 401,136 |
| Other operating income | | |
| Net gain from foreign exchange transactions | **1** | 1 |
| | **1** | 1 |
| Fees and commission income | | |
| - Service charges and fees | **987** | 247 |
| Other income | **1** | – |
| | **738,920** | 401,384 |

* Unwinding income is income earned on credit impaired financial assets

### (ac) NET INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| **Finance income and hibah:** | | |
| Financing, advances and other financing/loans | | |
| – Profit income | **234,238** | 194,294 |
| – Unwinding income* | **1,825** | 2,136 |
| Money at call and deposit with financial institutions | **25,865** | 14,655 |
| Debt instruments at fair value through other comprehensive income | **58,853** | 78,573 |
| Debt instrument at amortised cost | **85,455** | 92,669 |
| Reverse Collateralised Commodity Murabahah | **255** | 1 |
| | **406,491** | 382,328 |
| Accretion of discount less amortisation of premium | **(8,131)** | (6,027) |
| | **398,360** | 376,301 |
| Other finance income for financial assets at fair value through profit or loss | | |
| – Financial investments at fair value through profit or loss | **4,914** | 3,854 |
| – Financing, advances and other financing/loans at fair value through profit or loss | **–** | 81 |
| – Net accretion of discount less amortisation of premium | **3,773** | 5,759 |
| Total finance income and hibah | **407,047** | 385,995 |

* Unwinding income is income earned on credit impaired financial assets

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (ac) NET INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS (CONTINUED)

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| **Other operating income:** | | |
| Net gain from hedging activities | **699** | 460 |
| Foreign exchange loss | **(5,683)** | (6,299) |
| Net gain from sale of debt instruments at fair value through other comprehensive income | **(1,116)** | 2,922 |
| Net unrealised gain/(loss) arising from financing, advances and other financings at fair value through profit or loss | **–** | 323 |
| Net gain/(loss) arising from financial investments at fair value through profit or loss | | |
| – Realised | **1,490** | 1,333 |
| – Unrealised | **2** | (641) |
| Net (loss)/gain arising from financial liabilities designated at fair value through profit or loss | | |
| – Realised | **(9,878)** | (4,218) |
| – Unrealised | **182,574** | 39,343 |
| Net gain/(loss) arising from Islamic derivative financial instrument | | |
| – Realised | **219,455** | 138,442 |
| – Unrealised | **(285,527)** | (10,189) |
| | **102,016** | 161,476 |
| **Net fees and commission income:** | | |
| Advisory fees | **496** | 350 |
| Guarantee fees | **1,200** | 716 |
| Service charges and fees | **115,197** | 70,111 |
| Placement fees | **22,613** | 5,335 |
| Underwriting commission | **1,193** | 602 |
| Other fee income | **168,474** | 173,652 |
| Fee and commission income | **309,173** | 250,766 |
| Fee and commission expense | **(25,196)** | (26,310) |
| Net fees and commission income | **283,977** | 224,456 |
| Other income | **3,905** | 1,474 |
| | **796,945** | 773,401 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (ad) MODIFICATION LOSS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Loss on modification of cash flows | **2,845** | 95,749 |

In light of the Covid-19 outbreak, BNM and the Malaysian Ministry of Finance have introduced several relief measures to assist customers affected by the pandemic. These measures aim to ensure that the financial intermediation function of the financial sector remains intact, accessibility to financial services continues to be available, and banking institutions remain focused on supporting the economy during these exceptional circumstances.

During the previous financial year, the Group granted various payment moratorium, repayment assistance, restructuring and rescheduling programmes to the customers affected by COVID-19. As a result, the Group has recognised a loss arising from the modification of contractual cash flows of the financing, advances and other financing/loans.

### (ae) EXPECTED CREDIT LOSS ON FINANCING, ADVANCES AND OTHER FINANCING/LOANS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Expected credit losses on financing, advances and other financing/loans at amortised cost: | | |
| – Expected credit losses on financing, advances and other financing/loans | **631,573** | 403,764 |
| Credit impaired financing, advances and other financing/loans: | | |
| – Recovered | **(95,491)** | (101,407) |
| – Written-off | **2,103** | 1,590 |
| | **538,185** | 303,947 |

### (af) OTHER EXPECTED CREDIT LOSSES (WRITTEN BACK)/MADE

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Other expected credit losses made/(written back) on: | | |
| – Debt instrument at fair value through other comprehensive income | **(2,090)** | 1,232 |
| – Debt instrument at amortised cost | **(271)** | 447 |
| – Money at call and deposits and placements with banks and other financial institutions | **269** | – |
| – Other receivables | **16,210** | (20) |
| – Other | **(33)** | 34 |
| | **14,085** | 1,693 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (ag) INCOME ATTRIBUTABLE TO DEPOSITORS AND OTHERS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Deposits from customers | | |
| – Mudharabah | **228,630** | 225,112 |
| – Non-Mudharabah | **1,907,496** | 1,604,896 |
| – Others | **24,850** | 18,007 |
| Deposits and placements of banks and other financial institutions | | |
| – Mudharabah | **142** | 348 |
| – Non-Mudharabah | **202,629** | 39,120 |
| – Others | **41,352** | 61,504 |
| Financial liabilities designated at fair value through profit or loss | **49,464** | 8,293 |
| Subordinated Sukuk | **45,315** | 44,428 |
| Sukuk | **–** | 2,678 |
| Structured deposits | **183** | 189 |
| Lease liabilities | **230** | 377 |
| Collateralised Commodity Murabahah | **30,897** | 7,366 |
| Others | **9** | 26 |
| | **2,531,197** | 2,012,344 |

### (ah) PROFIT DISTRIBUTED TO INVESTMENT ACCOUNT HOLDER

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Restricted | **121,256** | 105,895 |
| Unrestricted | **258,300** | 102,594 |
| | **379,556** | 208,489 |

### (ai) PERSONNEL EXPENSES

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Salaries, allowances and bonuses[2] | **63,024** | 50,682 |
| Pension costs (defined contribution plan) | **5,744** | 5,079 |
| Staff incentives and other staff payments | **5,281** | 5,244 |
| Medical expenses | **632** | 665 |
| Share-based expense[1] | **1,570** | 944 |
| Others | **3,419** | 3,033 |
| | **79,670** | 65,647 |

[1] The long term incentive plan ("LTIP") was implemented by the Company in June 2021. The LTIP awards ordinary shares and share options of the Company to eligible employees of the Group. The eligibility of participation in the LTIP shall be at the discretion of the LTIP Committee of CIMB Group Holdings Berhad, and the awarded shares and share options will be vested in stages at predetermined dates subject to continued employment and performance conditions. Refer note 48.

[2] Included in salaries, allowances and bonuses is shared-based payment expense (EOP) of RM199,410 (2021: RM692,658) for the Group. Refer note 48.

Included in the personnel costs are fees paid to the Shariah Committee members amounting to RM959,000 (2021: RM887,000).

# Notes to the Financial Statements

for the financial year ended 31 December 2022

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (aj) OTHER OVERHEADS AND EXPENDITURES

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| **Establishment costs** | | |
| – Depreciation of property, plant and equipment | **1,380** | 1,269 |
| – Rental | **766** | 1,454 |
| – Repairs and maintenance | **1,106** | 2,555 |
| – Depreciation of Right-of-use assets | **1,437** | 1,498 |
| – Amortisation of intangible assets | **21,288** | 38,625 |
| – Security expenses | **921** | 933 |
| – Utility expenses | **518** | 566 |
| – Others | **3,961** | 2,183 |
| | **31,377** | 49,083 |
| **Marketing expenses** | | |
| – Advertisement and publicity | **10,173** | 5,764 |
| – Others | **332** | 223 |
| | **10,505** | 5,987 |
| **Administration and general expenses** | | |
| – Legal and professional fees | **4,114** | 3,449 |
| – Stationery | **398** | 558 |
| – Communication | **203** | 266 |
| – Incidental expenses on banking operations | **4,066** | 3,854 |
| – Service expense | **1,112,520** | 1,016,364 |
| – Others | **20,338** | 29,879 |
| | **1,141,639** | 1,054,370 |
| | **1,183,521** | 1,109,440 |

### (ak) TAXATION AND ZAKAT

#### (I) TAX EXPENSE FOR THE FINANCIAL YEAR

| | Note | 2022 RM'000 | 2021 RM'000 |
|---|---|---|---|
| Current year tax | | | |
| – Malaysian income tax | | **499,455** | 350,057 |
| Deferred taxation | (i) | **(5,214)** | (38,436) |
| Under/(over) provision in prior year | | **898** | (1,007) |
| | | **495,139** | 310,614 |
| Zakat | | **9,360** | 5,060 |
| | | **504,499** | 315,674 |

# Notes to the Financial Statements

**for the financial year ended 31 December 2022**

## 58 THE OPERATIONS OF ISLAMIC BANKING (CONTINUED)

### (ak) TAXATION AND ZAKAT (CONTINUED)

#### (II) NUMERICAL RECONCILIATION OF INCOME TAX EXPENSE

The explanation on the relationship between tax expense and profit before taxation and zakat is as follows:

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Profit before taxation and zakat | **2,072,996** | 1,890,196 |
| Tax calculated at tax rate of 24% & 33% (2021: 24%) | **623,665** | 453,647 |
| – Effect of different tax rates | **(115,460)** | (132,211) |
| – Income not subject to tax | **(17,008)** | (25,803) |
| – Expenses not deductible for tax purposes | **11,573** | 17,581 |
| – difference due to Cukai Makmur | **898** | (1,593) |
| – Over provision in prior year | **(8,529)** | (1,007) |
| | **495,139** | 310,614 |

### (al) SOURCES AND USES OF CHARITY FUNDS

| | 2022 RM'000 | 2021 RM'000 |
|---|---|---|
| Sources of charity funds | | |
| Balance as at 1 January | **6,884** | 6,776 |
| Gharamah/penalty charges | **2,787** | 935 |
| Non-shariah compliance income | **127** | 175 |
| Exchange fluctuation | **(386)** | 160 |
| Total sources of charity funds during the financial year | **9,412** | 8,046 |
| Uses of charity funds | | |
| Contribution to non-profit organisation | **1,803** | 1,162 |
| Total uses of charity funds during the financial year | **1,803** | 1,162 |
| Undistributed charity funds as at 31 December | **7,609** | 6,884 |

## 59 AUTHORISATION FOR ISSUE OF FINANCIAL STATEMENTS

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors dated 8 March 2023.

- CIMB Bank Group
- CIMB Islamic Bank Group
- CIMB Investment Bank Group

# Basel II Pillar 3 Disclosure for 2022

# Abbreviations

| | | |
|---|---|---|
| A-IRB Approach | : | Advanced Internal Ratings Based Approach |
| ALM COE | : | Asset Liability Management Centre of Excellence |
| ASB | : | Amanah Saham Bumiputra |
| BI | : | Banking Institutions |
| BIA | : | Basic Indicator Approach |
| BNM | : | Bank Negara Malaysia |
| BRCC | : | Board Risk & Compliance Committee |
| CAF | : | Capital Adequacy Framework and, in some instances referred to as the Risk-Weighted Capital Adequacy Framework |
| CAFIB | : | Capital Adequacy Framework for Islamic Banks |
| CAR | : | Capital Adequacy Ratio and, in some instances referred to as the Risk-Weighted Capital Ratio |
| CBSM | : | Capital and Balance Sheet Management |
| CCR | : | Counterparty Credit Risk |
| CIMBBG | : | CIMB Bank, CIMBISLG, CIMBTH, CIMB Bank PLC (Cambodia), CIMB Factorlease Berhad, CIMB Bank (Vietnam) Limited and non-financial subsidiaries |
| CIMBIBG | : | CIMB Investment Bank Berhad and non-financial subsidiaries |
| CIMBISLG | : | CIMB Islamic Bank Berhad, CIMB Islamic Nominees (Asing) Sdn Bhd and CIMB Islamic Nominees (Tempatan) Sdn Bhd |
| CIMBGH Group | : | Group of Companies under CIMB Group Holdings Berhad |
| CIMBTH | : | CIMB Thai Bank Public Company Ltd and its subsidiaries |
| CIMB Bank | : | CIMB Bank Berhad and CIMB Bank (L) Ltd (as determined under the CAF (Capital Components) and CAFIB (Capital Components) to include its wholly owned offshore banking subsidiary company) |
| CIMB Group or the Group | : | Collectively CIMBBG, CIMBIBG and CIMBISLG as described within this disclosure |
| CIMB IB | : | CIMB Investment Bank Berhad |
| CIMB Islamic | : | CIMB Islamic Bank Berhad |
| CRM | : | Credit Risk Mitigants |
| CRO | : | Chief Risk Officer |
| CSA | : | Credit Support Annexes, International Swaps and Derivatives Association Agreement |
| DFIs | : | Development Financial Institutions |
| EAD | : | Exposure At Default |
| EAR | : | Earnings-at-Risk |
| ECAIs | : | External Credit Assessment Institutions |
| EL | : | Expected Loss |
| EP | : | Eligible Provision |
| EVE | : | Economic Value of Equity |
| EWRM | : | Enterprise Wide Risk Management |
| Group EXCO | : | Group Executive Committee |
| GSOC | : | Group Strategic Oversight Committee |
| GSGC | : | Group Sustainability and Governance Committee |
| F-IRB Approach | : | Foundation Internal Ratings Based Approach |
| Fitch | : | Fitch Ratings |
| GALCO | : | Group Asset Liability Management Committee |
| GCC | : | Group Credit Committee |
| GIBD | : | Group Islamic Banking Division |
| GMCRC | : | Group Market and Conduct Risks Committee |
| GRCC | : | Group Risk & Compliance Committee |
| GRD | : | Group Risk Division |
| GUC | : | Group Underwriting Committee |
| HPE | : | Hire Purchase Exposures |
| IRB Approach | : | Internal Ratings Based Approach |
| IRRBB | : | Interest Rate Risk in the Banking Book |
| KRI | : | Key Risk Indicators |
| LGD | : | Loss Given Default |
| MARC | : | Malaysian Rating Corporation Berhad |
| MDBs | : | Multilateral Development Banks |
| Moody's | : | Moody's Investors Service |
| MTM | : | Mark-to-Market and/or Mark-to-Model |
| ORM | : | Operational Risk Management |
| ORMF | : | Operational Risk Management Framework |
| OTC | : | Over the Counter |
| PD | : | Probability of Default |
| PSEs | : | Non-Federal Government Public Sector Entities |
| PSIA | : | Profit Sharing Investment Accounts |
| QRRE | : | Qualifying Revolving Retail Exposures |
| R&I | : | Rating and Investment Information, Inc |
| RAM | : | RAM Rating Services Berhad |
| RAROC | : | Risk Adjusted Return on Capital |
| RORBB | : | Rate of Return Risk in the Banking Book |
| RRE | : | Residential Real Estate |
| RWA | : | Risk-Weighted Assets |
| RWCAF | : | Risk-Weighted Capital Adequacy Framework and, in some instances referred to as the Capital Adequacy Framework |
| S&P | : | Standard & Poor's |
| SA | : | Standardised Approach |
| SMEs | : | Small and Medium Enterprises |
| SNC | : | Shariah Non Compliance |
| SRM | : | Shariah Risk Management |
| VaR | : | Value-at-Risk |

# Overview of Basel II and Pillar 3

The 'International Convergence of Capital Measurement and Capital Standards: A Revised Framework' or commonly known as 'Basel II' issued by the Bank of International Settlements, as adopted by BNM seeks to increase the risk sensitivity in capital computations and prescribes a number of different approaches to risk calculation that allow the use of internal models to calculate regulatory capital. The particular approach selected must commensurate with the financial institution's risk management capabilities. The Basel II requirements are stipulated within three broad 'Pillars' or sections.

Pillar 1 focuses on the minimum capital measurement methodologies and their respective qualifying criteria to use specified approaches available to calculate the RWA for credit, market and operational risks. CIMB Bank and its subsidiaries including CIMBISLG which offers Islamic banking financial services (collectively known as 'CIMBBG'), apply the IRB Approach for its major credit exposures. The IRB Approach prescribes two approaches, the F-IRB Approach and A-IRB Approach. Under F-IRB Approach, the Group applies its own PD and the regulator prescribed LGD, whereas under the A-IRB Approach, the Group applies its own risk estimates of PD, LGD and EAD. The remaining credit exposures are on the SA and where relevant, will progressively migrate to the IRB Approach. CIMBIB and its subsidiaries ('CIMBIBG') adopt the SA for credit risk. CIMBBG, CIMBISLG and CIMBIBG (collectively known as 'CIMB Group' or the 'Group') adopt the SA for market risk and BIA for operational risk.

Pillar 2 focuses on how sound risk management practices should be implemented from the Supervisory Review perspective. It requires financial institutions to make their own assessments of capital adequacy in light of their risk profile and to have a strategy in place for maintaining their capital levels.

Pillar 3 complements Pillar 1 and Pillar 2 by presenting disclosures in accordance with requirements aimed to encourage market discipline in a manner that every market participant can assess key pieces of information attributed to the capital adequacy framework of financial institutions.

## FREQUENCY OF DISCLOSURE

The qualitative disclosures contained herein are required to be updated on an annual basis and more frequently if significant changes to policies are made. The capital structure and adequacy disclosures are published on a quarterly basis. All other quantitative disclosures are published semi-annually in conjunction with the Group's half yearly reporting cycles.

## MEDIUM AND LOCATION OF DISCLOSURE

These disclosures are also available on CIMBGH Group's corporate website (www.cimb.com). The individual disclosures for CIMB Bank, CIMB Islamic and CIMB IB are also available at the CIMBGH Group's 2022 Annual Report and corporate website.

## BASIS OF DISCLOSURE

These disclosures herein are formulated in accordance with the requirements of BNM's guidelines on RWCAF (Basel II) – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). These disclosures published are for the year ended 31 December 2022.

The basis of consolidation for financial accounting purposes is described in the 2022 financial statements. The capital requirements are generally based on the principles of consolidation adopted in the preparation of financial statements. During the financial year, the Group did not experience any impediments in the distribution of dividends. There were also no capital deficiencies in any subsidiaries that are not included in the consolidation for regulatory purposes.

The term 'credit exposure' as used in the disclosures is a prescribed definition by BNM based on the RWCAF (Basel II) – Disclosure Requirements (Pillar 3) and CAFIB – Disclosure Requirements (Pillar 3). Credit exposure is defined as the estimated maximum amount a banking institution may be exposed to a counterparty in the event of a default or EAD. This differs with similar terms applied in the 2021 financial statements as the credit risk exposure definition within the ambit of accounting standards represents the balance outstanding as at balance sheet date and does not take into account the expected undrawn/ undisbursed contractual commitments. Therefore, information within this disclosure is not directly comparable to that of the 2022 financial statements.

Any discrepancies between the totals and sum of the components in the tables contained in the disclosures are due to actual summation method and then rounded up to the nearest thousands.

These disclosures have been reviewed and verified by internal auditors and approved by the Board Risk Committee of CIMB Group, as delegated by the Board of Directors of CIMBGH Group.

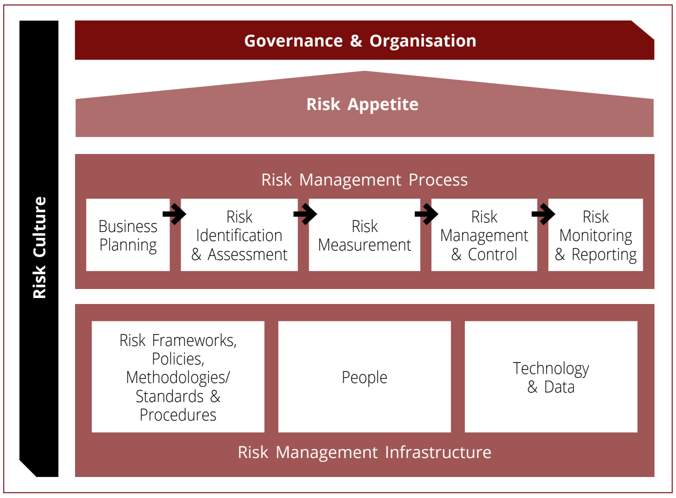
# Risk Management Overview

The Group embraces risk management as an integral part of the Group's strategy, business, operations and decision-making processes. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the strategy discussion and risk-taking process by providing independent inputs, including relevant valuations and scenario analysis, credit evaluations, new product assessments and quantification of capital requirements and risk return analysis/simulations. These inputs enable the business units to assess the risk-vs-reward of their propositions.

## ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK

The Group employs a Group Enterprise-Wide Risk Management (EWRM) framework as a standardised approach to effectively manage its risks and opportunities. The Group EWRM framework provides the Board and management with tools to anticipate and manage both the existing and potential risks, taking into consideration evolving risk profiles as dictated by changes in business strategies, the external environment and/or regulatory environment.

The key components of the Group's EWRM framework are represented in the diagram below:




The design of the Group EWRM framework incorporates a complementary 'top-down strategic' and 'bottom-up tactical' risk management approach.

**The key features of the Group EWRM framework include:**

a) **Risk Culture:** The Group embraces risk management as an integral part of its culture and decision-making processes. The Group's risk management philosophy is embodied in the Three Lines-of-Defence approach, whereby risks are managed initially from the onset of risk-taking activities. There is clear accountability of risk ownership across the Group.

b) **Governance & Organisation:** A strong governance structure is important to ensure an effective and consistent implementation of the Group EWRM framework. The Board is ultimately responsible for the Group's strategic direction, which is supported by the risk appetite and relevant risk management frameworks, policies, methodologies/standards, and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group's risk management framework is effectively implemented.

c) **Risk Appetite:** It is defined as the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk.

d) **Risk Management Process:**

- **Business Planning:** Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture and new products & business activities.
- **Risk Identification & Assessment:** Risks are systematically identified and assessed through the robust application of the Group's risk frameworks, policies, methodologies/standards and procedures.
- **Risk Measurement:** Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.
- **Risk Management and Control:** Risk management limits and controls are used to manage risk exposures within the risk appetite set by the Board. Risk management limits and controls are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- **Risk Monitoring and Reporting:** Risks on an individual, as well as on a portfolio basis, are regularly monitored and reported to ensure they remain within the Group's risk appetite.

# Risk Management Overview

## ENTERPRISE WIDE RISK MANAGEMENT FRAMEWORK (CONTINUED)

e) **Risk Management Infrastructure**

- **Risk Frameworks, Policies, Methodologies/Standards and Procedures addressing all areas of material risks:** Frameworks provide broad objectives and overarching risk management architecture for managing risks. Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures provide more detailed guidance to assist with the implementation of policies.
- **People:** Attracting the right talent and skills is key to ensuring a well-functioning Group EWRM framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.
- **Technology and Data:** Appropriate technology and sound data management support risk management activities.

## RISK GOVERNANCE

At the apex of the governance structure are the respective Boards of entities within the Group, which decides on the entity's risk appetite corresponding to its business strategies. Each BRCC reports directly to the respective Boards and assumes responsibility on behalf of the respective Boards for the supervision of risk management and control activities. Each BRCC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the risk appetite. Each BRCC also oversees the implementation of the Group EWRM framework, provides strategic guidance and reviews the decisions of the GRCC.

To facilitate the effective implementation of the Group EWRM framework, the BRCC has established various specialised/sub-risk committees within the Group, each with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

The responsibility of risk management supervision and control is delegated to the GRCC, which reports to the BRCC. The GRCC, comprising senior management of the Group, performs the oversight function for the overall management of risks. The GRCC is supported by specialised/sub-risk committees, namely Group Credit Committee, Group Market and Conduct Risks Committee, Group Operational and Resiliency Risk Committee, Group Asset Liability Management Committee and Group Asset Quality Committee, each addressing one or more of the following:

(i) Credit risk, defined as the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;

(ii) Market risk, defined as fluctuations in the value of financial instruments due to changes in market risk factors such as interest/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;

(iii) Liquidity and Funding risk, defined as the current and potential risk to earnings, shareholders' funds or reputation arising from the inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses;

(iv) Interest rate/rate of return risk in the banking book, which is the current and potential risk to the Group's earnings and economic value arising from movements in interest/profit rates;

(v) Operational risk, defined as the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. It includes legal risk but excludes strategic and Shariah non-compliance risks;

(vi) Capital risk, defined as the risk of a bank not having sufficient capital to withstand potential losses suffered in its operations. Capital is important as it can be used to repay depositors, customers, creditors, and other claimants in case there is insufficient liquidity during a crisis;

(vii) Technology risk, is the risk of loss resulting from inadequate or weaknesses in strategy, people, process, technology or external events, which includes financial risk, regulatory/compliance risk and the risk of reputational loss/damage;

(viii) Fraud risk, defined as the risk of loss resulting from an act or course of deception or omission with the intention to conceal, omit, distort, misrepresent, falsify or etc. to: (i) gain unlawful/illegal/unfair personal advantages, (ii) induce another individual(s) to surrender willing/unwilling of a legal right/possession or (iii) damage another individual(s) resulting in a loss to another;

(ix) Outsourcing risk, defined as the risk emanating from outsourcing arrangements that could result in a disruption to business operations, financial loss or reputational damage to the Group;

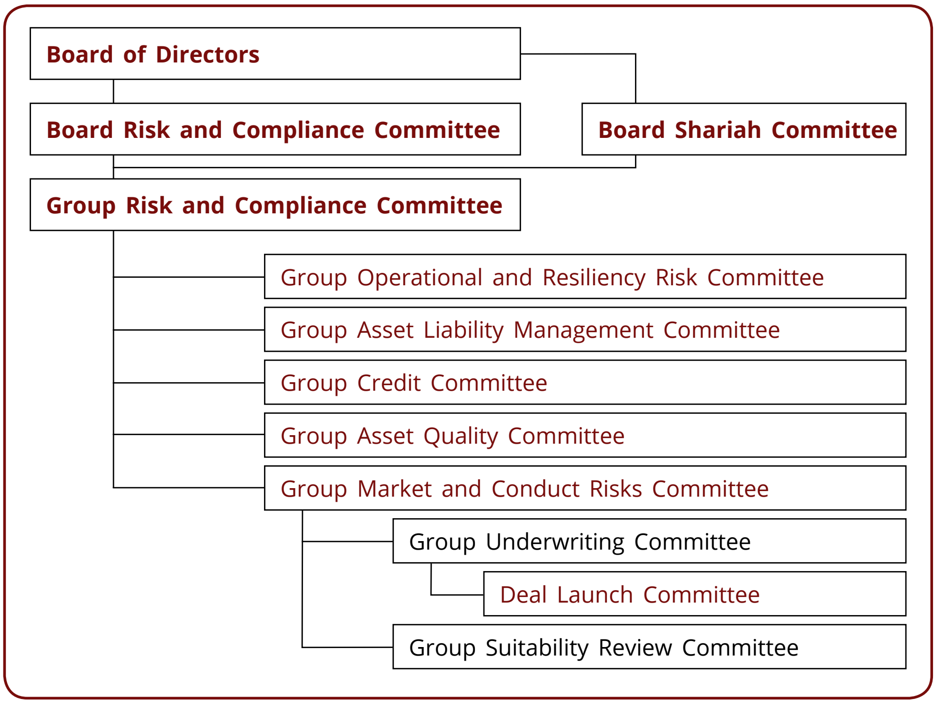
(x) SNC risk, defined as the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage which CIMB Group may suffer arising from failure to comply with Shariah requirements determined by SAC of BNM and SC, including standards on Shariah matters issued by BNM pursuant to Section 29(1) of the IFSA; or decisions or advice by BSC of CIMB Islamic Bank; or other Shariah regulatory authorities of the jurisdictions where the Group operates; and

(xi) Sustainability risk, defined as the risk of financial and non-financial impact arising from environmental, social and ethical issues stemming from transactions and/or activities associated with a business relation and its operations, and/or the Group's own internal operations and employees.

# Risk Management Overview

## RISK GOVERNANCE (CONTINUED)

The structure of CIMB Group Risk Committees is depicted in the following chart:




Our overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, Group and regional committees have consultative and advisory responsibilities on regional matters across the Group as regulators allow. This structure increases regional communication and sharing of technical knowledge and best practices. It further enhances support towards managing and responding to risk management issues, thus providing the Board with a comprehensive view of the activities within the Group.

In addition to the CIMB Group Risk Committees, the Group has established a Group Sustainability and Governance Committee (GSGC) consisting of five Independent Directors to assist the Board in fulfilling its responsibilities in advocating and fostering a culture/DNA of sustainability, ethical conduct, and integrity across the Group.

Sustainability is also embedded in the roles and responsibilities of various Board Committees. To ensure information-symmetry and consensus across all Board Committees and entity boards, with regards to the direction and progress of the Group's sustainability and climate change strategy deliberated at the GSGC, selected GSGC members and business units such as Group Sustainability are responsible for providing relevant updates and inputs to the various Board Committees and entity boards on a periodic basis.

## THREE LINES-OF-DEFENCE

The Group's risk management culture is embodied through the adoption of the Three Lines-of-Defence philosophy, whereby risks are managed initially from the onset of risk-taking activities. This is to ensure clear accountability of risks across the Group and Group Risk as an enabler of business units. As a first line-of-defence, the line management (including key Business Pillars and Enablers) is primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line-of-defence provides oversight and performs independent monitoring of business activities with reporting to the Board and management to ensure that the Group conducts business and operates within the approved appetite, and is in compliance with regulations. The third line-of-defence is Group Corporate Assurance Division who provides independent assurance of the adequacy and effectiveness of the internal controls and risk management processes.

# Risk Management Overview

## THE ROLES OF GROUP CRO AND GROUP RISK DIVISION

Within the second line-of-defence is Group Risk, a function independent of business units. It assists the Group's management and stakeholders in the monitoring and controlling of risk exposures within the Board-approved risk appetite statement.

Group Risk is headed by the Group CRO, appointed by the Board to lead the Group-wide risk management functions, including implementation of the Group EWRM framework. The Group CRO:

(a) actively engages the respective boards and senior management on risk management issues and initiatives; and

(b) maintains an oversight on risk management functions across all entities within the Group. In each key country of operations, there is a local CRO or a local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and liaise with regulators in the respective countries.

The organisational structure of Group Risk is made up of two major components, namely the CRO and the Risk Centres of Excellence ("CoE"):

### (A) CRO

(i) The Group CRO is supported by the CROs who oversee the risk management functions in overseas branches and banking subsidiaries.

(ii) CRO's main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under his/her purview.

(iii) For countries where a CRO is not present and/or not required, a local Head of Risk Management is appointed to be the overall risk coordinator for that country.

### (B) RISK CENTRES OF EXCELLENCE

(i) These are specialised teams of risk officers responsible for the active oversight of Group-wide functional risk management and the teams support respective CROs in the various geographies.

(ii) The Risk CoEs consist of Asset Liability Management, Credit Risk, Market Risk, Non-Financial Risk Management (comprising Operational, Shariah, Business Continuity Management, Technology, Outsourcing and Fraud Risk Management), Enterprise Risk and Infrastructure CoEs.

- **ASSET LIABILITY MANAGEMENT COE**

  The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement, monitoring and reporting of liquidity and funding risk and interest rate/rate of return risk in the banking book. It conducts regular stress testing on the Group's liquidity and interest rate risk/rate of return profile, by leveraging on the standardised infrastructure it has designed, built and implemented across the region. It provides the framework and tools for maintenance of the early warning system indicators and contingency funding plan by business owners across the Group.

- **CREDIT RISK COE**

  The Credit Risk CoE consists of Retail and Non-Retail credit risk and is dedicated to the assessment, measurement, management, monitoring and reporting of credit risk in the Group. The scope under the CoE function include areas ranging from development of credit risk policies, procedures and standards to advance portfolio analytics, and implementation of credit risk modelling (including rollout of alternative credit underwriting models leveraging on machine learning techniques for retail portfolios).

- **MARKET RISK COE**

  The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalised through the review of treasury positions versus limits framework, performing mark-to-market valuation, calculating Value-at-Risk and market risk capital, as well as performing stress testing.

- **NON-FINANCIAL RISK MANAGEMENT COE**

  The Non-Financial Risk Management (NFRM) CoE ensures the first line-of-defence manages their operational risk by providing an operational risk framework that enables them to identify, assess, manage and report their operational risks.

  The team also provides constructive challenge and assessment to the first line-of-defence's execution of the operational risk framework and acts as a consultant with the Group in providing operational risk expertise and reporting to senior management.

# Risk Management Overview

The Shariah Risk Management ("SRM") unit within the NFRM CoE facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic banking businesses and services. It formulates, recommends and implements appropriate SRM policies and guidelines; as well as develops and implements processes for SNC risk awareness.

NFRM CoE also extend its specialist risk oversight to cover Business Continuity Management, Fraud, Technology and Outsourcing risks.

- **ENTERPRISE RISK AND INFRASTRUCTURE COE**

  The Enterprise Risk and Infrastructure CoE ensures the Group's compliance to Basel and SCEL regulatory requirements, including implementation and validation of risk models, and management of risk data for credit risk measurement and risk reporting across the Group. In addition, the CoE will develop and implement regional initiatives to manage and monitor climate-related risks in support of the Group's 2050 Net-Zero ambition.

Sustainability risk (including climate risk) is a transverse risk that manifests itself through existing risk types. Due to the cross-cutting nature of Sustainability risk, the implementation of Group-wide sustainability governance framework is currently spearheaded and managed by Group Sustainability as the Sustainability CoE, which sits outside of Group Risk. Notwithstanding this, Sustainability risk has been and will continue to be integrated into the Group's existing risk management frameworks. For instance, a Climate Risk unit was established under the Enterprise Risk and Infrastructure CoE in 2022 to develop and provide a holistic climate risk management framework to monitor and manage the Group's exposure to climate-related physical and transition risks through relevant policies and procedures, risk appetite, climate scenario analysis and stress testing, as well as data analytics.

## STRATEGIES AND PROCESSES FOR VARIOUS RISK MANAGEMENT

Information on strategies and processes for Credit Risk, Market Risk, Operational Risk, Interest Rate Risk/Rate of Return Risk in the Banking Book and Sustainability Risk are available in the later sections.

# Shariah Governance Disclosure

The Islamic business in CIMB Group is managed and overseen by the Group Islamic Banking (GIB). Its products and services are managed in strict compliance with Shariah under the guidance of CIMB Islamic Board Shariah Committee.

The Board of Directors of CIMB Group, CIMB Investment Bank Berhad, and CIMB Bank Berhad delegate and empower the Board of Directors of CIMB Islamic Bank Berhad to undertake the overall oversight function of the Islamic businesses and operations of the whole CIMB Group, which in turn delegates overseeing of the Shariah governance of Islamic businesses and activities in CIMB Group to CIMB's Board Shariah Committee established under CIMB Islamic Bank Berhad.

Whilst the Board of Directors is accountable for the overall Shariah governance and compliance of the Islamic businesses in CIMB Group, the Management is to ensure executions of business and operations are in accordance with Shariah principles and to provide necessary support to the Board Shariah Committee.

Shariah Advisory and Governance Department (S&G) of GIB which is basically a component of the Management serves as a coordinator of the overall Shariah governance of the Islamic businesses in CIMB Group. S&G is responsible to carry out Shariah Research, Advisory and Secretariat functions, whilst Shariah Review, Shariah Risk Management and Shariah Audit functions are performed by CIMB Group Compliance, Group Risk and Group Corporate Assurance Division respectively.

CIMB Group operates on a dual banking leverage model that utilises the full resources and infrastructure of CIMB Group. Accordingly, all divisions and staff of CIMB Group are responsible for complying with Shariah in their respective Islamic business activities.

In ensuring Islamic business activities are Shariah compliant and Shariah governance process are in place, S&G is to provide Shariah advisory and conduct in-depth Shariah research prior to submission to CIMB Board Shariah Committee. It is supported by control measures by Shariah Risk Management, regular review by Shariah Compliance Review and independent assessment by Shariah Audit. In CIMB Group, the Shariah Risk Management, Shariah Review, and Shariah Audit functions reside in Group Risk Division, Group Compliance, and Group Corporate Assurance Division respectively.

## SHARIAH NON-COMPLIANCE INCOME DURING THE YEAR

During the year ended 31 December 2022, there was no SNC income.

# Capital Management

## KEY CAPITAL MANAGEMENT PRINCIPLES

The key driving principles of CIMBGH Group's capital management policies are to diversify its sources of capital to allocate capital efficiently, and achieve and maintain an optimal and efficient capital structure of the CIMBGH Group, with the objective of balancing the need to meet the requirements of all key constituencies, including regulators, shareholders and rating agencies.

This is supported by the Capital Management Plan which is centrally supervised by the Group Exco who periodically assess and review the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group are also provided to the Board of Directors.

Included in the annual Capital Management Plan is the establishment of the internal minimum capital adequacy target which is substantially above the minimum regulatory requirement. In establishing this internal capital adequacy target, the Group considers many critical factors, including, amongst others, phasing-in of the capital adequacy requirement and capital buffer requirements, credit rating implication, current and future operating environment and peer comparisons.

## CAPITAL STRUCTURE AND ADEQUACY

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework (Capital Components)/Capital Adequacy Framework for Islamic Banks (Capital Components), of which the latest revisions were issued on 9 December 2020. The revised guidelines took effect on 9 December 2020 for all banking institutions and financial holding companies and sets out the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

The risk-weighted assets of the CIMB Bank Group (other than CIMB Bank PLC), CIMB Bank and CIMB Islamic Bank are computed in accordance with the Capital Adequacy Framework (Basel II - Risk-Weighted Assets)/ Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets), of which the latest revision was issued on 3 May 2019. The IRB Approach is applied for the major credit exposures. It prescribes two approaches, the F-IRB Approach and A-IRB Approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on Basic Indicator Approach.

The risk-weighted assets of CIMB Investment Bank Group are computed in accordance with Standardised Approach for Credit Risk and Market Risk and Basic Indicator Approach for Operational Risk based on the Capital Adequacy Framework (Basel II – Risk Weighted Assets). The components of eligible regulatory capital are based on the Capital Adequacy Framework (Capital Components).

# Capital Management

## CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

The tables below present the Capital Position of CIMBBG, CIMBISLG and CIMBIBG respectively.

### TABLE 1(A): CAPITAL POSITION FOR CIMBBG

| (RM'000) | CIMBBG 2022 | 2021 |
|---|---|---|
| **Common Equity Tier 1 capital** | | |
| Ordinary share capital | **22,979,762** | 21,855,078 |
| Other reserves | **25,403,623** | 23,443,428 |
| Qualifying non-controlling interests | **163,682** | 147,833 |
| Less: Proposed dividends | **(980,868)** | (651,012) |
| **Common Equity Tier 1 capital before regulatory adjustments** | **47,566,199** | 44,795,327 |
| Less: Regulatory adjustments | | |
| Goodwill | **(3,938,393)** | (3,934,802) |
| Intangible assets | **(1,155,311)** | (1,205,099) |
| Deferred tax assets | **(1,379,682)** | (1,282,904) |
| Regulatory reserve | **(417,996)** | (129,196) |
| Others | **79,367** | 52,342 |
| **Common Equity Tier 1 capital after regulatory adjustments** | **40,754,184** | 38,295,668 |
| **Additional Tier 1 capital** | | |
| Perpetual preference shares | **–** | 200,000 |
| Perpetual subordinated capital securities | **1,750,000** | 1,750,000 |
| Qualifying capital instruments held by third parties | **33,305** | 29,851 |
| **Additional Tier 1 capital before regulatory adjustments** | **1,783,305** | 1,979,851 |
| Less: Regulatory adjustments | | |
| Investments in capital instruments of unconsolidated financial and insurance/takaful entities | **–** | – |
| **Additional Tier 1 capital after regulatory adjustments** | **1,783,305** | 1,979,851 |
| **Total Tier 1 capital** | **42,537,489** | 40,275,519 |

# Capital Management

## CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### TABLE 1(A): CAPITAL POSITION FOR CIMBBG (CONTINUED)

| | CIMBBG | |
|---|---|---|
| **(RM'000)** | **2022** | **2021** |
| **Tier 2 capital** | | |
| Subordinated obligations | **7,800,000** | 6,800,000 |
| Redeemable preference shares | **–** | 29,740 |
| Surplus of eligible provisions over expected loss | **1,011,769** | 907,105 |
| Qualifying capital instruments held by third parties | **256,863** | 239,953 |
| General provisions | **773,228** | 754,863 |
| **Tier 2 capital before regulatory adjustments** | **9,841,860** | 8,731,661 |
| Less: Regulatory adjustments | | |
| Investments in capital instruments of unconsolidated financial and insurance/takaful entities | **–** | – |
| **Total Tier 2 capital after regulatory adjustments** | **9,841,860** | 8,731,661 |
| **Total capital** | **52,379,349** | 49,007,180 |
| **RWA** | | |
| Credit risk | **230,486,378** | 211,573,137 |
| Market risk | **12,840,883** | 16,357,473 |
| Large exposure risk requirement | **1,194,330** | 891,987 |
| Operational risk | **24,673,585** | 23,371,960 |
| **Total RWA** | **269,195,176** | 252,194,557 |
| **Capital Adequacy Ratios** | | |
| **Before deducting proposed dividend** | | |
| Common Equity Tier 1 ratio | **15.504%** | 15.443% |
| Tier 1 ratio | **16.166%** | 16.228% |
| Total Capital ratio | **19.822%** | 19.690% |
| **After deducting proposed dividend** | | |
| Common Equity Tier 1 ratio | **15.139%** | 15.185% |
| Tier 1 ratio | **15.802%** | 15.970% |
| Total Capital ratio | **19.458%** | 19.432% |

Total Capital ratio increased in 2022 compared to 2021 primarily due to (i) higher retained earnings, (ii) higher paid-up capital arising from reinvestment by CIMBGH & CIMBG pursuant to the completion of Dividend Reinvestment Scheme (DRS) for FY2022 First Interim Dividend, (iii) issuance of RM2.5 billion Sukuk Wakalah, (iv) lower Market RWA; offset by (v) higher Credit RWA, (vi) redemption of RM1.5 billion T2 Subordinated Debt, (vii) higher FVOCI loss and (viii) proposed dividend.

# Capital Management

## CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### TABLE 1(B): CAPITAL POSITION FOR CIMBISLG

| | CIMBISLG | |
|---|---|---|
| **(RM'000)** | **2022** | **2021** |
| **Common Equity Tier 1 capital** | | |
| Ordinary share capital | **1,000,000** | 1,000,000 |
| Other reserves | **7,306,291** | 6,366,441 |
| **Common Equity Tier 1 capital before regulatory adjustments** | **8,306,291** | 7,366,441 |
| Less: Regulatory adjustments | | |
| Goodwill | **(136,000)** | (136,000) |
| Intangible assets | **(1,385)** | (19,104) |
| Deferred tax assets | **(188,997)** | (173,602) |
| Regulatory reserve | **(184,715)** | – |
| Others | **(112)** | 4 |
| **Common Equity Tier 1 capital after regulatory adjustments** | **7,795,082** | 7,037,739 |
| **Additional Tier 1 capital** | | |
| Perpetual preference shares | **350,000** | 357,000 |
| **Additional Tier 1 capital before regulatory adjustments** | **350,000** | 357,000 |
| Less: Regulatory adjustments | **–** | – |
| **Additional Tier 1 capital after regulatory adjustments** | **350,000** | 357,000 |
| **Total Tier 1 capital** | **8,145,082** | 7,394,739 |
| **Tier 2 capital** | | |
| Subordinated Sukuk | **1,100,000** | 1,100,000 |
| Surplus of eligible provisions over expected loss | **153,480** | 215,326 |
| General provisions | **83,450** | 71,643 |
| **Total Tier 2 capital** | **1,336,930** | 1,386,969 |
| **Total capital** | **9,482,012** | 8,781,708 |
| **RWA** | | |
| Credit risk | **50,149,895** | 41,619,100 |
| Market risk | **586,305** | 802,478 |
| Operational risk | **4,784,999** | 4,159,336 |
| **Total RWA** | **55,521,199** | 46,580,914 |
| **Capital Adequacy Ratios** | | |
| Common Equity Tier 1 ratio | **14.040%** | 15.109% |
| Tier 1 ratio | **14.670%** | 15.875% |
| Total Capital ratio | **17.078%** | 18.853% |

Total Capital ratio decreased in 2022 compared to 2021 mainly due to (i) higher RWA, (ii) higher FVOCI losses, (iii) lower surplus of EP over EL; offset by (iv) higher retained earnings. The increase in RWA is mainly due to higher Credit RWA and higher Operational RWA.

# Capital Management

## CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### TABLE 1(C): CAPITAL POSITION FOR CIMBIBG

| | CIMBIBG | |
|---|---|---|
| (RM'000) | 2022 | 2021 |
| **Common Equity Tier 1 capital** | | |
| Ordinary share capital | **100,000** | 100,000 |
| Other reserves | **495,742** | 510,698 |
| Less: Proposed dividends | **(17,720)** | (30,480) |
| **Common Equity Tier 1 capital before regulatory adjustments** | **578,022** | 580,218 |
| Less: Regulatory adjustments | | |
| Deferred tax assets | **(14,642)** | (11,431) |
| Deductions in excess of Tier 2 capital | **–** | – |
| Investments in capital instruments of unconsolidated financial and insurance/takaful entities | **(4,395)** | (7,169) |
| Intangible assets | **(30,063)** | (31,659) |
| Regulatory reserve | **–** | (93) |
| **Common Equity Tier 1 capital after regulatory adjustments/total Tier 1 capital** | **528,922** | 529,866 |
| **Tier 2 capital** | | |
| Redeemable preference shares | **–** | 1 |
| Regulatory reserve | **–** | 93 |
| **Tier 2 capital before regulatory adjustments** | **–** | 94 |
| Less: Regulatory adjustments | | |
| Investments in capital instruments of unconsolidated financial and insurance/takaful entities | **–** | – |
| **Total Tier 2 capital after regulatory adjustments** | **–** | 94 |
| **Total capital** | **528,922** | 529,960 |
| **RWA** | | |
| Credit risk | **134,947** | 117,258 |
| Market risk | **24,341** | 32,214 |
| Operational risk | **399,559** | 450,794 |
| **Total RWA** | **558,847** | 600,266 |
| **Capital Adequacy Ratios** | | |
| **Before deducting proposed dividend** | | |
| Common Equity Tier 1 ratio | **97.816%** | 93.350% |
| Tier 1 ratio | **97.816%** | 93.350% |
| Total Capital ratio | **97.816%** | 93.365% |
| **After deducting proposed dividend** | | |
| Common Equity Tier 1 ratio | **94.645%** | 88.272% |
| Tier 1 ratio | **94.645%** | 88.272% |
| Total Capital ratio | **94.645%** | 88.288% |

Total Capital ratio increased in 2022 compared to 2021 mainly due to lower RWA arising from lower Operational RWA and lower Market RWA.

# Capital Management

## CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

The tables below show the RWA under various exposure classes under the relevant approach and applying the minimum regulatory capital requirement at 8% to establish the minimum capital required for each of the exposure classes:

### TABLE 2(A): DISCLOSURE ON TOTAL RWA AND MINIMUM CAPITAL REQUIREMENT FOR CIMBBG

| 2022 | CIMBBG | | | | |
|---|---|---|---|---|---|
| (RM'000) Exposure Class | Gross Exposure before CRM (SA)/EAD (IRB) | Net Exposure after CRM (SA)/EAD (IRB) | RWA | Total RWA after effects of PSIA | Minimum capital requirement at 8% |
| **Credit Risk** | | | | | |
| **Exposures under the SA** | | | | | |
| Sovereign/Central Banks | 107,983,552 | 107,983,552 | 719,250 | 719,250 | 57,540 |
| Public Sector Entities | 12,695,143 | 12,695,082 | 631,127 | 631,127 | 50,490 |
| Banks, DFIs & MDBs | 2,372,276 | 2,372,276 | 1,115,074 | 1,115,074 | 89,206 |
| Insurance Cos/Takaful Operators, Securities Firms & Fund Managers | 7,709,205 | 6,295,191 | 4,904,741 | 4,904,741 | 392,379 |
| Corporate | 32,651,435 | 28,338,745 | 24,837,541 | 24,754,101 | 1,980,328 |
| Regulatory Retail | 27,920,930 | 26,148,431 | 15,917,168 | 15,806,845 | 1,264,548 |
| Residential Mortgages/RRE Financing | 14,075,772 | 14,074,878 | 6,828,678 | 6,828,647 | 546,292 |
| Higher Risk Assets | 1,672,370 | 1,672,370 | 2,508,555 | 2,508,555 | 200,684 |
| Other Assets | 21,494,564 | 21,494,564 | 4,508,869 | 4,508,869 | 360,710 |
| Securitisation | 404,626 | 404,626 | 80,925 | 80,925 | 6,474 |
| Equity Exposure | 72 | 72 | 72 | 72 | 6 |
| **Total for SA** | **228,979,945** | **221,479,788** | **62,052,001** | **61,858,207** | **4,948,657** |
| **Exposures under the IRB Approach** | | | | | |
| Sovereign/Central Banks | - | - | - | - | - |
| Public Sector Entities | - | - | - | - | - |
| Banks, DFIs & MDBs | 36,305,072 | 36,305,072 | 9,624,249 | 9,624,249 | 769,940 |
| Insurance Cos/Takaful Operators, Securities Firms & Fund Managers | - | - | - | - | - |
| Corporate | 144,126,275 | 144,126,275 | 93,577,669 | 92,746,461 | 7,419,717 |
| Residential Mortgages/RRE Financing | 106,926,643 | 106,926,643 | 23,988,660 | 23,686,316 | 1,894,905 |
| Qualifying Revolving Retail | 12,995,004 | 12,995,004 | 6,653,756 | 6,653,756 | 532,300 |
| Hire Purchase | 21,133,582 | 21,133,582 | 15,982,460 | 10,969,849 | 877,588 |
| Other Retail | 62,515,327 | 62,515,327 | 15,409,338 | 15,402,550 | 1,232,204 |
| Securitisation | - | - | - | - | - |
| **Total for IRB Approach** | **384,001,902** | **384,001,902** | **165,236,131** | **159,083,180** | **12,726,654** |
| **Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)** | **612,981,848** | **605,481,690** | **237,202,301** | **230,486,378** | **18,438,910** |
| **Large Exposure Risk Requirement** | **1,194,330** | **1,194,330** | **1,194,330** | **1,194,330** | **95,546** |
| **Market Risk (SA)** | | | | | |
| Interest Rate Risk/profit Rate Risk | | | 11,233,121 | 11,233,121 | 898,650 |
| Foreign Currency Risk | | | 718,563 | 718,563 | 57,485 |
| Equity Risk | | | 152,339 | 152,339 | 12,187 |
| Commodity Risk | | | 125,201 | 125,201 | 10,016 |
| Options Risk | | | 611,659 | 611,659 | 48,933 |
| **Total Market Risk** | | | **12,840,883** | **12,840,883** | **1,027,271** |
| **Operational Risk (BIA)** | | | **24,673,585** | **24,673,585** | **1,973,887** |
| **Total RWA and Capital Requirement** | | | **275,911,099** | **269,195,176** | **21,535,614** |

# Capital Management

## CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### TABLE 2(A)(I): DISCLOSURE ON TOTAL RWA AND MINIMUM CAPITAL REQUIREMENT FOR CIMBBG'S ISLAMIC BANKING WINDOW

| 2022 | CIMBBG | | | | |
|---|---|---|---|---|---|
| (RM'000) Exposure Class | Gross Exposure before CRM (SA)/EAD (IRB) | Net Exposure after CRM (SA)/EAD (IRB) | RWA | Total RWA after effects of PSIA | Minimum capital requirement at 8% |
| **Credit Risk** | | | | | |
| **Exposures under the SA** | | | | | |
| Sovereign/Central Banks | 26,246,665 | 26,246,665 | - | - | - |
| Public Sector Entities | 12,686,935 | 12,686,935 | 629,498 | 629,498 | 50,360 |
| Banks, DFIs & MDBs | 20 | 20 | 4 | 4 | 0 |
| Insurance Cos/Takaful Operators, Securities Firms & Fund Managers | 283 | 283 | 283 | 283 | 23 |
| Corporate | 3,585,636 | 3,537,046 | 2,115,122 | 2,031,682 | 162,535 |
| Regulatory Retail | 9,216,348 | 8,527,432 | 4,820,925 | 4,710,602 | 376,848 |
| Residential Mortgages/RRE Financing | 366,135 | 366,135 | 181,366 | 181,335 | 14,507 |
| Higher Risk Assets | - | - | - | - | - |
| Other Assets | 347,779 | 347,779 | 346,827 | 346,827 | 27,746 |
| Securitisation | - | - | - | - | - |
| Equity Exposure | - | - | - | - | - |
| **Total for SA** | 52,449,801 | 51,712,296 | 8,094,025 | 7,900,231 | 632,018 |
| **Exposures under the IRB Approach** | | | | | |
| Sovereign/Central Banks | - | - | - | - | - |
| Public Sector Entities | - | - | - | - | - |
| Banks, DFIs & MDBs | 1,663,914 | 1,663,914 | 422,704 | 422,704 | 33,816 |
| Insurance Cos/Takaful Operators, Securities Firms & Fund Managers | - | - | - | - | - |
| Corporate | 32,929,741 | 32,929,741 | 20,078,974 | 19,247,766 | 1,539,821 |
| Residential Mortgages/RRE Financing | 36,015,389 | 36,015,389 | 10,262,367 | 9,960,023 | 796,802 |
| Qualifying Revolving Retail | 337,649 | 337,649 | 207,343 | 207,343 | 16,587 |
| Hire Purchase | 15,415,504 | 15,415,504 | 11,882,046 | 6,869,436 | 549,555 |
| Other Retail | 32,702,124 | 32,702,124 | 6,834,461 | 6,827,673 | 546,214 |
| Securitisation | - | - | - | - | - |
| **Total for IRB Approach** | 119,064,320 | 119,064,320 | 49,687,896 | 43,534,944 | 3,482,796 |
| **Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)** | 171,514,121 | 170,776,616 | 60,763,195 | 54,047,272 | 4,323,782 |
| **Large Exposure Risk Requirement** | - | - | - | - | - |
| **Market Risk (SA)** | | | | | |
| Interest Rate Risk/profit Rate Risk | | | - | - | - |
| Foreign Currency Risk | | | - | - | - |
| Equity Risk | | | - | - | - |
| Commodity Risk | | | - | - | - |
| Options Risk | | | - | - | - |
| **Total Market Risk** | | | - | - | - |
| **Operational Risk (BIA)** | | | - | - | - |
| **Total RWA and Capital Requirement** | | | 60,763,195 | 54,047,272 | 4,323,782 |

# Capital Management

## CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### TABLE 2(A): DISCLOSURE ON TOTAL RWA AND MINIMUM CAPITAL REQUIREMENT FOR CIMBBG (CONTINUED)

**2021** — **CIMBBG**

| (RM'000) Exposure Class | Gross Exposure before CRM (SA)/EAD (IRB) | Net Exposure after CRM (SA)/EAD (IRB) | RWA | Total RWA after effects of PSIA | Minimum capital requirement at 8% |
|---|---|---|---|---|---|
| **Credit Risk** | | | | | |
| **Exposures under the SA** | | | | | |
| Sovereign/Central Banks | 88,609,102 | 88,609,102 | 731,786 | 731,786 | 58,543 |
| Public Sector Entities | 9,914,829 | 9,914,754 | 832,862 | 832,862 | 66,629 |
| Banks, DFIs & MDBs | 10,828,076 | 10,827,594 | 4,483,055 | 4,483,055 | 358,644 |
| Insurance Cos/Takaful Operators, Securities Firms & Fund Managers | 4,472,692 | 4,428,015 | 2,932,672 | 2,932,672 | 234,614 |
| Corporate | 27,754,110 | 23,300,784 | 20,846,063 | 20,785,163 | 1,662,813 |
| Regulatory Retail | 31,035,102 | 29,058,206 | 19,111,210 | 18,898,553 | 1,511,884 |
| Residential Mortgages/RRE Financing | 11,742,976 | 11,740,370 | 5,620,027 | 5,613,634 | 449,091 |
| Higher Risk Assets | 1,753,206 | 1,753,206 | 2,629,810 | 2,629,810 | 210,385 |
| Other Assets | 14,931,598 | 14,931,598 | 3,385,268 | 3,385,268 | 270,821 |
| Securitisation | 480,627 | 480,627 | 96,125 | 96,125 | 7,690 |
| Equity Exposure | 83 | 83 | 83 | 83 | 7 |
| **Total for SA** | 201,522,402 | 195,044,338 | 60,668,961 | 60,389,011 | 4,831,121 |
| **Exposures under the IRB Approach** | | | | | |
| Sovereign/Central Banks | – | – | – | – | – |
| Public Sector Entities | – | – | – | – | – |
| Banks, DFIs & MDBs | 22,714,619 | 22,714,619 | 5,970,634 | 5,970,634 | 477,651 |
| Insurance Cos/Takaful Operators, Securities Firms & Fund Managers | – | – | – | – | – |
| Corporate | 139,665,972 | 139,665,972 | 88,247,518 | 88,166,101 | 7,053,288 |
| Residential Mortgages/RRE Financing | 100,874,916 | 100,874,916 | 20,040,171 | 19,768,873 | 1,581,510 |
| Qualifying Revolving Retail | 11,347,912 | 11,347,912 | 6,709,313 | 6,709,313 | 536,745 |
| Hire Purchase | 19,436,199 | 19,436,199 | 14,375,458 | 10,614,794 | 849,184 |
| Other Retail | 54,063,956 | 54,063,956 | 11,401,525 | 11,396,818 | 911,745 |
| Securitisation | – | – | – | – | – |
| **Total for IRB Approach** | 348,103,574 | 348,103,574 | 146,744,620 | 142,626,534 | 11,410,123 |
| **Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)** | 549,625,976 | 543,147,912 | 216,218,259 | 211,573,137 | 16,925,851 |
| **Large Exposure Risk Requirement** | 891,987 | 891,987 | 891,987 | 891,987 | 71,359 |
| **Market Risk (SA)** | | | | | |
| Interest Rate Risk/profit Rate Risk | | | 13,166,033 | 13,166,033 | 1,053,283 |
| Foreign Currency Risk | | | 1,635,626 | 1,635,626 | 130,850 |
| Equity Risk | | | 459,405 | 459,405 | 36,752 |
| Commodity Risk | | | 55,675 | 55,675 | 4,454 |
| Options Risk | | | 1,040,734 | 1,040,734 | 83,259 |
| **Total Market Risk** | | | 16,357,473 | 16,357,473 | 1,308,598 |
| **Operational Risk (BIA)** | | | 23,371,960 | 23,371,960 | 1,869,757 |
| **Total RWA and Capital Requirement** | | | 256,839,679 | 252,194,557 | 20,175,565 |

# Capital Management

## CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### TABLE 2(A)(I): DISCLOSURE ON TOTAL RWA AND MINIMUM CAPITAL REQUIREMENT FOR CIMBBG'S ISLAMIC BANKING WINDOW

| 2021 | CIMBBG | | | | |
|---|---|---|---|---|---|
| (RM'000) Exposure Class | Gross Exposure before CRM (SA)/EAD (IRB) | Net Exposure after CRM (SA)/EAD (IRB) | RWA | Total RWA after effects of PSIA | Minimum capital requirement at 8% |
| **Credit Risk** | | | | | |
| **Exposures under the SA** | | | | | |
| Sovereign/Central Banks | 21,746,593 | 21,746,593 | – | – | – |
| Public Sector Entities | 9,907,741 | 9,907,741 | 831,459 | 831,459 | 66,517 |
| Banks, DFIs & MDBs | – | – | – | – | – |
| Insurance Cos/Takaful Operators, Securities Firms & Fund Managers | 0 | 0 | 0 | 0 | 0 |
| Corporate | 1,947,136 | 1,911,850 | 1,201,422 | 1,140,522 | 91,242 |
| Regulatory Retail | 8,691,999 | 7,926,496 | 4,713,989 | 4,501,332 | 360,107 |
| Residential Mortgages/RRE Financing | 315,873 | 315,873 | 156,305 | 149,912 | 11,993 |
| Higher Risk Assets | – | – | – | – | – |
| Other Assets | 244,901 | 244,901 | 197,994 | 197,994 | 15,839 |
| Securitisation | – | – | – | – | – |
| Equity Exposure | – | – | – | – | – |
| **Total for SA** | 42,854,242 | 42,053,453 | 7,101,168 | 6,821,218 | 545,697 |
| **Exposures under the IRB Approach** | | | | | |
| Sovereign/Central Banks | – | – | – | – | – |
| Public Sector Entities | – | – | – | – | – |
| Banks, DFIs & MDBs | 939,151 | 939,151 | 211,517 | 211,517 | 16,921 |
| Insurance Cos/Takaful Operators, Securities Firms & Fund Managers | – | – | – | – | – |
| Corporate | 29,218,739 | 29,218,739 | 17,860,417 | 17,779,000 | 1,422,320 |
| Residential Mortgages/RRE Financing | 29,943,814 | 29,943,814 | 6,907,064 | 6,635,766 | 530,861 |
| Qualifying Revolving Retail | 246,674 | 246,674 | 158,336 | 158,336 | 12,667 |
| Hire Purchase | 13,165,777 | 13,165,777 | 10,094,436 | 6,333,772 | 506,702 |
| Other Retail | 27,649,330 | 27,649,330 | 5,430,603 | 5,425,896 | 434,072 |
| Securitisation | – | – | – | – | – |
| **Total for IRB Approach** | 101,163,485 | 101,163,485 | 40,662,373 | 36,544,287 | 2,923,543 |
| **Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)** | 144,017,727 | 143,216,938 | 50,203,284 | 45,558,163 | 3,644,653 |
| **Large Exposure Risk Requirement** | – | – | – | – | – |
| **Market Risk (SA)** | | | | | |
| Interest Rate Risk/profit Rate Risk | | | – | – | – |
| Foreign Currency Risk | | | – | – | – |
| Equity Risk | | | – | – | – |
| Commodity Risk | | | – | – | – |
| Options Risk | | | – | – | – |
| **Total Market Risk** | | | – | – | – |
| **Operational Risk (BIA)** | | | – | – | – |
| **Total RWA and Capital Requirement** | | | 50,203,284 | 45,558,163 | 3,644,653 |

# Capital Management

## CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### TABLE 2(B): DISCLOSURE ON TOTAL RWA AND MINIMUM CAPITAL REQUIREMENT FOR CIMBISLG

2022 CIMBISLG

| (RM'000) Exposure Class | Gross Exposure before CRM (SA)/EAD (IRB) | Net Exposure after CRM (SA)/EAD (IRB) | RWA | Total RWA after effects of PSIA | Minimum capital requirement at 8% |
|---|---|---|---|---|---|
| **Credit Risk** | | | | | |
| **Exposures under the SA** | | | | | |
| Sovereign/Central Banks | 26,237,445 | 26,237,445 | - | - | - |
| Public Sector Entities | 3,108,358 | 3,108,358 | 113,783 | 113,783 | 9,103 |
| Banks, DFIs & MDBs | 20 | 20 | 4 | 4 | 0.32 |
| Takaful Operators, Securities Firms & Fund Managers | - | - | - | - | - |
| Corporate | 3,173,432 | 3,125,372 | 1,886,220 | 1,802,780 | 144,222 |
| Regulatory Retail | 8,215,933 | 7,527,105 | 4,341,584 | 4,231,261 | 338,501 |
| RRE Financing | 366,135 | 366,135 | 181,366 | 181,335 | 14,507 |
| Higher Risk Assets | - | - | - | - | - |
| Other Assets | 347,779 | 347,779 | 346,827 | 346,827 | 27,746 |
| Securitisation | - | - | - | - | - |
| **Total for SA** | **41,449,102** | **40,712,214** | **6,869,783** | **6,675,989** | **534,079** |
| **Exposures under the IRB Approach** | | | | | |
| Sovereign/Central Banks | - | - | - | - | - |
| Public Sector Entities | - | - | - | - | - |
| Banks, DFIs & MDBs | 2,016,779 | 2,016,779 | 481,440 | 481,440 | 38,515 |
| Takaful Operators, Securities Firms & Fund Managers | - | - | - | - | - |
| Corporate | 30,082,782 | 30,082,782 | 19,013,017 | 16,667,205 | 1,333,376 |
| RRE Financing | 36,015,389 | 36,015,389 | 10,262,367 | 9,960,023 | 796,802 |
| Qualifying Revolving Retail | 337,649 | 337,649 | 207,343 | 207,343 | 16,587 |
| Hire Purchase | 15,415,504 | 15,415,504 | 11,882,046 | 6,869,436 | 549,555 |
| Other Retail | 32,702,124 | 32,702,124 | 6,834,461 | 6,827,673 | 546,214 |
| Securitisation | - | - | - | - | - |
| **Total for IRB Approach** | **116,570,226** | **116,570,226** | **48,680,674** | **41,013,119** | **3,281,050** |
| **Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)** | **158,019,328** | **157,282,440** | **58,471,298** | **50,149,895** | **4,011,992** |
| **Large Exposure Risk Requirement** | - | - | - | - | - |
| **Market Risk (SA)** | | | | | |
| Benchmark Rate Risk | | | 528,794 | 528,794 | 42,303 |
| Foreign Currency Risk | | | 57,512 | 57,512 | 4,601 |
| Equity Risk | | | - | - | - |
| Commodity Risk | | | - | - | - |
| Options Risk | | | - | - | - |
| **Total Market Risk** | | | **586,305** | **586,305** | **46,904** |
| **Operational Risk (BIA)** | | | **4,784,999** | **4,784,999** | **382,800** |
| **Total RWA and Capital Requirement** | | | **63,842,603** | **55,521,199** | **4,441,696** |

# Capital Management

## CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### TABLE 2(B): DISCLOSURE ON TOTAL RWA AND MINIMUM CAPITAL REQUIREMENT FOR CIMBISLG (CONTINUED)

2021 — CIMBISLG

| (RM'000) Exposure Class | Gross Exposure before CRM (SA)/EAD (IRB) | Net Exposure after CRM (SA)/EAD (IRB) | RWA | Total RWA after effects of PSIA | Minimum capital requirement at 8% |
|---|---|---|---|---|---|
| **Credit Risk** | | | | | |
| **Exposures under the SA** | | | | | |
| Sovereign/Central Banks | 21,746,593 | 21,746,593 | – | – | – |
| Public Sector Entities | 1,861,417 | 1,861,417 | 22,194 | 22,194 | 1,776 |
| Banks, DFIs & MDBs | 46 | 46 | 23 | 23 | 2 |
| Takaful Operators, Securities Firms & Fund Managers | 0.01 | 0.01 | 0 | 0 | 0 |
| Corporate | 1,840,429 | 1,805,143 | 1,148,721 | 1,087,821 | 87,026 |
| Regulatory Retail | 8,128,217 | 7,362,714 | 4,486,116 | 4,273,459 | 341,877 |
| RRE Financing | 315,873 | 315,873 | 156,305 | 149,912 | 11,993 |
| Higher Risk Assets | – | – | – | – | – |
| Other Assets | 244,901 | 244,901 | 197,994 | 197,994 | 15,839 |
| Securitisation | – | – | – | – | – |
| **Total for SA** | 34,137,475 | 33,336,686 | 6,011,353 | 5,731,402 | 458,512 |
| **Exposures under the IRB Approach** | | | | | |
| Sovereign/Central Banks | – | – | – | – | – |
| Public Sector Entities | – | – | – | – | – |
| Banks, DFIs & MDBs | 1,336,011 | 1,336,011 | 282,377 | 282,377 | 22,590 |
| Takaful Operators, Securities Firms & Fund Managers | – | – | – | – | – |
| Corporate | 25,801,838 | 25,801,838 | 16,738,981 | 15,020,171 | 1,201,614 |
| RRE Financing | 29,943,814 | 29,943,814 | 6,907,064 | 6,635,766 | 530,861 |
| Qualifying Revolving Retail | 246,674 | 246,674 | 158,336 | 158,336 | 12,667 |
| Hire Purchase | 13,165,777 | 13,165,777 | 10,094,436 | 6,333,772 | 506,702 |
| Other Retail | 27,649,330 | 27,649,330 | 5,430,603 | 5,425,896 | 434,072 |
| Securitisation | – | – | – | – | – |
| **Total for IRB Approach** | 98,143,444 | 98,143,444 | 39,611,797 | 33,856,319 | 2,708,505 |
| **Total Credit Risk (Exempted Exposures and Exposures under the IRB Approach After Scaling Factor)** | 132,280,918 | 131,480,130 | 47,999,858 | 41,619,100 | 3,329,528 |
| **Large Exposure Risk Requirement** | – | – | – | – | – |
| **Market Risk (SA)** | | | | | |
| Benchmark Rate Risk | | | 718,584 | 718,584 | 57,487 |
| Foreign Currency Risk | | | 83,894 | 83,894 | 6,712 |
| Equity Risk | | | – | – | – |
| Commodity Risk | | | – | – | – |
| Options Risk | | | – | – | – |
| **Total Market Risk** | | | 802,478 | 802,478 | 64,198 |
| **Operational Risk (BIA)** | | | 4,159,336 | 4,159,336 | 332,747 |
| **Total RWA and Capital Requirement** | | | 52,961,672 | 46,580,914 | 3,726,473 |

# Capital Management

## CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### TABLE 2(C): DISCLOSURE ON TOTAL RWA AND MINIMUM CAPITAL REQUIREMENT FOR CIMBIBG

**2022**

| (RM'000) Exposure Class | Gross Exposure before CRM (SA) | Net Exposure after CRM (SA) | RWA | Total RWA after effects of PSIA | Minimum capital requirement at 8% |
|---|---|---|---|---|---|
| | CIMBIBG | | | | |
| **Credit Risk (SA)** | | | | | |
| Sovereign/Central Banks | 110,125 | 110,125 | – | – | – |
| Public Sector Entities | – | – | – | – | – |
| Banks, DFIs & MDBs | 211,004 | 211,004 | 47,417 | 47,417 | 3,793 |
| Insurance Cos, Securities Firms & Fund Managers | – | – | – | – | – |
| Corporate | 50,698 | 50,698 | 50,698 | 50,698 | 4,056 |
| Regulatory Retail | – | – | – | – | – |
| Residential Mortgages | – | – | – | – | – |
| Higher Risk Assets | – | – | – | – | – |
| Other Assets | 36,837 | 36,837 | 36,832 | 36,832 | 2,947 |
| Securitisation | – | – | – | – | – |
| **Total Credit Risk** | 408,664 | 408,664 | 134,947 | 134,947 | 10,796 |
| **Large Exposure Risk Requirement** | – | – | – | – | – |
| **Market Risk (SA)** | | | | | |
| Interest Rate Risk | | | 500 | 500 | 40 |
| Foreign Currency Risk | | | 23,840 | 23,840 | 1,907 |
| Equity Risk | | | – | – | – |
| Commodity Risk | | | – | – | – |
| Options Risk | | | – | – | – |
| **Total Market Risk** | | | 24,341 | 24,341 | 1,947 |
| **Operational Risk (BIA)** | | | 399,559 | 399,559 | 31,965 |
| **Total RWA and Capital Requirement** | | | 558,847 | 558,847 | 44,708 |

# Capital Management

## CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### TABLE 2(C)(I): DISCLOSURE ON TOTAL RWA AND MINIMUM CAPITAL REQUIREMENT FOR CIMBIBG'S ISLAMIC BANKING WINDOW

| 2022 | CIMBIBG | | | | |
|---|---|---|---|---|---|
| (RM'000)<br>Exposure Class | Gross Exposure before CRM (SA) | Net Exposure after CRM (SA) | RWA | Total RWA after effects of PSIA | Minimum capital requirement at 8% |
| **Credit Risk (SA)** | | | | | |
| Sovereign/Central Banks | 10,019 | 10,019 | – | – | – |
| Public Sector Entities | – | – | – | – | – |
| Banks, DFIs & MDBs | 82,867 | 82,867 | 16,596 | 16,596 | 1,328 |
| Insurance Cos, Securities Firms & Fund Managers | – | – | – | – | – |
| Corporate | 207 | 207 | 207 | 207 | 17 |
| Regulatory Retail | – | – | – | – | – |
| Residential Mortgages | – | – | – | – | – |
| Higher Risk Assets | – | – | – | – | – |
| Other Assets | 1,899 | 1,899 | 1,899 | 1,899 | 152 |
| Securitisation | – | – | – | – | – |
| **Total Credit Risk** | 94,993 | 94,993 | 18,702 | 18,702 | 1,496 |
| **Large Exposure Risk Requirement** | – | – | – | – | – |
| **Market Risk (SA)** | | | | | |
| Interest Rate Risk | | | – | – | – |
| Foreign Currency Risk | | | – | – | – |
| Equity Risk | | | – | – | – |
| Commodity Risk | | | – | – | – |
| Options Risk | | | – | – | – |
| **Total Market Risk** | | | – | – | – |
| **Operational Risk (BIA)** | | | – | – | – |
| **Total RWA and Capital Requirement** | | | 18,702 | 18,702 | 1,496 |

# Capital Management

## CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### TABLE 2(C): DISCLOSURE ON TOTAL RWA AND MINIMUM CAPITAL REQUIREMENT FOR CIMBIBG (CONTINUED)

**2021**

| CIMBIBG | | | | | |
|---|---|---|---|---|---|
| **(RM'000) Exposure Class** | **Gross Exposure before CRM (SA)** | **Net Exposure after CRM (SA)** | **RWA** | **Total RWA after effects of PSIA** | **Minimum capital requirement at 8%** |
| **Credit Risk (SA)** | | | | | |
| Sovereign/Central Banks | 360,546 | 360,546 | – | – | – |
| Public Sector Entities | – | – | – | – | – |
| Banks, DFIs & MDBs | 238,032 | 238,032 | 52,176 | 52,176 | 4,174 |
| Insurance Cos, Securities Firms & Fund Managers | – | – | – | – | – |
| Corporate | 4,638 | 4,638 | 4,638 | 4,638 | 371 |
| Regulatory Retail | – | – | – | – | – |
| Residential Mortgages | – | – | – | – | – |
| Higher Risk Assets | – | – | – | – | – |
| Other Assets | 60,450 | 60,450 | 60,443 | 60,443 | 4,835 |
| Securitisation | – | – | – | – | – |
| **Total Credit Risk** | 663,667 | 663,667 | 117,258 | 117,258 | 9,381 |
| **Large Exposure Risk Requirement** | – | – | – | – | – |
| **Market Risk (SA)** | | | | | |
| Interest Rate Risk | | | – | – | – |
| Foreign Currency Risk | | | 12,904 | 12,904 | 1,032 |
| Equity Risk | | | – | – | – |
| Commodity Risk | | | – | – | – |
| Options Risk | | | 19,310 | 19,310 | 1,545 |
| **Total Market Risk** | | | 32,214 | 32,214 | 2,577 |
| **Operational Risk (BIA)** | | | 450,794 | 450,794 | 36,063 |
| **Total RWA and Capital Requirement** | | | 600,266 | 600,266 | 48,021 |

# Capital Management

## CAPITAL STRUCTURE AND ADEQUACY (CONTINUED)

### TABLE 2(C)(I): DISCLOSURE ON TOTAL RWA AND MINIMUM CAPITAL REQUIREMENT FOR CIMBIBG'S ISLAMIC BANKING WINDOW

| 2021 | CIMBIBG | | | | |
|---|---|---|---|---|---|
| (RM'000) Exposure Class | Gross Exposure before CRM (SA) | Net Exposure after CRM (SA) | RWA | Total RWA after effects of PSIA | Minimum capital requirement at 8% |
| **Credit Risk (SA)** | | | | | |
| Sovereign/Central Banks | 236 | 236 | – | – | – |
| Public Sector Entities | – | – | – | – | – |
| Banks, DFIs & MDBs | 87,197 | 87,197 | 17,444 | 17,444 | 1,396 |
| Insurance Cos, Securities Firms & Fund Managers | – | – | – | – | – |
| Corporate | 127 | 127 | 127 | 127 | 10 |
| Regulatory Retail | – | – | – | – | – |
| Residential Mortgages | – | – | – | – | – |
| Higher Risk Assets | – | – | – | – | – |
| Other Assets | 68 | 68 | 67 | 67 | 5 |
| Securitisation | – | – | – | – | – |
| **Total Credit Risk** | 87,627 | 87,627 | 17,638 | 17,638 | 1,411 |
| **Large Exposure Risk Requirement** | – | – | – | – | – |
| **Market Risk (SA)** | | | | | |
| Interest Rate Risk | | | – | – | – |
| Foreign Currency Risk | | | – | – | – |
| Equity Risk | | | – | – | – |
| Commodity Risk | | | – | – | – |
| Options Risk | | | – | – | – |
| **Total Market Risk** | | | – | – | – |
| **Operational Risk (BIA)** | | | – | – | – |
| **Total RWA and Capital Requirement** | | | 17,638 | 17,638 | 1,411 |

## INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS (ICAAP)

The Group has in place an EWRM framework that aligns ICAAP requirements into the Group's risk management and control activities. The coverage of ICAAP includes the following:

a) Assessing the risk profile of the bank.
b) Assessing the capital adequacy and capital management strategies.
c) Monitoring compliance with regulatory requirement on capital adequacy.
d) Reporting to management and regulator on ICAAP.
e) Governance and independent review.

The full ICAAP cycle, from initial planning to regulatory submission and independent review, involves close coordination among the risk, capital and finance functions together and business and support divisions. In line with BNM's guidelines on RWCAF (Basel II) – ICAAP (Pillar 2) and CAFIB – ICAAP (Pillar 2), the Group submits its ICAAP report to the BRCC for approval and the Board for notification.

# Credit Risk

Credit risk is defined as the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

Credit risk is inherent in banking activities and arises from traditional financing activities through conventional loans, financing facilities, trade finance, as well as commitments to support clients' obligations to third parties, e.g. guarantees or kafalah contracts. In derivatives, sales and trading activities, credit risk arises from the possibility that the Group's counterparties will be unable or unwilling to fulfil their obligation on transactions on or before settlement dates.

## CREDIT RISK MANAGEMENT

Without effective credit risk management, the impact of the potential losses can be overwhelming. The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

Consistent with the Three Lines-of-Defence model on risk management where risks are managed initially from the onset of risk-taking activities, the Group implemented the risk-based delegated authority framework. This promotes clarity of risk accountability whereby the business unit, being the first line-of-defence, manages risk in a proactive manner with Group Risk being independent from the business units, function as the second line-of-defence. This enhances the collaboration between Group Risk and the business units.

The risk-based delegated authority framework encompasses joint delegated authority, enhanced credit approval process and a clear set of policies and procedures that defines the limits and types of authority designated to specific individuals.

The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities between business units and Group Risk, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking loans/financing, credit applications are independently evaluated by the Credit Risk CoE team prior to submission to the joint delegated authority or the relevant committees for approval; certain business units' officers are delegated with credit approving authority to approve low valued credit facilities. In addition, for loan/financing to sectors and clients that are exposed to high environmental and social risks, the Sustainability CoE conducts due diligence from an environmental and social point of view. For retail loans/financing, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limits submitted to joint delegated authority or relevant committees for approval.

The GRCC, with the support of Group Credit Committee, Group Asset Quality Committee, other relevant credit committees as well as Group Risk, is responsible for ensuring adherence to the Board's approved risk appetite and risk posture. This, amongst others, includes reviewing and analysing portfolio trends, asset quality, watch-list reporting and policy reviews. It is also responsible for articulating key credit risks and mitigating controls.

Adherence to and compliance with country sector limit, single customer and country and global counterparty limits, are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual. In view of the tightening regulations around climate change and to support the Group's Net Zero commitment by 2050, a climate overlay focusing on sector sensitivity to transition risks (which references the Transition Risk Heatmap developed under United Nations Environment Program Finance Initiative) was integrated by Group Sustainability into Group Risk's Country Sector Limit Methodology for 2023. In order to ensure sustainability considerations are accounted for in the early stages of business planning, an overall sustainability rating was also developed and applied alongside other risk factors as part of the Risk Posture setting for 2023 to set the high level risk direction for the Group and its entities before the formal budget process starts.

Adherence to the above established credit limits is monitored daily by Group Risk, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. For retail products, portfolio limits are monitored monthly by Group Risk.

# Credit Risk

## CREDIT RISK MANAGEMENT (CONTINUED)

It is the Group's policy that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from both quantitative and qualitative risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the non-retail credit exposures at minimum on an annual basis, and more frequently when material information on the obligor or other external factors is made available.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to the GRCC and BRCC. Asset quality is closely monitored so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions, including recovery actions, if required.

The Group recognises that our financing activities may have an impact on the environment and society and such impact may in turn result in potential financial and reputational risks to the Group. Our sustainable financing approach integrates environmental, social and economic/ethical considerations, including climate-related physical and transition risks, into our credit risk assessment process for our financing practices and capital raising transactions, whereby clients and transactions identified to have high sustainability risk or potential concern are subject to a structured due diligence and escalation process. Refer to the section on Sustainability Risk for further details.

The Group quantifies credit concentration risk by leveraging on the credit VaR engine, CreditMetrics. Using the CreditMetrics approach, the portfolio's Value at Risk is estimated after taking into account effects of portfolio diversification across obligors and sectors. Hence, the risk computed covers both default/credit migration risk as well as credit concentration risk (single name and sector concentration).

# Credit Risk

## SUMMARY OF CREDIT EXPOSURES

### I) GROSS CREDIT EXPOSURES BY GEOGRAPHIC DISTRIBUTION

The geographic distribution is based on the country in which the portfolio is geographically managed.

The following tables represent the Group's credit exposures by geographic region:

**TABLE 3(A): GEOGRAPHIC DISTRIBUTION OF CREDIT EXPOSURES FOR CIMBBG**

| (RM'000) | CIMBBG | | | | |
|---|---|---|---|---|---|
| Exposure Class | Malaysia | Singapore | Thailand | Other Countries | Total |
| **2022** | | | | | |
| Sovereign | **83,979,788** | **11,127,085** | **11,991,018** | **885,660** | **107,983,552** |
| PSE | **12,695,143** | **–** | **–** | **–** | **12,695,143** |
| Bank | **20,770,792** | **2,172,262** | **11,175,820** | **4,558,474** | **38,677,348** |
| Corporate | **119,026,259** | **35,174,369** | **21,914,434** | **8,371,854** | **184,486,916** |
| Mortgage/RRE Financing | **100,503,337** | **8,271,799** | **12,227,279** | **–** | **121,002,414** |
| HPE | **21,133,582** | **–** | **–** | **–** | **21,133,582** |
| QRRE | **10,449,795** | **2,545,208** | **–** | **–** | **12,995,004** |
| Other Retail | **74,995,107** | **7,542,832** | **6,184,721** | **1,713,597** | **90,436,257** |
| Other Exposures | **7,165,321** | **720,358** | **13,995,259** | **1,690,695** | **23,571,633** |
| **Total Gross Credit Exposure** | **450,719,123** | **67,553,913** | **77,488,531** | **17,220,280** | **612,981,848** |
| **2021** | | | | | |
| Sovereign | 73,653,020 | 8,115,187 | 5,949,879 | 891,016 | 88,609,102 |
| PSE | 9,914,829 | – | – | – | 9,914,829 |
| Bank | 17,708,835 | 2,282,815 | 7,937,620 | 5,613,425 | 33,542,695 |
| Corporate | 114,616,767 | 31,501,070 | 17,366,638 | 8,408,299 | 171,892,774 |
| Mortgage/RRE Financing | 94,393,687 | 7,940,650 | 10,278,306 | 5,249 | 112,617,892 |
| HPE | 19,436,199 | – | – | – | 19,436,199 |
| QRRE | 9,036,296 | 2,311,616 | – | – | 11,347,912 |
| Other Retail | 72,305,312 | 5,609,461 | 6,172,972 | 1,011,314 | 85,099,059 |
| Other Exposures | 6,686,567 | 482,484 | 8,873,304 | 1,123,159 | 17,165,514 |
| **Total Gross Credit Exposure** | 417,751,513 | 58,243,283 | 56,578,719 | 17,052,462 | 549,625,976 |

# Credit Risk

## SUMMARY OF CREDIT EXPOSURES (CONTINUED)

### I) GROSS CREDIT EXPOSURES BY GEOGRAPHIC DISTRIBUTION (CONTINUED)

**TABLE 3(B): GEOGRAPHIC DISTRIBUTION OF CREDIT EXPOSURES FOR CIMBISLG**

| (RM'000) | CIMBISLG | | | | |
|---|---|---|---|---|---|
| Exposure Class | Malaysia | Singapore | Thailand | Other Countries | Total |
| **2022** | | | | | |
| Sovereign | **26,237,445** | **–** | **–** | **–** | **26,237,445** |
| PSE | **3,108,358** | **–** | **–** | **–** | **3,108,358** |
| Bank | **2,016,799** | **–** | **–** | **–** | **2,016,799** |
| Corporate | **33,256,213** | **–** | **–** | **–** | **33,256,213** |
| RRE Financing | **36,381,523** | **–** | **–** | **–** | **36,381,523** |
| HPE | **15,415,504** | **–** | **–** | **–** | **15,415,504** |
| QRRE | **337,649** | **–** | **–** | **–** | **337,649** |
| Other Retail | **40,918,057** | **–** | **–** | **–** | **40,918,057** |
| Other Exposures | **347,779** | **–** | **–** | **–** | **347,779** |
| **Total Gross Credit Exposure** | **158,019,328** | **–** | **–** | **–** | **158,019,328** |
| **2021** | | | | | |
| Sovereign | 21,746,593 | – | – | – | 21,746,593 |
| PSE | 1,861,417 | – | – | – | 1,861,417 |
| Bank | 1,336,057 | – | – | – | 1,336,057 |
| Corporate | 27,642,267 | – | – | – | 27,642,267 |
| RRE Financing | 30,259,687 | – | – | – | 30,259,687 |
| HPE | 13,165,777 | – | – | – | 13,165,777 |
| QRRE | 246,674 | – | – | – | 246,674 |
| Other Retail | 35,777,547 | – | – | – | 35,777,547 |
| Other Exposures | 244,901 | – | – | – | 244,901 |
| **Total Gross Credit Exposure** | 132,280,918 | – | – | – | 132,280,918 |

# Credit Risk

## SUMMARY OF CREDIT EXPOSURES (CONTINUED)

### I) GROSS CREDIT EXPOSURES BY GEOGRAPHIC DISTRIBUTION (CONTINUED)

**TABLE 3(C): GEOGRAPHIC DISTRIBUTION OF CREDIT EXPOSURES FOR CIMBIBG**

| (RM'000) | CIMBIBG | | | | |
|---|---|---|---|---|---|
| Exposure Class | Malaysia | Singapore | Thailand | Other Countries | Total |
| **2022** | | | | | |
| Sovereign | **110,125** | **–** | **–** | **–** | **110,125** |
| Bank | **211,004** | **–** | **–** | **–** | **211,004** |
| Corporate | **50,698** | **–** | **–** | **–** | **50,698** |
| Mortgage | **–** | **–** | **–** | **–** | **–** |
| HPE | **–** | **–** | **–** | **–** | **–** |
| QRRE | **–** | **–** | **–** | **–** | **–** |
| Other Retail | **–** | **–** | **–** | **–** | **–** |
| Other Exposures | **36,837** | **–** | **–** | **–** | **36,837** |
| **Total Gross Credit Exposure** | **408,664** | **–** | **–** | **–** | **408,664** |
| **2021** | | | | | |
| Sovereign | 360,546 | – | – | – | 360,546 |
| Bank | 238,032 | – | – | – | 238,032 |
| Corporate | 4,638 | – | – | – | 4,638 |
| Mortgage | – | – | – | – | – |
| HPE | – | – | – | – | – |
| QRRE | – | – | – | – | – |
| Other Retail | – | – | – | – | – |
| Other Exposures | 60,450 | – | – | – | 60,450 |
| **Total Gross Credit Exposure** | 663,667 | – | – | – | 663,667 |

# Credit Risk

## SUMMARY OF CREDIT EXPOSURES (CONTINUED)

### II) GROSS CREDIT EXPOSURES BY SECTOR

The following tables represent the Group's credit exposures analysed by sector:

#### TABLE 4(A): DISTRIBUTION OF CREDIT EXPOSURES BY SECTOR FOR CIMBBG

| | CIMBBG | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (RM'000) Exposure Class | Primary Agriculture | Mining and Quarrying | Manufacturing | Electricity, Gas and Water Supply | Construction | Wholesale and Retail Trade, and Restaurants and Hotels | Transport, Storage and Communication | Finance, Insurance/ Takaful, Real Estate and Business Activities | Education, Health and Others | Household | Others* | Total |
| **2022** | | | | | | | | | | | | |
| Sovereign | **-** | **-** | **-** | **475,629** | **7,800,967** | **-** | **5,649,263** | **25,759,316** | **64,970,302** | **-** | **3,328,075** | **107,983,552** |
| PSE | **3,128** | **-** | **-** | **-** | **-** | **-** | **-** | **52,058** | **12,639,847** | **-** | **110** | **12,695,143** |
| Bank | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **37,767,489** | **909,859** | **-** | **-** | **38,677,348** |
| Corporate | **7,702,279** | **7,775,657** | **19,013,616** | **12,598,273** | **15,060,206** | **24,045,430** | **15,179,618** | **57,634,908** | **11,278,300** | **7,172,178** | **7,026,450** | **184,486,916** |
| Mortgage/RRE Financing | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **121,002,414** | **-** | **121,002,414** |
| HPE | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **21,133,582** | **-** | **21,133,582** |
| QRRE | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **12,995,004** | **-** | **12,995,004** |
| Other Retail | **245,314** | **40,935** | **1,882,584** | **50,283** | **1,072,365** | **4,903,591** | **517,644** | **4,219,839** | **834,759** | **76,668,943** | **-** | **90,436,257** |
| Other Exposures | **-** | **-** | **1,982** | **325,684** | **-** | **162** | **3,409** | **519,324** | **742,215** | **-** | **21,978,856** | **23,571,633** |
| **Total Gross Credit Exposure** | **7,950,720** | **7,816,592** | **20,898,182** | **13,449,870** | **23,933,538** | **28,949,183** | **21,349,935** | **125,952,933** | **91,375,283** | **238,972,120** | **32,333,491** | **612,981,848** |
| **2021** | | | | | | | | | | | | |
| Sovereign | 194,748 | - | - | 542,811 | 7,622,730 | - | 5,079,866 | 23,066,563 | 49,030,315 | - | 3,072,070 | 88,609,102 |
| PSE | 2,310 | - | - | - | - | - | - | 100,904 | 9,811,512 | - | 104 | 9,914,829 |
| Bank | - | - | - | - | - | - | - | 31,844,654 | 1,698,041 | - | - | 33,542,695 |
| Corporate | 7,582,978 | 8,403,818 | 16,979,152 | 12,509,054 | 14,549,045 | 22,135,588 | 13,458,682 | 50,833,210 | 11,633,261 | 7,091,817 | 6,716,170 | 171,892,774 |
| Mortgage/RRE Financing | - | - | - | - | - | - | - | - | - | 112,617,892 | - | 112,617,892 |
| HPE | - | - | - | - | - | - | - | - | - | 19,436,199 | - | 19,436,199 |
| QRRE | - | - | - | - | - | - | - | - | - | 11,347,912 | - | 11,347,912 |
| Other Retail | 291,433 | 52,015 | 2,006,021 | 59,085 | 1,188,618 | 4,375,072 | 483,584 | 4,111,058 | 891,521 | 71,640,652 | - | 85,099,059 |
| Other Exposures | - | - | 5,920 | 385,838 | - | 156 | 3,409 | 471,046 | 792,000 | - | 15,507,146 | 17,165,514 |
| **Total Gross Credit Exposure** | 8,071,468 | 8,455,834 | 18,991,093 | 13,496,787 | 23,360,393 | 26,510,815 | 19,025,540 | 110,427,436 | 73,856,650 | 222,134,471 | 25,295,489 | 549,625,976 |

* Others are exposures which are not elsewhere classified.

# Credit Risk

## SUMMARY OF CREDIT EXPOSURES (CONTINUED)

### II) GROSS CREDIT EXPOSURES BY SECTOR (CONTINUED)

#### TABLE 4(B): DISTRIBUTION OF CREDIT EXPOSURES BY SECTOR FOR CIMBISLG

| | CIMBISLG | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (RM'000) Exposure Class | Primary Agriculture | Mining and Quarrying | Manufacturing | Electricity, Gas and Water Supply | Construction | Wholesale and Retail Trade, and Restaurants and Hotels | Transport, Storage and Communication | Islamic Finance, Takaful, Real Estate and Business Activities | Education, Health and Others | Household | Others* | Total |
| **2022** | | | | | | | | | | | | |
| Sovereign | **-** | **-** | **-** | **297,876** | **2,107,385** | **-** | **1,318,125** | **15,800,042** | **5,579,538** | **-** | **1,134,478** | **26,237,445** |
| PSE | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **51,896** | **3,056,463** | **-** | **-** | **3,108,358** |
| Bank | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **2,016,799** | **-** | **-** | **-** | **2,016,799** |
| Corporate | **3,227,631** | **1,563,125** | **3,546,178** | **1,150,795** | **4,461,863** | **3,391,860** | **4,783,244** | **10,304,167** | **799,289** | **10,126** | **17,934** | **33,256,213** |
| RRE Financing | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **36,381,523** | **-** | **36,381,523** |
| HPE | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **15,415,504** | **-** | **15,415,504** |
| QRRE | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **337,649** | **-** | **337,649** |
| Other Retail | **88,322** | **12,966** | **880,673** | **24,018** | **416,120** | **2,505,333** | **237,380** | **1,525,536** | **335,881** | **34,877,499** | **14,329** | **40,918,057** |
| Other Exposures | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **347,779** | **347,779** |
| **Total Gross Credit Exposure** | **3,315,953** | **1,576,091** | **4,426,851** | **1,472,689** | **6,985,368** | **5,897,194** | **6,338,750** | **29,698,439** | **9,771,170** | **87,022,301** | **1,514,520** | **158,019,328** |
| **2021** | | | | | | | | | | | | |
| Sovereign | 9,987 | - | - | 298,313 | 2,069,855 | - | 1,185,867 | 11,829,479 | 5,181,660 | - | 1,171,431 | 21,746,593 |
| PSE | - | - | - | - | - | - | - | 100,734 | 1,760,682 | - | - | 1,861,417 |
| Bank | - | - | - | - | - | - | - | 1,336,057 | - | - | - | 1,336,057 |
| Corporate | 3,156,856 | 1,635,890 | 2,889,627 | 919,492 | 3,580,152 | 2,556,054 | 3,114,911 | 9,000,933 | 734,956 | 22,459 | 30,937 | 27,642,267 |
| RRE Financing | - | - | - | - | - | - | - | - | - | 30,259,687 | - | 30,259,687 |
| HPE | - | - | - | - | - | - | - | - | - | 13,165,777 | - | 13,165,777 |
| QRRE | - | - | - | - | - | - | - | - | - | 246,674 | - | 246,674 |
| Other Retail | 112,867 | 14,228 | 793,379 | 26,975 | 431,826 | 1,777,391 | 176,247 | 1,287,376 | 286,701 | 30,820,852 | 49,706 | 35,777,547 |
| Other Exposures | - | - | - | - | - | - | - | - | - | - | 244,901 | 244,901 |
| **Total Gross Credit Exposure** | 3,279,710 | 1,650,118 | 3,683,006 | 1,244,781 | 6,081,833 | 4,333,445 | 4,477,025 | 23,554,579 | 7,963,999 | 74,515,449 | 1,496,974 | 132,280,918 |

**Note:** All sectors above are Shariah compliant.
* Others are exposures which are not elsewhere classified.

# Credit Risk

## SUMMARY OF CREDIT EXPOSURES (CONTINUED)

## II) GROSS CREDIT EXPOSURES BY SECTOR (CONTINUED)

### TABLE 4(C): DISTRIBUTION OF CREDIT EXPOSURES BY SECTOR FOR CIMBIBG

| | CIMBIBG | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (RM'000) Exposure Class | Primary Agriculture | Mining and Quarrying | Manufacturing | Electricity, Gas and Water Supply | Construction | Wholesale and Retail Trade, and Restaurants and Hotels | Transport, Storage and Communication | Finance, Insurance/ Takaful, Real Estate and Business Activities | Education, Health and Others | Household | Others* | Total |
| **2022** | | | | | | | | | | | | |
| Sovereign | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **110,125** | **-** | **-** | **-** | **110,125** |
| Bank | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **210,575** | **-** | **-** | **429** | **211,004** |
| Corporate | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **6,853** | **-** | **-** | **43,845** | **50,698** |
| Mortgage | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| HPE | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| QRRE | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Other Retail | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| Other Exposures | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **36,837** | **36,837** |
| **Total Gross Credit Exposure** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **327,553** | **-** | **-** | **81,111** | **408,664** |
| **2021** | | | | | | | | | | | | |
| Sovereign | - | - | - | - | - | - | - | 360,546 | - | - | - | 360,546 |
| Bank | - | - | - | - | - | - | - | 237,519 | - | - | 513 | 238,032 |
| Corporate | - | - | - | - | - | - | - | 4,543 | - | - | 95 | 4,638 |
| Mortgage | - | - | - | - | - | - | - | - | - | - | - | - |
| HPE | - | - | - | - | - | - | - | - | - | - | - | - |
| QRRE | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Retail | - | - | - | - | - | - | - | - | - | - | - | - |
| Other Exposures | - | - | - | - | - | - | - | - | - | - | 60,450 | 60,450 |
| **Total Gross Credit Exposure** | - | - | - | - | - | - | - | 602,608 | - | - | 61,058 | 663,667 |

* Others are exposures which are not elsewhere classified.

# Credit Risk

## SUMMARY OF CREDIT EXPOSURES (CONTINUED)

### III) GROSS CREDIT EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY

The following tables represent the Group's credit exposures analysed by residual contractual maturity:

**TABLE 5(A): DISTRIBUTION OF CREDIT EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY FOR CIMBBG**

| (RM'000) Exposure Class | CIMBBG Less than 1 year | 1 to 5 years | More than 5 years | Total |
|---|---|---|---|---|
| **2022** | | | | |
| Sovereign | **37,348,857** | **23,436,685** | **47,198,010** | **107,983,552** |
| PSE | **250,597** | **1,146,546** | **11,298,000** | **12,695,143** |
| Bank | **21,315,377** | **14,400,241** | **2,961,729** | **38,677,348** |
| Corporate | **57,109,933** | **68,533,619** | **58,843,364** | **184,486,916** |
| Mortgage/RRE Financing | **231,158** | **873,074** | **119,898,182** | **121,002,414** |
| HPE | **177,537** | **5,340,947** | **15,615,098** | **21,133,582** |
| QRRE | **12,995,004** | **–** | **–** | **12,995,004** |
| Other Retail | **6,492,299** | **9,086,728** | **74,857,230** | **90,436,257** |
| Other Exposures | **14,291,388** | **296,576** | **8,983,669** | **23,571,633** |
| **Total Gross Credit Exposure** | **150,212,150** | **123,114,417** | **339,655,281** | **612,981,848** |
| **2021** | | | | |
| Sovereign | 29,555,031 | 16,769,509 | 42,284,562 | 88,609,102 |
| PSE | 550,749 | 105,130 | 9,258,950 | 9,914,829 |
| Bank | 19,737,695 | 10,077,946 | 3,727,055 | 33,542,695 |
| Corporate | 63,130,674 | 53,337,930 | 55,424,169 | 171,892,774 |
| Mortgage/RRE Financing | 184,646 | 823,219 | 111,610,028 | 112,617,892 |
| HPE | 147,786 | 5,035,310 | 14,253,103 | 19,436,199 |
| QRRE | 11,347,912 | – | – | 11,347,912 |
| Other Retail | 5,288,361 | 8,778,261 | 71,032,436 | 85,099,059 |
| Other Exposures | 9,082,170 | 297,922 | 7,785,422 | 17,165,514 |
| **Total Gross Credit Exposure** | 139,025,024 | 95,225,227 | 315,375,726 | 549,625,976 |

# Credit Risk

## SUMMARY OF CREDIT EXPOSURES (CONTINUED)

### III) GROSS CREDIT EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY (CONTINUED)

**TABLE 5(B): DISTRIBUTION OF CREDIT EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY FOR CIMBISLG**

| | CIMBISLG | | | |
|---|---|---|---|---|
| **(RM'000) Exposure Class** | **Less than 1 year** | **1 to 5 years** | **More than 5 years** | **Total** |
| **2022** | | | | |
| Sovereign | **15,364,535** | **4,023,489** | **6,849,421** | **26,237,445** |
| PSE | **250,188** | **1,141,340** | **1,716,831** | **3,108,358** |
| Bank | **1,330,533** | **565,326** | **120,939** | **2,016,799** |
| Corporate | **9,773,616** | **7,681,200** | **15,801,397** | **33,256,213** |
| RRE Financing | **1,774** | **109,893** | **36,269,856** | **36,381,523** |
| HPE | **37,448** | **3,244,980** | **12,133,076** | **15,415,504** |
| QRRE | **337,649** | **–** | **–** | **337,649** |
| Other Retail | **51,299** | **1,279,195** | **39,587,564** | **40,918,057** |
| Other Exposures | **–** | **–** | **347,779** | **347,779** |
| **Total Gross Credit Exposure** | **27,147,041** | **18,045,423** | **112,826,864** | **158,019,328** |
| **2021** | | | | |
| Sovereign | 12,214,185 | 4,283,687 | 5,248,721 | 21,746,593 |
| PSE | 550,445 | 100,734 | 1,210,237 | 1,861,417 |
| Bank | 733,691 | 438,211 | 164,155 | 1,336,057 |
| Corporate | 9,800,165 | 5,803,142 | 12,038,960 | 27,642,267 |
| RRE Financing | 3,167 | 101,701 | 30,154,819 | 30,259,687 |
| HPE | 59,488 | 2,041,316 | 11,064,973 | 13,165,777 |
| QRRE | 246,674 | – | – | 246,674 |
| Other Retail | 100,978 | 961,300 | 34,715,269 | 35,777,547 |
| Other Exposures | – | – | 244,901 | 244,901 |
| **Total Gross Credit Exposure** | 23,708,793 | 13,730,090 | 94,842,035 | 132,280,918 |

# Credit Risk

## SUMMARY OF CREDIT EXPOSURES (CONTINUED)

### III) GROSS CREDIT EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY (CONTINUED)

**TABLE 5(C): DISTRIBUTION OF CREDIT EXPOSURES BY RESIDUAL CONTRACTUAL MATURITY FOR CIMBIBG**

| | CIMBIBG | | | |
|---|---|---|---|---|
| **(RM'000) Exposure Class** | **Less than 1 year** | **1 to 5 years** | **More than 5 years** | **Total** |
| **2022** | | | | |
| Sovereign | **110,017** | **–** | **108** | **110,125** |
| Bank | **193,687** | **–** | **17,317** | **211,004** |
| Corporate | **–** | **–** | **50,698** | **50,698** |
| Mortgage | **–** | **–** | **–** | **–** |
| HPE | **–** | **–** | **–** | **–** |
| QRRE | **–** | **–** | **–** | **–** |
| Other Retail | **–** | **–** | **–** | **–** |
| Other Exposures | **–** | **–** | **36,837** | **36,837** |
| **Total Gross Credit Exposure** | **303,704** | **–** | **104,960** | **408,664** |
| **2021** | | | | |
| Sovereign | 360,237 | – | 309 | 360,546 |
| Bank | 228,495 | – | 9,537 | 238,032 |
| Corporate | – | – | 4,638 | 4,638 |
| Mortgage | – | – | – | – |
| HPE | – | – | – | – |
| QRRE | – | – | – | – |
| Other Retail | – | – | – | – |
| Other Exposures | – | – | 60,450 | 60,450 |
| **Total Gross Credit Exposure** | 588,732 | – | 74,935 | 663,667 |

## CREDIT QUALITY OF LOANS, ADVANCES & FINANCING

### I) PAST DUE BUT NOT IMPAIRED

A loan/financing is considered past due when any payment due under strict contractual terms is received late or missed. Late processing and other administrative delays on the side of the borrower/customer can lead to a financial asset being past due but not impaired. Therefore, loans/financing and advances less than 90 days past due are not usually considered impaired, unless other information is available to indicate the contrary. For the purposes of this analysis, an asset is considered past due and included below when any payment due under strict contractual terms is received late or missed. The amount included is the entire financial asset, not just the payment, of principal or interest/profit or both, overdue.

# Credit Risk

## CREDIT QUALITY OF LOANS, ADVANCES & FINANCING

### I) PAST DUE BUT NOT IMPAIRED (CONTINUED)

The following tables provide an analysis of the outstanding balances as at 31 December 2022 and 31 December 2021 which were past due but not impaired by sector and geographical respectively:

**TABLE 6(A): PAST DUE BUT NOT IMPAIRED LOANS, ADVANCES AND FINANCING BY SECTOR FOR CIMBBG**

| | CIMBBG | |
|---|---|---|
| **(RM'000)** | **2022** | **2021** |
| Primary Agriculture | **36,521** | 16,379 |
| Mining and Quarrying | **2,237** | 1,861 |
| Manufacturing | **110,548** | 55,022 |
| Electricity, Gas and Water Supply | **5,103** | 103 |
| Construction | **138,420** | 49,256 |
| Wholesale and Retail Trade, and Restaurants and Hotels | **274,660** | 81,979 |
| Transport, Storage and Communication | **28,750** | 11,594 |
| Finance, Insurance/Takaful, Real Estate and Business Activities | **366,491** | 81,589 |
| Education, Health and Others | **48,497** | 14,269 |
| Household | **14,126,928** | 6,954,865 |
| Others* | **49,313** | 30,675 |
| **Total** | **15,187,468** | 7,297,592 |

* Others are exposures which are not elsewhere classified.

**TABLE 6(B): PAST DUE BUT NOT IMPAIRED FINANCING, ADVANCES AND OTHER FINANCING BY SECTOR FOR CIMBISLG**

| | CIMBISLG | |
|---|---|---|
| **(RM'000)** | **2022** | **2021** |
| Primary Agriculture | **4,663** | 341 |
| Mining and Quarrying | **–** | 227 |
| Manufacturing | **25,398** | 4,256 |
| Electricity, Gas and Water Supply | **231** | 1 |
| Construction | **46,118** | 5,752 |
| Wholesale and Retail Trade, and Restaurants and Hotels | **47,980** | 7,430 |
| Transport, Storage and Communication | **6,021** | 3,209 |
| Finance, Takaful, Real Estate and Business Activities | **109,199** | 11,162 |
| Education, Health and Others | **23,719** | 935 |
| Household | **5,883,362** | 2,037,653 |
| Others* | **53** | 236 |
| **Total** | **6,146,744** | 2,071,202 |

**Note:** All sectors above are Shariah compliant.
* Others are exposures which are not elsewhere classified.

**TABLE 6(C): PAST DUE BUT NOT IMPAIRED LOANS, ADVANCES AND FINANCING BY SECTOR FOR CIMBIBG**

There are no loans, advances and financing exposures in CIMBIBG as at 31 December 2022 and 31 December 2021.

# Credit Risk

## CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

### I) PAST DUE BUT NOT IMPAIRED (CONTINUED)

**TABLE 7(A): PAST DUE BUT NOT IMPAIRED LOANS, ADVANCES AND FINANCING BY GEOGRAPHIC DISTRIBUTION FOR CIMBBG**

| | CIMBBG | |
|---|---|---|
| **(RM'000)** | **2022** | **2021** |
| Malaysia | **13,029,619** | 5,652,800 |
| Singapore | **350,785** | 97,307 |
| Thailand | **1,621,963** | 1,458,234 |
| Other Countries | **185,101** | 89,251 |
| **Total** | **15,187,468** | 7,297,592 |

**TABLE 7(B): PAST DUE BUT NOT IMPAIRED FINANCING, ADVANCES AND OTHER FINANCING BY GEOGRAPHIC DISTRIBUTION FOR CIMBISLG**

| | CIMBISLG | |
|---|---|---|
| **(RM'000)** | **2022** | **2021** |
| Malaysia | **6,146,744** | 2,071,202 |
| Singapore | **–** | – |
| Thailand | **–** | – |
| Other Countries | **–** | – |
| **Total** | **6,146,744** | 2,071,202 |

**TABLE 7(C): PAST DUE BUT NOT IMPAIRED LOANS, ADVANCES AND FINANCING BY GEOGRAPHIC DISTRIBUTION FOR CIMBIBG**

There are no loans, advances and financing exposures in CIMBIBG as at 31 December 2022 and 31 December 2021.

### II) CREDIT IMPAIRED LOANS/FINANCING

The Group classifies a loan, advances and financing as credit impaired when it meets one or more of the following criteria:

(a) Where the principal or interest/profit or both of the credit facility is past due for more than 90 days or 3 months;

(b) In the case of revolving credit facilities (e.g. overdraft facilities), where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;

(c) Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, and the credit facility exhibits weaknesses in accordance with the Group's internal credit risk rating framework; or

(d) As soon as a default occurs where the principal and/or interest/profit repayments/payments are scheduled on intervals of 3 months or longer. For the purpose of ascertaining the period in arrears:

- Repayment/payment on each of the instalment amount must be made in full. A partial repayment/payment made on an instalment amount shall be deemed to be still in arrears; and
- Where a moratorium on credit facilities is granted in relation to the rescheduling and restructuring exercise due to specific and exceptional circumstances as set in the Group's internal policy, the determination of period in arrears shall exclude the moratorium period granted.

(e) Force Impaired Credit Facilities
The credit facility is force impaired due to various reasons which may include the following: PN17 classification by Bursa, bankruptcy/winding up orders, appointment of Independent Financial Advisor/Liquidator/Receivers & Managers, ceased operations and/or suspended with no likelihood of resuming in the next 12 months, business viability is affected with repayment/payment capability in doubt resulting in going concern issue in the near term, etc. In the event where a credit facility is not in default or past due but force impaired, the credit facility shall be classified as impaired upon approval by GAQC.

# Credit Risk

## CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

### II) CREDIT IMPAIRED LOANS/FINANCING (CONTINUED)

(f) Cross Default

When an obligor/counterparty has multiple credit facilities with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt/financing obligation triggers default on another debt/financing obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual credit facility level instead of consolidated obligor/counterparty level.

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its loans, advances and financing. The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The 12-month or lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. The three components are multiplied together to calculate an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest/profit rate or an approximation thereof.

For individual assessment, the ECL allowance is determined by comparing the outstanding exposure with the present value of cash flow which is expected to be received from the borrower.

The following tables provide an analysis of the outstanding balances as at 31 December 2022 and 31 December 2021 which were credit impaired by sector and geographical respectively:

#### TABLE 8(A): CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING BY SECTOR FOR CIMBBG

| | CIMBBG | |
|---|---|---|
| **(RM'000)** | **2022** | **2021** |
| Primary Agriculture | **84,888** | 77,291 |
| Mining and Quarrying | **994,091** | 1,240,579 |
| Manufacturing | **251,464** | 392,919 |
| Electricity, Gas and Water Supply | **111** | 250,530 |
| Construction | **155,479** | 147,571 |
| Wholesale and Retail Trade, and Restaurants and Hotels | **1,053,898** | 1,669,400 |
| Transport, Storage and Communications | **389,202** | 1,211,188 |
| Finance, Takaful, Real Estate and Business Activities | **575,361** | 532,309 |
| Education, Health and Others | **156,934** | 186,352 |
| Household | **3,755,456** | 2,188,845 |
| Others* | **736,087** | 655,944 |
| **Total** | **8,152,971** | 8,552,928 |

* Others are exposures which are not elsewhere classified.

# Credit Risk

## CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

### II) CREDIT IMPAIRED LOANS/FINANCING (CONTINUED)

**TABLE 8(B): CREDIT IMPAIRED FINANCING, ADVANCES AND OTHER FINANCING BY SECTOR FOR CIMBISLG**

| | CIMBISLG | |
|---|---|---|
| **(RM'000)** | **2022** | **2021** |
| Primary Agriculture | **16,917** | 20,844 |
| Mining and Quarrying | **–** | – |
| Manufacturing | **11,923** | 28,132 |
| Electricity, Gas and Water Supply | **–** | – |
| Construction | **25,478** | 20,267 |
| Wholesale and Retail Trade, and Restaurants and Hotels | **132,338** | 83,351 |
| Transport, Storage and Communications | **5,935** | 1,877 |
| Finance, Takaful, Real Estate and Business Activities | **55,889** | 51,161 |
| Education, Health and Others | **62,074** | 6,268 |
| Household | **1,098,782** | 427,598 |
| Others* | **1** | 1 |
| **Total** | **1,409,337** | 639,499 |

**Note:** All sectors above are Shariah compliant.
* Others are exposures which are not elsewhere classified.

**TABLE 8(C): CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING BY SECTOR FOR CIMBIBG**

There are no loans, advances and financing exposures in CIMBIBG as at 31 December 2022 and 31 December 2021.

**TABLE 9(A): CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING BY GEOGRAPHIC DISTRIBUTION FOR CIMBBG**

| | CIMBBG | |
|---|---|---|
| **(RM'000)** | **2022** | **2021** |
| Malaysia | **5,372,355** | 5,281,518 |
| Singapore | **878,879** | 1,522,491 |
| Thailand | **1,137,178** | 1,055,494 |
| Other Countries | **764,559** | 693,425 |
| **Total** | **8,152,971** | 8,552,928 |

**TABLE 9(B): CREDIT IMPAIRED FINANCING, ADVANCES AND OTHER FINANCING BY GEOGRAPHIC DISTRIBUTION FOR CIMBISLG**

| | CIMBISLG | |
|---|---|---|
| **(RM'000)** | **2022** | **2021** |
| Malaysia | **1,409,337** | 639,499 |
| Singapore | **–** | – |
| Thailand | **–** | – |
| Other Countries | **–** | – |
| **Total** | **1,409,337** | 639,499 |

# Credit Risk

## CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

### II) CREDIT IMPAIRED LOANS/FINANCING (CONTINUED)

**TABLE 9(C): CREDIT IMPAIRED LOANS, ADVANCES AND FINANCING BY GEOGRAPHIC DISTRIBUTION FOR CIMBIBG**

There are no loans, advances and financing exposures in CIMBIBG as at 31 December 2022 and 31 December 2021.

### III) EXPECTED CREDIT LOSSES

**TABLE 10(A): EXPECTED CREDIT LOSSES (STAGE 1, 2 AND 3, AND PURCHASED CREDIT IMPAIRED) BY SECTOR FOR CIMBBG**

| | CIMBBG | | | | |
|---|---|---|---|---|---|
| (RM'000) | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses – not credit impaired (Stage 2) | Lifetime expected credit losses – credit impaired (Stage 3) | Purchased credit impaired | Total |
| **2022** | | | | | |
| Primary Agriculture | **27,460** | **4,182** | **44,187** | **–** | **75,829** |
| Mining and Quarrying | **22,745** | **2,355** | **700,045** | **–** | **725,145** |
| Manufacturing | **55,868** | **44,371** | **134,212** | **–** | **234,451** |
| Electricity, Gas and Water Supply | **7,238** | **59,945** | **67** | **–** | **67,250** |
| Construction | **10,188** | **13,480** | **103,321** | **–** | **126,989** |
| Wholesale and Retail Trade, and Restaurants and Hotels | **68,786** | **193,428** | **542,691** | **–** | **804,905** |
| Transport, Storage and Communications | **13,496** | **82,820** | **126,574** | **–** | **222,890** |
| Finance, Insurance/Takaful, Real Estate and Business Activities | **98,947** | **103,621** | **172,210** | **–** | **374,778** |
| Education, Health and Others | **15,784** | **32,968** | **33,712** | **–** | **82,464** |
| Household | **729,009** | **2,395,667** | **1,223,653** | **1,771** | **4,350,100** |
| Others* | **62,511** | **7,619** | **584,659** | **–** | **654,789** |
| **Total** | **1,112,032** | **2,940,456** | **3,665,331** | **1,771** | **7,719,590** |
| **2021** | | | | | |
| Primary Agriculture | 17,407 | 10,504 | 28,750 | – | 56,661 |
| Mining and Quarrying | 9,966 | 3,463 | 659,094 | – | 672,523 |
| Manufacturing | 25,485 | 38,820 | 242,618 | – | 306,923 |
| Electricity, Gas and Water Supply | 6,811 | 2,680 | 73,387 | – | 82,878 |
| Construction | 11,978 | 12,742 | 68,617 | – | 93,337 |
| Wholesale and Retail Trade, and Restaurants and Hotels | 96,268 | 142,202 | 1,113,214 | – | 1,351,684 |
| Transport, Storage and Communications | 10,841 | 155,863 | 1,004,893 | – | 1,171,597 |
| Finance, Insurance/Takaful, Real Estate and Business Activities | 68,521 | 86,220 | 211,931 | – | 366,672 |
| Education, Health and Others | 9,852 | 12,760 | 40,877 | – | 63,489 |
| Household | 980,115 | 2,130,921 | 838,035 | 3,046 | 3,952,117 |
| Others* | 29,892 | 6,694 | 492,580 | – | 529,166 |
| **Total** | 1,267,136 | 2,602,869 | 4,773,996 | 3,046 | 8,647,047 |

* Others are exposures which are not elsewhere classified.

# Credit Risk

## CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

### III) EXPECTED CREDIT LOSSES (CONTINUED)

#### TABLE 10(B): EXPECTED CREDIT LOSSES (STAGE 1, 2 AND 3, AND PURCHASED CREDIT IMPAIRED) BY SECTOR FOR CIMBISLG

| | CIMBISLG | | | | |
|---|---|---|---|---|---|
| (RM'000) | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses – not credit impaired (Stage 2) | Lifetime expected credit losses – credit impaired (Stage 3) | Purchased credit impaired | Total |
| **2022** | | | | | |
| Primary Agriculture | **1,811** | **2,864** | **4,398** | **–** | **9,073** |
| Mining and Quarrying | **133** | **1,360** | **–** | **–** | **1,493** |
| Manufacturing | **7,654** | **16,151** | **6,747** | **–** | **30,552** |
| Electricity, Gas and Water Supply | **1,642** | **442** | **–** | **–** | **2,084** |
| Construction | **2,333** | **4,224** | **20,572** | **–** | **27,129** |
| Wholesale and Retail Trade, and Restaurants and Hotels | **14,952** | **18,423** | **69,854** | **–** | **103,229** |
| Transport, Storage and Communications | **4,938** | **2,029** | **6,333** | **–** | **13,300** |
| Finance, Takaful, Real Estate and Business Activities | **10,943** | **20,688** | **16,337** | **–** | **47,968** |
| Education, Health and Others | **2,509** | **4,665** | **1,851** | **–** | **9,025** |
| Household | **116,312** | **821,949** | **305,512** | **–** | **1,243,773** |
| Others* | **22** | **4** | **1** | **–** | **27** |
| **Total** | **163,249** | **892,799** | **431,605** | **–** | **1,487,653** |
| **2021** | | | | | |
| Primary Agriculture | 957 | 4,985 | 2,646 | – | 8,588 |
| Mining and Quarrying | 431 | 3,183 | – | – | 3,614 |
| Manufacturing | 4,889 | 11,917 | 14,730 | – | 31,536 |
| Electricity, Gas and Water Supply | 923 | 886 | – | – | 1,809 |
| Construction | 1,782 | 4,376 | 5,764 | – | 11,922 |
| Wholesale and Retail Trade, and Restaurants and Hotels | 10,657 | 35,501 | 37,970 | – | 84,128 |
| Transport, Storage and Communications | 3,136 | 3,242 | 780 | – | 7,158 |
| Finance, Takaful, Real Estate and Business Activities | 11,962 | 14,694 | 6,679 | – | 33,335 |
| Education, Health and Others | 1,302 | 4,358 | 1,952 | – | 7,612 |
| Household | 212,538 | 644,225 | 160,572 | – | 1,017,335 |
| Others* | 124 | 34 | 1 | – | 159 |
| **Total** | 248,701 | 727,401 | 231,094 | – | 1,207,196 |

**Note:** All sectors above are Shariah compliant.
* Others are exposures which are not elsewhere classified.

# Credit Risk

## CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

### III) EXPECTED CREDIT LOSSES (CONTINUED)

#### TABLE 10(C): EXPECTED CREDIT LOSSES (STAGE 1, 2 AND 3, AND PURCHASED CREDIT IMPAIRED) BY SECTOR FOR CIMBIBG

There are no expected credit losses for CIMBIBG as at 31 December 2022 and 31 December 2021.

#### TABLE 11(A): EXPECTED CREDIT LOSSES (STAGE 1, 2 AND 3, AND PURCHASED CREDIT IMPAIRED) BY GEOGRAPHIC DISTRIBUTION FOR CIMBBG

| | CIMBBG | | | | |
|---|---|---|---|---|---|
| (RM'000) | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses – not credit impaired (Stage 2) | Lifetime expected credit losses – credit impaired (Stage 3) | Purchased credit impaired | Total |
| **2022** | | | | | |
| Malaysia | **645,922** | **2,579,358** | **2,017,119** | **–** | **5,242,399** |
| Singapore | **234,368** | **85,206** | **591,146** | **–** | **910,720** |
| Thailand | **183,789** | **271,130** | **467,288** | **1,771** | **923,978** |
| Other Countries | **47,953** | **4,762** | **589,778** | **–** | **642,493** |
| **Total** | **1,112,032** | **2,940,456** | **3,665,331** | **1,771** | **7,719,590** |
| **2021** | | | | | |
| Malaysia | 888,937 | 2,267,259 | 2,742,830 | – | 5,899,026 |
| Singapore | 158,946 | 96,298 | 1,111,927 | – | 1,367,171 |
| Thailand | 186,557 | 236,918 | 421,417 | 3,046 | 847,938 |
| Other Countries | 32,696 | 2,394 | 497,822 | – | 532,912 |
| **Total** | 1,267,136 | 2,602,869 | 4,773,996 | 3,046 | 8,647,047 |

# Credit Risk

## CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

### III) EXPECTED CREDIT LOSSES (CONTINUED)

**TABLE 11(B): EXPECTED CREDIT LOSSES (STAGE 1, 2 AND 3, AND PURCHASED CREDIT IMPAIRED) BY GEOGRAPHIC DISTRIBUTION FOR CIMBISLG**

| | CIMBISLG | | | | |
|---|---|---|---|---|---|
| (RM'000) | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses – not credit impaired (Stage 2) | Lifetime expected credit losses – credit impaired (Stage 3) | Purchased credit impaired | Total |
| **2022** | | | | | |
| Malaysia | **163,249** | **892,799** | **431,605** | **–** | **1,487,653** |
| Singapore | **–** | **–** | **–** | **–** | **–** |
| Thailand | **–** | **–** | **–** | **–** | **–** |
| Other Countries | **–** | **–** | **–** | **–** | **–** |
| **Total** | **163,249** | **892,799** | **431,605** | **–** | **1,487,653** |
| **2021** | | | | | |
| Malaysia | 248,701 | 727,401 | 231,094 | – | 1,207,196 |
| Singapore | – | – | – | – | – |
| Thailand | – | – | – | – | – |
| Other Countries | – | – | – | – | – |
| **Total** | 248,701 | 727,401 | 231,094 | – | 1,207,196 |

**TABLE 11(C): EXPECTED CREDIT LOSSES (STAGE 1, 2 AND 3, AND PURCHASED CREDIT IMPAIRED) BY GEOGRAPHIC DISTRIBUTION FOR CIMBIBG**

There are no expected credit losses for CIMBIBG as at 31 December 2022 and 31 December 2021.

# Credit Risk

## CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

### III) EXPECTED CREDIT LOSSES (CONTINUED)

**TABLE 12(A): EXPECTED CREDIT LOSSES CHARGES/(WRITE BACK) AND WRITE-OFF FOR STAGE 3 AND PURCHASED CREDIT IMPAIRED FOR CIMBBG**

| | CIMBBG | | | |
|---|---|---|---|---|
| | Charges/(write back) | | Write-off | |
| (RM'000) | Lifetime expected credit losses – credit impaired (Stage 3) | Purchased credit impaired | Lifetime expected credit losses – credit impaired (Stage 3) | Purchased credit impaired |
| **2022** | | | | |
| Primary Agriculture | **30,064** | **–** | **21,914** | **–** |
| Mining and Quarrying | **49,774** | **–** | **45,963** | **–** |
| Manufacturing | **11,003** | **–** | **65,315** | **–** |
| Electricity, Gas and Water Supply | **(41,904)** | **–** | **149** | **–** |
| Construction | **37,872** | **–** | **29,551** | **–** |
| Wholesale and Retail Trade, and Restaurants and Hotels | **(74,038)** | **–** | **613,890** | **–** |
| Transport, Storage and Communications | **76,252** | **–** | **957,005** | **–** |
| Finance, Insurance/Takaful, Real Estate and Business Activities | **100,930** | **–** | **171,549** | **–** |
| Education, Health and Others | **(5,013)** | **–** | **2,993** | **–** |
| Household | **744,647** | **–** | **895,273** | **1,320** |
| Others* | **120,445** | **–** | **87,691** | **–** |
| **Total** | **1,050,032** | **–** | **2,891,293** | **1,320** |
| **2021** | | | | |
| Primary Agriculture | 3,346 | – | 408 | – |
| Mining and Quarrying | 107,961 | – | 109 | – |
| Manufacturing | 122,598 | – | 33,612 | – |
| Electricity, Gas and Water Supply | 49,743 | – | 517 | – |
| Construction | 25,255 | – | 22,390 | – |
| Wholesale and Retail Trade, and Restaurants and Hotels | 88,146 | – | 128,861 | – |
| Transport, Storage and Communications | (8,247) | – | 10,640 | – |
| Finance, Insurance/Takaful, Real Estate and Business Activities | (3,963) | – | 12,432 | – |
| Education, Health and Others | 10,799 | – | 1,625 | – |
| Household | 761,512 | – | 769,259 | – |
| Others* | 181,074 | – | 27,069 | – |
| **Total** | 1,338,224 | – | 1,006,922 | – |

* Others are exposures which are not elsewhere classified.

# Credit Risk

## CREDIT QUALITY OF LOANS, ADVANCES & FINANCING (CONTINUED)

### III) EXPECTED CREDIT LOSSES (CONTINUED)

#### TABLE 12(B): EXPECTED CREDIT LOSSES CHARGES/(WRITE BACK) AND WRITE-OFF FOR STAGE 3 AND PURCHASED CREDIT IMPAIRED FOR CIMBISLG

| | CIMBISLG | | | |
|---|---|---|---|---|
| | Charges/(write back) | | Write-off | |
| (RM'000) | Lifetime expected credit losses – credit impaired (Stage 3) | Purchased credit impaired | Lifetime expected credit losses – credit impaired (Stage 3) | Purchased credit impaired |
| **2022** | | | | |
| Primary Agriculture | **1,998** | **–** | **595** | **–** |
| Mining and Quarrying | **–** | **–** | **–** | **–** |
| Manufacturing | **(3,401)** | **–** | **6,994** | **–** |
| Electricity, Gas and Water Supply | **23,536** | **–** | **–** | **–** |
| Construction | **16,160** | **–** | **4,053** | **–** |
| Wholesale and Retail Trade, and Restaurants and Hotels | **41,410** | **–** | **26,506** | **–** |
| Transport, Storage and Communications | **5,324** | **–** | **207** | **–** |
| Finance, Takaful, Real Estate and Business Activities | **8,645** | **–** | **3,447** | **–** |
| Education, Health and Others | **1,209** | **–** | **29** | **–** |
| Household | **187,827** | **–** | **133,529** | **–** |
| Others* | **32** | **–** | **–** | **–** |
| **Total** | **282,740** | **–** | **175,360** | **–** |
| **2021** | | | | |
| Primary Agriculture | 1,565 | – | 204 | – |
| Mining and Quarrying | – | – | – | – |
| Manufacturing | 15,002 | – | 6,944 | – |
| Electricity, Gas and Water Supply | – | – | – | – |
| Construction | 5,403 | – | 6,066 | – |
| Wholesale and Retail Trade, and Restaurants and Hotels | 12,997 | – | 12,165 | – |
| Transport, Storage and Communications | 134 | – | 2,973 | – |
| Finance, Takaful, Real Estate and Business Activities | 6,473 | – | 2,819 | – |
| Education, Health and Others | 1,368 | – | – | – |
| Household | 162,955 | – | 128,843 | – |
| Others* | 90 | – | – | – |
| **Total** | 205,987 | – | 160,014 | – |

**Note:** All sectors above are Shariah compliant.
* Others are exposures which are not elsewhere classified.

#### TABLE 12(C): EXPECTED CREDIT LOSSES CHARGES/(WRITE BACK) AND WRITE-OFF FOR STAGE 3 AND PURCHASED CREDIT IMPAIRED FOR CIMBIBG

There are no expected credit losses charges/(write back) and write-off for Stage 3 and purchased credit impaired for CIMBIBG as at 31 December 2022 and 31 December 2021.

# Credit Risk

## CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

### III) EXPECTED CREDIT LOSSES (CONTINUED)

**TABLE 13(A): ANALYSIS OF MOVEMENT IN THE EXPECTED CREDIT LOSSES FOR LOANS, ADVANCES AND FINANCING FOR CIMBBG**

| | CIMBBG 2022 | | | | |
|---|---|---|---|---|---|
| (RM'000) | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses – not credit impaired (Stage 2) | Lifetime expected credit losses – credit impaired (Stage 3) | Purchased credit impaired | Total |
| **At 1 January 2022** | 1,267,136 | 2,602,869 | 4,773,996 | 3,046 | 8,647,047 |
| Changes in expected credit losses due to transferred within stages | 474,381 | (806,238) | 331,857 | – | – |
| Transferred to Stage 1 | 910,708 | (826,928) | (83,780) | – | – |
| Transferred to Stage 2 | (429,421) | 894,578 | (465,157) | – | – |
| Transferred to Stage 3 | (6,906) | (873,888) | 880,794 | – | – |
| **Total charge to Income Statement** | (643,184) | 1,135,497 | 1,050,032 | – | 1,542,345 |
| New financial assets originated | 929,878 | 98,028 | 68,220 | – | 1,096,126 |
| Financial assets that have been derecognised | (456,150) | (255,873) | – | – | (712,023) |
| Write back in respect of full recoveries | – | – | (185,805) | – | (185,805) |
| Change in credit risk | (1,116,912) | 1,293,342 | 1,167,617 | – | 1,344,047 |
| Write-offs | (923) | (3,763) | (2,891,293) | (1,320) | (2,897,299) |
| Disposal of loans, advances and financing | – | – | (112,327) | – | (112,327) |
| Exchange fluctuation | 13,832 | 10,572 | 95,149 | 45 | 119,598 |
| Other movements | 790 | 1,519 | 417,917 | – | 420,226 |
| **Total** | 1,112,032 | 2,940,456 | 3,665,331 | 1,771 | 7,719,590 |

# Credit Risk

## CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

### III) EXPECTED CREDIT LOSSES (CONTINUED)

**TABLE 13(A): ANALYSIS OF MOVEMENT IN THE EXPECTED CREDIT LOSSES FOR LOANS, ADVANCES AND FINANCING FOR CIMBBG (CONTINUED)**

| | CIMBBG 2021 | | | | |
|---|---|---|---|---|---|
| (RM'000) | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses – not credit impaired (Stage 2) | Lifetime expected credit losses – credit impaired (Stage 3) | Purchased credit impaired | Total |
| **At 1 January 2021** | 1,414,924 | 1,780,975 | 4,148,626 | 3,259 | 7,347,784 |
| Changes in expected credit losses due to transferred within stages | 1,011,196 | (1,388,994) | 377,798 | – | – |
| Transferred to Stage 1 | 1,765,687 | (1,634,782) | (130,905) | – | – |
| Transferred to Stage 2 | (752,137) | 1,690,090 | (937,953) | – | – |
| Transferred to Stage 3 | (2,354) | (1,444,302) | 1,446,656 | – | – |
| **Total charge to Income Statement** | (1,153,463) | 1,868,615 | 1,338,224 | – | 2,053,376 |
| New financial assets originated | 713,627 | 482,582 | 93,164 | – | 1,289,373 |
| Financial assets that have been derecognised | (440,011) | (622,062) | – | – | (1,062,073) |
| Write back in respect of full recoveries | – | – | (165,547) | – | (165,547) |
| Change in credit risk | (1,427,079) | 2,008,095 | 1,410,607 | – | 1,991,623 |
| Write-offs | (1,181) | (1,223) | (1,006,922) | – | (1,009,326) |
| Disposal of loans, advances and financing | (540) | (390) | (185,218) | – | (186,148) |
| Exchange fluctuation | (9,949) | (12,090) | 1,241 | (213) | (21,011) |
| Other movements | 6,149 | 355,976 | 100,247 | – | 462,372 |
| **Total** | 1,267,136 | 2,602,869 | 4,773,996 | 3,046 | 8,647,047 |

# Credit Risk

## CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

### III) EXPECTED CREDIT LOSSES (CONTINUED)

#### TABLE 13(B): ANALYSIS OF MOVEMENT IN THE EXPECTED CREDIT LOSSES FOR FINANCING, ADVANCES AND OTHER FINANCING FOR CIMBISLG

| | CIMBISLG 2022 | | | | |
|---|---|---|---|---|---|
| (RM'000) | 12-month expected credit losses (Stage 1) | Lifetime expected credit losses – not credit impaired (Stage 2) | Lifetime expected credit losses – credit impaired (Stage 3) | Purchased credit impaired | Total |
| **At 1 January 2022** | **817,845** | **1,636,641** | **4,094,538** | **–** | **1,207,196** |
| Changes in expected credit losses due to transferred within stages | **169,904** | **(238,024)** | **68,120** | **–** | **–** |
| Transferred to Stage 1 | **267,346** | **(245,393)** | **(21,953)** | **–** | **–** |
| Transferred to Stage 2 | **(96,018)** | **258,524** | **(162,506)** | **–** | **–** |
| Transferred to Stage 3 | **(1,424)** | **(251,155)** | **252,579** | **–** | **–** |
| **Total charge to Income Statement** | **(255,381)** | **403,583** | **282,740** | **–** | **430,942** |
| New financial assets originated | **89,424** | **706** | **17,424** | **–** | **107,554** |
| Financial assets that have been derecognised | **(36,730)** | **(33,263)** | **–** | **–** | **(69,993)** |
| Write back in respect of full recoveries | **–** | **–** | **(38,017)** | **–** | **(38,017)** |
| Change in credit risk | **(308,075)** | **436,140** | **303,333** | **–** | **431,398** |
| Write-offs | **–** | **(1)** | **(175,360)** | **–** | **(175,361)** |
| Other movements | **25** | **(160)** | **25,011** | **–** | **24,876** |
| **Total** | **163,249** | **892,799** | **431,605** | **–** | **1,487,653** |

# Credit Risk

## CREDIT QUALITY OF LOANS, ADVANCES AND FINANCING (CONTINUED)

### III) EXPECTED CREDIT LOSSES (CONTINUED)

**TABLE 13(B): ANALYSIS OF MOVEMENT IN THE EXPECTED CREDIT LOSSES FOR FINANCING, ADVANCES AND OTHER FINANCING FOR CIMBISLG (CONTINUED)**

| | CIMBISLG 2021 | | | | |
|---|---|---|---|---|---|
| **(RM'000)** | **12-month expected credit losses (Stage 1)** | **Lifetime expected credit losses – not credit impaired (Stage 2)** | **Lifetime expected credit losses – credit impaired (Stage 3)** | **Purchased credit impaired** | **Total** |
| **At 1 January 2021** | 254,404 | 381,846 | 339,153 | – | 975,403 |
| Changes in expected credit losses due to transferred within stages | 364,538 | (186,388) | (178,150) | – | – |
| Transferred to Stage 1 | 561,551 | (528,988) | (32,563) | – | – |
| Transferred to Stage 2 | (196,770) | 504,511 | (307,741) | – | – |
| Transferred to Stage 3 | (243) | (161,911) | 162,154 | – | – |
| **Total charge to Income Statement** | (370,211) | 531,763 | 205,987 | – | 367,539 |
| New financial assets originated | 71,955 | 1,772 | 44,235 | – | 117,962 |
| Financial assets that have been derecognised | (38,129) | (27,304) | – | – | (65,433) |
| Write back in respect of full recoveries | – | – | (70,138) | – | (70,138) |
| Change in credit risk | (404,037) | 557,295 | 231,890 | – | 385,148 |
| Write-offs | – | (4) | (160,014) | – | (160,018) |
| Other movements | (30) | 184 | 24,118 | – | 24,272 |
| **Total** | 248,701 | 727,401 | 231,094 | – | 1,207,196 |

**TABLE 13(C): ANALYSIS OF MOVEMENT IN THE EXPECTED CREDIT LOSSES FOR LOANS, ADVANCES AND FINANCING FOR CIMBIBG**

There are no expected credit losses for loans, advances and financing for CIMBIBG as at 31 December 2022 and 31 December 2021.

# Credit Risk

## CAPITAL TREATMENT FOR CREDIT RISK

Details on RWA and capital requirements related to Credit Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG in Tables 2 (a), (b) and (c). Details on the disclosure for portfolios under the SA and the IRB Approach are in the sections that followed.

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA

Credit exposures under SA are mainly exposures where the IRB Approach is not applicable or exposures that will eventually adopt the IRB Approach. Under SA, the regulator prescribes the risk weights for all asset types.

Exposures which are rated externally relate to sovereign and central banks while the unrated exposures relate to personal financing and other exposures. The Group applies external ratings for credit exposures under SA from S&P, Moody's, Fitch, RAM, MARC and R&I. CIMB Group follows the process prescribed under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) to map the ratings to the relevant risk weights for computation of regulatory capital.

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

The following tables present the credit exposures by risk weights and after credit risk mitigation:

### TABLE 14(A): DISCLOSURE BY RISK WEIGHT UNDER SA FOR CIMBBG

| | CIMBBG | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| (RM'000) Risk Weights | Sovereign/ Central Banks | PSEs | Banks, MDBs and DFIs | Insurance Cos/Takaful Operators, Securities Firms & Fund Managers | Corporate | Regulatory Retail | Residential Mortgages/ RRE Financing | Higher Risk Assets | Other Assets | Securitisation* | Equity | Total Exposures after Netting and Credit Risk Mitigation* | Total Risk-Weighted Assets |
| **2022** | | | | | | | | | | | | | |
| 0% | **106,545,063** | **9,539,445** | **61,860** | **-** | **1,762,768** | **808,521** | **-** | **-** | **16,776,843** | **-** | **-** | **135,494,499** | **-** |
| 6% | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 20% | **60,722** | **3,155,637** | **133,779** | **577,081** | **560,357** | **4,306,826** | **-** | **-** | **37** | **404,626** | **-** | **9,199,066** | **1,839,813** |
| 35% | **-** | **-** | **-** | **-** | **-** | **-** | **8,815,337** | **-** | **-** | **-** | **-** | **8,815,337** | **3,085,368** |
| 50% | **1,341,322** | **-** | **2,176,636** | **1,857,571** | **2,884,750** | **5,076,357** | **3,032,178** | **-** | **-** | **-** | **-** | **16,368,815** | **8,184,408** |
| 75% | **-** | **-** | **-** | **-** | **1,079** | **13,945,529** | **570** | **-** | **835,290** | **-** | **-** | **14,782,468** | **11,086,851** |
| 100% | **36,445** | **-** | **0** | **3,860,539** | **22,824,803** | **1,916,638** | **2,226,794** | **-** | **3,882,394** | **-** | **72** | **34,747,685** | **34,747,685** |
| 107% | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 150% | **-** | **-** | **-** | **-** | **304,988** | **94,560** | **-** | **1,672,370** | **-** | **-** | **-** | **2,071,918** | **3,107,877** |
| 150%< RW < 1250% | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1250% | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **107,983,552** | **12,695,082** | **2,372,276** | **6,295,191** | **28,338,745** | **26,148,431** | **14,074,878** | **1,672,370** | **21,494,564** | **404,626** | **72** | **221,479,788** | **62,052,001** |
| **Average Risk Weight** | **1%** | **5%** | **47%** | **78%** | **88%** | **61%** | **49%** | **150%** | **21%** | **20%** | **100%** | **28%** | |
| Deduction from Capital Base | | | | | | | | | | | | | |
| **2021** | | | | | | | | | | | | | |
| 0% | 87,128,655 | 1,750,445 | 1,681,421 | - | 1,284,673 | 685,387 | - | - | 11,542,423 | - | - | 104,073,004 | - |
| 6% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 20% | 100,260 | 4,164,309 | 338,332 | 578,060 | 636,764 | 2,918,498 | - | - | 354 | 480,627 | - | 9,217,203 | 1,843,441 |
| 35% | - | - | - | - | - | - | 7,301,290 | - | - | - | - | 7,301,290 | 2,555,452 |
| 50% | 1,336,905 | - | 8,784,903 | 2,065,788 | 1,549,896 | 4,481,542 | 2,748,668 | - | - | - | - | 20,967,702 | 10,483,851 |
| 75% | - | - | - | - | 1,196 | 18,901,714 | 682 | - | 14,494 | - | - | 18,918,086 | 14,188,565 |
| 100% | 43,281 | - | 22,937 | 1,784,166 | 19,599,037 | 1,992,289 | 1,689,730 | - | 3,374,327 | - | 83 | 28,505,851 | 28,505,851 |
| 107% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 150% | - | - | - | - | 229,219 | 78,776 | - | 1,753,206 | - | - | - | 2,061,201 | 3,091,802 |
| 150%< RW < 1250% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| 1250% | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | 88,609,102 | 5,914,754 | 10,827,594 | 4,428,015 | 23,300,784 | 29,058,206 | 11,740,370 | 1,753,206 | 14,931,598 | 480,627 | 83 | 191,044,338 | 60,668,961 |
| **Average Risk Weight** | 1% | 14% | 41% | 66% | 89% | 66% | 48% | 150% | 23% | 20% | 100% | 32% | |
| Deduction from Capital Base | | | | | | | | | | | | | |

* The total includes the portion which is deducted from Capital Base, if any.

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

### TABLE 14(B): DISCLOSURE BY RISK WEIGHT UNDER SA FOR CIMBISLG

CIMBISLG

| (RM'000) Risk Weights | Sovereign/ Central Banks | PSEs | Banks, MDBs and DFIs | Takaful Operators, Securities Firms & Fund Managers | Corporate | Regulatory Retail | RRE Financing | Higher Risk Assets | Other Assets | Securitisation* | Total Exposures after Netting and Credit Risk Mitigation* | Total Risk-Weighted Assets |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | | | | | | |
| 0% | **26,237,445** | **2,539,445** | **-** | **-** | **-** | **-** | **-** | **-** | **953** | **-** | **28,777,842** | **-** |
| 20% | **-** | **568,914** | **20** | **-** | **53,645** | **1,113,452** | **-** | **-** | **-** | **-** | **1,736,031** | **347,206** |
| 35% | **-** | **-** | **-** | **-** | **-** | **-** | **18,857** | **-** | **-** | **-** | **18,857** | **6,600** |
| 50% | **-** | **-** | **-** | **-** | **2,394,517** | **3,915,453** | **345,024** | **-** | **-** | **-** | **6,654,994** | **3,327,497** |
| 75% | **-** | **-** | **-** | **-** | **-** | **1,349,840** | **-** | **-** | **-** | **-** | **1,349,840** | **1,012,380** |
| 100% | **-** | **-** | **-** | **-** | **675,164** | **1,147,505** | **2,254** | **-** | **346,827** | **-** | **2,171,750** | **2,171,750** |
| 100%< RW < 1250% | **-** | **-** | **-** | **-** | **2,046** | **854** | **-** | **-** | **-** | **-** | **2,900** | **4,350** |
| 1250% | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **26,237,445** | **3,108,358** | **20** | **-** | **3,125,372** | **7,527,105** | **366,135** | **-** | **347,779** | **-** | **40,712,214** | **6,869,783** |
| **Average Risk Weight** | **-** | **4%** | **20%** | **-** | **60%** | **58%** | **50%** | **-** | **100%** | **-** | **17%** | |
| Deduction from Capital Base | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | |
| **2021** | | | | | | | | | | | | |
| 0% | 21,746,593 | 1,750,445 | - | - | - | 62 | - | - | 46,907 | - | 23,544,007 | - |
| 20% | - | 110,971 | - | - | 5,177 | 715,141 | - | - | - | - | 831,289 | 166,258 |
| 35% | - | - | - | - | - | - | 11,150 | - | - | - | 11,150 | 3,903 |
| 50% | - | - | 46 | 0.01 | 1,308,372 | 3,884,520 | 304,641 | - | - | - | 5,497,578 | 2,748,789 |
| 75% | - | - | - | - | - | 1,449,905 | - | - | - | - | 1,449,905 | 1,087,429 |
| 100% | - | - | - | - | 487,785 | 1,312,462 | 82 | - | 197,994 | - | 1,998,323 | 1,998,323 |
| 100%< RW < 1250% | - | - | - | - | 3,810 | 625 | - | - | - | - | 4,434 | 6,652 |
| 1250% | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | 21,746,593 | 1,861,417 | 46 | 0.01 | 1,805,143 | 7,362,714 | 315,873 | - | 244,901 | - | 33,336,686 | 6,011,353 |
| **Average Risk Weight** | - | 1% | 50% | 50% | 64% | 61% | 49% | - | 81% | - | 18% | |
| Deduction from Capital Base | - | - | - | - | - | - | - | - | - | - | - | |

* The total includes the portion which is deducted from Capital Base, if any.

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

### TABLE 14(C): DISCLOSURE BY RISK WEIGHT UNDER SA FOR CIMBIBG

CIMBIBG

| (RM'000) Risk Weights | Sovereign/ Central Banks | PSEs | Banks, MDBs and DFIs | Insurance Cos, Securities Firms & Fund Managers | Corporate | Regulatory Retail | Residential Mortgages | Higher Risk Assets | Other Assets | Securitisation* | Total Exposures after Netting and Credit Risk Mitigation* | Total Risk-Weighted Assets |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2022** | | | | | | | | | | | | |
| 0% | **110,125** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **5** | **-** | **110,130** | **-** |
| 20% | **-** | **-** | **193,617** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **193,617** | **38,723** |
| 35% | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 50% | **-** | **-** | **17,388** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **17,388** | **8,694** |
| 75% | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 100% | **-** | **-** | **-** | **-** | **50,698** | **-** | **-** | **-** | **36,832** | **-** | **87,530** | **87,530** |
| 100%<RW < 1250% | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| 1250% | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** |
| **Total** | **110,125** | **-** | **211,004** | **-** | **50,698** | **-** | **-** | **-** | **36,837** | **-** | **408,664** | **134,947** |
| **Average Risk Weight** | **-** | **-** | **22%** | **-** | **100%** | **-** | **-** | **-** | **100%** | **-** | **33%** | |
| Deduction from Capital Base | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | **-** | |
| **2021** | | | | | | | | | | | | |
| 0% | 360,546 | - | - | - | - | - | - | - | 7 | - | 360,553 | - |
| 20% | - | - | 222,801 | - | - | - | - | - | - | - | 222,801 | 44,560 |
| 35% | - | - | - | - | - | - | - | - | - | - | - | - |
| 50% | - | - | 15,232 | - | - | - | - | - | - | - | 15,232 | 7,616 |
| 75% | - | - | - | - | - | - | - | - | - | - | - | - |
| 100% | - | - | - | - | 4,638 | - | - | - | 60,443 | - | 65,082 | 65,082 |
| 100%<RW < 1250% | - | - | - | - | - | - | - | - | - | - | - | - |
| 1250% | - | - | - | - | - | - | - | - | - | - | - | - |
| **Total** | 360,546 | - | 238,032 | - | 4,638 | - | - | - | 60,450 | - | 663,667 | 117,258 |
| **Average Risk Weight** | - | - | 22% | - | 100% | - | - | - | 100% | - | 18% | |
| Deduction from Capital Base | - | - | - | - | - | - | - | - | - | - | - | |

* The total includes the portion which is deducted from Capital Base, if any.

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

The following tables present the non-retail credit exposures before the effect of credit risk mitigation, according to ratings by ECAIs:

### TABLE 15(A): DISCLOSURES OF RATED AND UNRATED NON-RETAIL EXPOSURES UNDER SA ACCORDING TO RATINGS BY ECAIS FOR CIMBBG

| | CIMBBG | | | |
|---|---|---|---|---|
| **(RM'000)<br>Exposure Class** | **Investment Grade** | **Non-Investment Grade** | **No Rating** | **Total** |
| **2022** | | | | |
| **On and Off-Balance-Sheet Exposures** | | | | |
| Public Sector Entities | **–** | **–** | **12,695,143** | **12,695,143** |
| Insurance Cos/Takaful Operators, Securities Firms & Fund Managers | **3,407,687** | **–** | **4,301,518** | **7,709,205** |
| Corporate | **571,899** | **94,434** | **31,985,102** | **32,651,435** |
| Sovereign/Central Banks | **84,445,974** | **–** | **23,537,577** | **107,983,552** |
| Banks, MDBs and DFIs | **1,597,857** | **–** | **774,418** | **2,372,276** |
| **Total** | **90,023,418** | **94,434** | **73,293,759** | **163,411,611** |
| **2021** | | | | |
| **On and Off-Balance-Sheet Exposures** | | | | |
| Public Sector Entities | – | – | 9,914,829 | 9,914,829 |
| Insurance Cos/Takaful Operators, Securities Firms & Fund Managers | 2,914,694 | – | 1,557,998 | 4,472,692 |
| Corporate | 1,011,994 | 92,701 | 26,649,415 | 27,754,110 |
| Sovereign/Central Banks | 76,544,526 | – | 12,064,576 | 88,609,102 |
| Banks, MDBs and DFIs | 1,962,443 | – | 8,865,633 | 10,828,076 |
| **Total** | 82,433,657 | 92,701 | 59,052,452 | 141,578,809 |

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

### TABLE 15(B): DISCLOSURES OF RATED AND UNRATED NON-RETAIL EXPOSURES UNDER SA ACCORDING TO RATINGS BY ECAIS FOR CIMBISLG

| | CIMBISLG | | | |
|---|---|---|---|---|
| (RM'000)<br>Exposure Class | Investment Grade | Non-Investment Grade | No Rating | Total |
| **2022** | | | | |
| **On and Off-Balance-Sheet Exposures** | | | | |
| Public Sector Entities | **–** | **–** | **3,108,358** | **3,108,358** |
| Takaful Operators, Securities Firms & Fund Managers | **–** | **–** | **–** | **–** |
| Corporate | **–** | **0.16** | **3,173,431** | **3,173,432** |
| Sovereign/Central Banks | **23,725,208** | **–** | **2,512,236** | **26,237,445** |
| Banks, MDBs and DFIs | **20** | **–** | **–** | **20** |
| **Total** | **23,725,228** | **0.16** | **8,794,026** | **32,519,255** |
| **2021** | | | | |
| **On and Off-Balance-Sheet Exposures** | | | | |
| Public Sector Entities | – | – | 1,861,417 | 1,861,417 |
| Takaful Operators, Securities Firms & Fund Managers | – | – | 0.01 | 0.01 |
| Corporate | 106 | 31 | 1,840,292 | 1,840,429 |
| Sovereign/Central Banks | 21,022,149 | – | 724,443 | 21,746,593 |
| Banks, MDBs and DFIs | 46 | – | – | 46 |
| **Total** | 21,022,301 | 31 | 4,426,152 | 25,448,484 |

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

### TABLE 15(C): DISCLOSURES OF RATED AND UNRATED NON-RETAIL EXPOSURES UNDER SA ACCORDING TO RATINGS BY ECAIS FOR CIMBIBG

| (RM'000) Exposure Class | CIMBIBG Investment Grade | Non-Investment Grade | No Rating | Total |
|---|---|---|---|---|
| **2022** | | | | |
| **On and Off-Balance-Sheet Exposures** | | | | |
| Public Sector Entities | **–** | **–** | **–** | **–** |
| Insurance Cos, Securities Firms & Fund Managers | **–** | **–** | **–** | **–** |
| Corporate | **43,750** | **–** | **6,948** | **50,698** |
| Sovereign/Central Banks | **110,017** | **–** | **108** | **110,125** |
| Banks, MDBs and DFIs | **40,829** | **–** | **170,175** | **211,004** |
| **Total** | **194,596** | **–** | **177,231** | **371,827** |
| **2021** | | | | |
| **On and Off-Balance-Sheet Exposures** | | | | |
| Public Sector Entities | – | – | – | – |
| Insurance Cos, Securities Firms & Fund Managers | – | – | – | – |
| Corporate | – | – | 4,638 | 4,638 |
| Sovereign/Central Banks | 360,237 | – | 309 | 360,546 |
| Banks, MDBs and DFIs | 15,254 | – | 222,778 | 238,032 |
| **Total** | 375,492 | – | 227,725 | 603,216 |

### TABLE 16(A): DISCLOSURES OF SECURITISATION UNDER SA ACCORDING TO RATINGS BY ECAIS FOR CIMBBG

| (RM'000) Exposure Class | CIMBBG Investment Grade | Non-Investment Grade | No Rating | Total |
|---|---|---|---|---|
| **2022** | | | | |
| **On and Off-Balance-Sheet Exposures** | | | | |
| Securitisation | **404,626** | **–** | **–** | **404,626** |
| **2021** | | | | |
| **On and Off-Balance-Sheet Exposures** | | | | |
| Securitisation | 480,627 | – | – | 480,627 |

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE SA (CONTINUED)

### TABLE 16(B): DISCLOSURES OF SECURITISATION UNDER SA ACCORDING TO RATINGS BY ECAIS FOR CIMBISLG

| (RM'000)<br>Exposure Class | CIMBISLG<br>Investment Grade | Non-Investment Grade | No Rating | Total |
|---|---|---|---|---|
| **2022** | | | | |
| **On and Off-Balance-Sheet Exposures** | | | | |
| Securitisation | – | – | – | – |
| **2021** | | | | |
| **On and Off-Balance-Sheet Exposures** | | | | |
| Securitisation | – | – | – | – |

As at 31 December 2022 and 31 December 2021, there is no Securitisation under SA according to Ratings by ECAIs for CIMBIBG.

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH

CIMBBG and CIMBISLG adopt the A-IRB Approach for its retail exposures and F-IRB Approach for its non-retail exposures. The IRB Approach allows CIMBBG and CIMBISLG to adopt various rating systems to measure its credit risk for both retail and non-retail exposures. The internal risk rating systems are used not only for regulatory capital purposes, but also for credit approval and risk management reporting.

For retail exposures, application scorecards are integral to the credit approval process. Credit officers use scorecard outputs in the determination of approval of a credit application. Behavioural scorecards are used to determine the future conduct of the account for collection and portfolio management purposes.

For non-retail exposures, internal ratings are used to assist approving committees in making informed decisions for credit applications.

Models used in internal rating systems are subject to strict governance and controls. Models are developed and maintained by Group Risk with input from business units and Credit Risk CoE to ensure that relevant material risks are captured. Models are also subject to Model Risk Management Working Group deliberation followed by GRCC endorsement and BRCC approval prior to implementation. Post-implementation, models are subject to regular performance monitoring to ensure that they continue to perform as expected and associated risk parameters remain appropriate.

New models are assessed by the Validation Team, which is independent from the development team, to ensure robustness of the model development process, completeness of the documentation, and accuracy of the risk estimates. The validation exercise also ensures that the models meet regulatory standards. Existing models are assessed on an annual basis by the validation team to ensure that the models continue to be appropriate and the risk estimates continue to be accurate.

### RETAIL EXPOSURES

Retail exposures is a portfolio large in numbers and are similarly managed due to its homogeneous characteristics. This applies to both exposures to individuals as well as exposures to small businesses which are managed on a pooled basis. The exposure of a single retail facility is typically low and usually referred to as program lending/financing.

Retail exposures covered under the A-IRB Approach include credit cards, auto loans/financing, Xpress Cash, residential mortgages, business premises loans/financing and ASB financing. The PDs of these exposures are typically estimated from the outputs of application scorecards for new customers and behavioural scorecards for existing customers. The models deployed for retail portfolio include application, behavioural, PD, LGD and EAD segmentation models.

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

### RETAIL EXPOSURES (CONTINUED)

### A) PD, LGD AND EAD SEGMENTATION MODELS FOR RETAIL EXPOSURES

The risk estimates are generally developed based on internal historical data and complies with BNM guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets). However, in instances of insufficient historical data, the respective model risk estimate is developed based on expert judgment or available industry data with margin of conservatism.

PD Calibration

- PD is defined as the probability of a borrower/customer defaulting within a one-year time horizon.
- PD estimated for each pool must be representative of the long term average. In the event the internal historical data is not sufficient to cover an economic cycle, appropriate adjustment (via Cycle Scaling Factor) will be incorporated based on proxy data which are relevant and of longer history to derive the long term average PD, which is normally referred to as "Central Tendency".

EAD Estimation

- EAD represents the expected level of usage of the facility when default occurs.
- The EAD for retail exposures is generally based on the respective portfolio's summed outstanding exposure including any undrawn balances, and for revolving exposures such as credit card receivables, each loan/financing EAD estimation includes the estimated net additional drawings over the next 12 months.

LGD Estimation

- LGD is the estimated amount of loss expected if a loan/financing defaults, calculated as a percentage of EAD. The value depends on the collateral (if any) and other factors such as internal, external, direct and indirect costs associated with recoveries.
- LGD for retail exposures is estimated based on historical internal data and the following sources of recoveries are incorporated into the estimation:
  (i) Regularisation of defaulted accounts.
  (ii) Sale proceeds from collaterals.
  (iii) Cash receipts from borrowers/customers.

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

### RETAIL EXPOSURES (CONTINUED)

The following tables summarise the retail credit exposures measured under A-IRB Approach as at 31 December 2022 and 31 December 2021:

**TABLE 17(A): RETAIL CREDIT EXPOSURES BY PD BAND FOR CIMBBG**

| (RM'000) PD Range of Retail Exposures | CIMBBG 0% ≤ PD < 2% | 2% ≤ PD < 100% | 100% or Default | Total |
|---|---|---|---|---|
| **2022** | | | | |
| **Total Retail Exposure** | **151,569,537** | **48,586,289** | **3,414,729** | **203,570,555** |
| Residential Mortgage/RRE Financing | **94,088,747** | **10,605,526** | **2,232,369** | **106,926,643** |
| QRRE | **9,232,274** | **3,621,143** | **141,587** | **12,995,004** |
| Hire Purchase | **14,162,186** | **6,647,658** | **323,737** | **21,133,582** |
| Other Retail | **34,086,330** | **27,711,962** | **717,035** | **62,515,327** |
| **Exposure Weighted Average LGD** | | | | |
| Residential Mortgage/RRE Financing | **20%** | **25%** | **33%** | |
| QRRE | **89%** | **89%** | **89%** | |
| Hire Purchase | **50%** | **63%** | **54%** | |
| Other Retail | **23%** | **18%** | **35%** | |
| **Exposure Weighted Average Risk Weight** | | | | |
| Residential Mortgage/RRE Financing | **11%** | **92%** | **166%** | |
| QRRE | **19%** | **121%** | **402%** | |
| Hire Purchase | **53%** | **111%** | **355%** | |
| Other Retail | **18%** | **30%** | **139%** | |
| **2021** | | | | |
| **Total Retail Exposure** | 144,145,825 | 38,464,236 | 3,112,922 | 185,722,983 |
| Residential Mortgage/RRE Financing | 91,980,963 | 6,743,582 | 2,150,371 | 100,874,916 |
| QRRE | 8,532,724 | 2,719,990 | 95,197 | 11,347,912 |
| Hire Purchase | 13,123,960 | 5,989,855 | 322,384 | 19,436,199 |
| Other Retail | 30,508,178 | 23,010,810 | 544,969 | 54,063,956 |
| **Exposure Weighted Average LGD** | | | | |
| Residential Mortgage/RRE Financing | 21% | 24% | 29% | |
| QRRE | 89% | 89% | 89% | |
| Hire Purchase | 52% | 61% | 53% | |
| Other Retail | 23% | 14% | 48% | |
| **Exposure Weighted Average Risk Weight** | | | | |
| Residential Mortgage/RRE Financing | 11% | 72% | 220% | |
| QRRE | 28% | 146% | 321% | |
| Hire Purchase | 54% | 104% | 322% | |
| Other Retail | 17% | 23% | 195% | |

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

### RETAIL EXPOSURES (CONTINUED)

#### TABLE 17(B): RETAIL CREDIT EXPOSURES BY PD BAND FOR CIMBISLG

| (RM'000) PD Range of Retail Exposures | CIMBISLG 0% ≤ PD < 2% | 2% ≤ PD < 100% | 100% or Default | Total |
|---|---|---|---|---|
| **2022** | | | | |
| **Total Retail Exposure** | **55,158,601** | **28,041,856** | **1,270,209** | **84,470,665** |
| RRE Financing | **30,787,549** | **4,365,759** | **862,081** | **36,015,389** |
| QRRE | **200,412** | **134,066** | **3,171** | **337,649** |
| Hire Purchase | **10,398,573** | **4,812,861** | **204,069** | **15,415,504** |
| Other Retail | **13,772,066** | **18,729,170** | **200,888** | **32,702,124** |
| **Exposure Weighted Average LGD** | | | | |
| RRE Financing | **23%** | **28%** | **36%** | |
| QRRE | **90%** | **90%** | **90%** | |
| Hire Purchase | **52%** | **65%** | **57%** | |
| Other Retail | **25%** | **11%** | **35%** | |
| **Exposure Weighted Average Risk Weight** | | | | |
| RRE Financing | **13%** | **103%** | **192%** | |
| QRRE | **20%** | **112%** | **563%** | |
| Hire Purchase | **55%** | **112%** | **400%** | |
| Other Retail | **23%** | **18%** | **171%** | |
| **2021** | | | | |
| **Total Retail Exposure** | 47,152,466 | 22,949,871 | 903,259 | 71,005,595 |
| RRE Financing | 27,362,767 | 1,965,886 | 615,161 | 29,943,814 |
| QRRE | 166,788 | 78,512 | 1,374 | 246,674 |
| Hire Purchase | 8,891,687 | 4,095,814 | 178,276 | 13,165,777 |
| Other Retail | 10,731,223 | 16,809,659 | 108,449 | 27,649,330 |
| **Exposure Weighted Average LGD** | | | | |
| RRE Financing | 25% | 26% | 31% | |
| QRRE | 90% | 90% | 90% | |
| Hire Purchase | 54% | 64% | 57% | |
| Other Retail | 26% | 10% | 33% | |
| **Exposure Weighted Average Risk Weight** | | | | |
| RRE Financing | 14% | 79% | 259% | |
| QRRE | 33% | 124% | 457% | |
| Hire Purchase | 56% | 108% | 387% | |
| Other Retail | 23% | 16% | 201% | |

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

### RETAIL EXPOSURES (CONTINUED)

**TABLE 18(A): RETAIL EXPOSURES UNDER THE IRB APPROACH BY EXPECTED LOSS RANGE FOR CIMBBG**

| (RM'000) EL Range of Retail Exposures | CIMBBG EL ≤ 1% | 1% < EL < 100% | EL = 100% | Total |
|---|---|---|---|---|
| **2022** | | | | |
| **Total Retail Exposure** | **173,156,584** | **30,322,132** | **91,839** | **203,570,555** |
| Residential Mortgage/RRE Financing | **99,426,665** | **7,454,061** | **45,917** | **106,926,643** |
| QRRE | **9,099,950** | **3,893,086** | **1,967** | **12,995,004** |
| Hire Purchase | **13,260,252** | **7,858,054** | **15,276** | **21,133,582** |
| Other Retail | **51,369,717** | **11,116,931** | **28,679** | **62,515,327** |
| **Exposure Weighted Average LGD** | | | | |
| Residential Mortgage/RRE Financing | **20%** | **30%** | **39%** | |
| QRRE | **89%** | **89%** | **90%** | |
| Hire Purchase | **49%** | **63%** | **52%** | |
| Other Retail | **18%** | **34%** | **73%** | |
| **2021** | | | | |
| **Total Retail Exposure** | 164,809,739 | 20,602,506 | 310,738 | 185,722,983 |
| Residential Mortgage/RRE Financing | 97,713,393 | 3,026,227 | 135,296 | 100,874,916 |
| QRRE | 7,477,962 | 3,865,780 | 4,169 | 11,347,912 |
| Hire Purchase | 12,269,334 | 7,140,948 | 25,916 | 19,436,199 |
| Other Retail | 47,349,049 | 6,569,550 | 145,357 | 54,063,956 |
| **Exposure Weighted Average LGD** | | | | |
| Residential Mortgage/RRE Financing | 21% | 31% | 39% | |
| QRRE | 89% | 89% | 90% | |
| Hire Purchase | 51% | 61% | 51% | |
| Other Retail | 17% | 32% | 78% | |

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

### RETAIL EXPOSURES (CONTINUED)

### TABLE 18(B): RETAIL EXPOSURES UNDER THE IRB APPROACH BY EXPECTED LOSS RANGE FOR CIMBISLG

| | CIMBISLG | | | |
|---|---|---|---|---|
| (RM'000)<br>EL Range of Retail Exposures | EL ≤ 1% | 1% < EL < 100% | EL = 100% | Total |
| **2022** | | | | |
| **Total Retail Exposure** | **70,280,980** | **14,173,292** | **16,394** | **84,470,665** |
| RRE Financing | **32,855,622** | **3,155,042** | **4,725** | **36,015,389** |
| QRRE | **189,224** | **148,425** | **0.26** | **337,649** |
| Hire Purchase | **9,657,993** | **5,749,760** | **7,751** | **15,415,504** |
| Other Retail | **27,578,142** | **5,120,064** | **3,918** | **32,702,124** |
| **Exposure Weighted Average LGD** | | | | |
| RRE Financing | **23%** | **33%** | **41%** | |
| QRRE | **90%** | **90%** | **90%** | |
| Hire Purchase | **51%** | **64%** | **56%** | |
| Other Retail | **16%** | **22%** | **58%** | |
| **2021** | | | | |
| **Total Retail Exposure** | 61,024,124 | 9,949,160 | 32,311 | 71,005,595 |
| RRE Financing | 28,932,044 | 998,593 | 13,177 | 29,943,814 |
| QRRE | 129,774 | 116,897 | 3 | 246,674 |
| Hire Purchase | 8,271,750 | 4,883,318 | 10,709 | 13,165,777 |
| Other Retail | 23,690,556 | 3,950,353 | 8,421 | 27,649,330 |
| **Exposure Weighted Average LGD** | | | | |
| RRE Financing | 25% | 34% | 36% | |
| QRRE | 90% | 90% | 90% | |
| Hire Purchase | 53% | 64% | 56% | |
| Other Retail | 16% | 22% | 51% | |

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

### NON-RETAIL EXPOSURES

Non-retail exposures covered under the F-IRB Approach include corporates (Specialised Lending/Financing uses supervisory slotting criteria), SMEs and banks. The PDs of these exposures are estimated from internal ratings assigned across a spectrum of risk levels on a master scale. Each internal rating has a corresponding 1-year average PD and a likely corresponding regulatory loan/financing classification. The LGDs of these exposures are assigned as per the CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets); that is an LGD of 45% for senior exposures and 75% for subordinated exposures, with appropriate adjustments for eligible collateral.

The process by which an internal rating is assigned to an obligor is governed by the Group Credit Risk Rating Methodology. Firstly, a risk model uses a weighted combination of quantitative and qualitative risk factors to generate an initial rating. The quantitative risk factors and weights are derived through statistical techniques and the qualitative risk factors and weights are derived through deliberation with credit experts. The initial rating may subsequently be upgraded or downgraded based on a predefined set of criteria, such as quality of financial statements and support from a parent entity. Finally, an approving authority deliberates before deciding on a final rating. If a facility is guaranteed by one or more corporate guarantors, then the framework recognises the credit risk mitigation by substituting the obligor rating with the corporate guarantor's rating.

The following tables summarise the Group's non-retail credit exposures measured under F-IRB Approach as at 31 December 2022 and 31 December 2021:

#### TABLE 19(A): CREDIT EXPOSURES SUBJECT TO SUPERVISORY RISK WEIGHT UNDER IRB APPROACH FOR CIMBBG

| (RM'000) Supervisory Categories | CIMBBG Strong | Good | Satisfactory | Weak | Default | Total |
|---|---|---|---|---|---|---|
| **2022** | | | | | | |
| Project Finance | **288,663** | **6,274,373** | **145,403** | **332** | **80,357** | **6,789,128** |
| Object Finance | **–** | **–** | **–** | **–** | **–** | **–** |
| Commodities Finance | **–** | **–** | **–** | **–** | **–** | **–** |
| Income Producing Real Estate | **1,623,699** | **8,191,221** | **1,634,997** | **936,066** | **260,560** | **12,646,543** |
| **RWA** | **956,597** | **9,849,567** | **2,047,460** | **2,340,994** | **–** | **15,194,619** |
| **2021** | | | | | | |
| Project Finance | 691,304 | 6,158,931 | 33,990 | 368 | 1,805,178 | 8,689,771 |
| Object Finance | – | – | – | – | – | – |
| Commodities Finance | – | – | – | – | – | – |
| Income Producing Real Estate | 1,875,795 | 9,656,652 | 336,497 | 1,343,627 | 322,895 | 13,535,466 |
| **RWA** | 1,283,953 | 10,703,614 | 426,059 | 3,359,989 | – | 15,773,615 |

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

### NON-RETAIL EXPOSURES (CONTINUED)

### TABLE 19(B): CREDIT EXPOSURES SUBJECT TO SUPERVISORY RISK WEIGHT UNDER IRB APPROACH FOR CIMBISLG

| (RM'000) Supervisory Categories | CIMBISLG | | | | | |
|---|---|---|---|---|---|---|
| | Strong | Good | Satisfactory | Weak | Default | Total |
| **2022** | | | | | | |
| Project Finance | **–** | **350,517** | **115,019** | **288** | **–** | **465,825** |
| Object Finance | **–** | **–** | **–** | **–** | **–** | **–** |
| Commodities Finance | **–** | **–** | **–** | **–** | **–** | **–** |
| Income Producing Real Estate | **535,249** | **1,199,896** | **206,286** | **160,581** | **0.07** | **2,102,012** |
| **RWA** | **267,625** | **1,173,919** | **369,501** | **402,172** | **–** | **2,213,217** |
| **2021** | | | | | | |
| Project Finance | – | 351,891 | – | 331 | – | 352,222 |
| Object Finance | – | – | – | – | – | – |
| Commodities Finance | – | – | – | – | – | – |
| Income Producing Real Estate | 145,220 | 831,079 | 87,894 | 277,328 | 0.05 | 1,341,521 |
| **RWA** | 72,610 | 859,048 | 101,078 | 694,148 | – | 1,726,885 |

CIMBBG and CIMBISLG have no exposure to High Volatility Commercial Real Estate and Equities under the Supervisory Slotting Criteria.

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

### NON-RETAIL EXPOSURES (CONTINUED)

**TABLE 20(A): NON-RETAIL EXPOSURES UNDER IRB APPROACH BY RISK GRADES FOR CIMBBG**

| 2022 | CIMBBG | | | | |
|---|---|---|---|---|---|
| (RM'000)<br>Internal Risk Grading | 1 – 7 | 8 – 15 | 16 – 25 | Default | Total |
| **Total Non-Retail Exposure** | **52,859,322** | **75,107,742** | **28,017,536** | **5,011,076** | **160,995,676** |
| Sovereign/Central Banks | – | – | – | – | – |
| Bank | **26,161,194** | **10,114,261** | **29,616** | **0** | **36,305,072** |
| Corporate (excluding Specialised Lending/Financing) | **26,698,128** | **64,993,480** | **27,987,920** | **5,011,076** | **124,690,604** |
| **Exposure Weighted Average LGD** | | | | | |
| Sovereign/Central Banks | – | – | – | – | |
| Bank | **44%** | **45%** | **44%** | **45%** | |
| Corporate (excluding Specialised Lending/Financing) | **44%** | **41%** | **36%** | **43%** | |
| **Exposure Weighted Average Risk Weight** | | | | | |
| Sovereign/Central Banks | – | – | – | – | |
| Bank | **21%** | **41%** | **121%** | – | |
| Corporate (excluding Specialised Lending/Financing) | **18%** | **69%** | **103%** | – | |

| 2021 | CIMBBG | | | | |
|---|---|---|---|---|---|
| (RM'000)<br>Internal Risk Grading | 1 – 7 | 8 – 5 | 16 – 25 | Default | Total |
| **Total Non-Retail Exposure** | 42,808,671 | 65,108,653 | 26,292,968 | 5,945,061 | 140,155,353 |
| Sovereign/Central Banks | – | – | – | – | – |
| Bank | 16,185,079 | 6,461,069 | 68,471 | 0 | 22,714,619 |
| Corporate (excluding Specialised Lending/Financing) | 26,623,592 | 58,647,584 | 26,224,498 | 5,945,061 | 117,440,734 |
| **Exposure Weighted Average LGD** | | | | | |
| Sovereign/Central Banks | – | – | – | – | |
| Bank | 43% | 45% | 45% | 45% | |
| Corporate (excluding Specialised Lending/Financing) | 43% | 40% | 34% | 44% | |
| **Exposure Weighted Average Risk Weight** | | | | | |
| Sovereign/Central Banks | – | – | – | – | |
| Bank | 21% | 39% | 166% | – | |
| Corporate (excluding Specialised Lending/Financing) | 16% | 72% | 99% | – | |

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

### NON-RETAIL EXPOSURES (CONTINUED)

### TABLE 20(B): NON-RETAIL EXPOSURES UNDER IRB APPROACH BY RISK GRADES FOR CIMBISLG

**2022**

| (RM'000) Internal Risk Grading | CIMBISLG 1 – 7 | 8 – 15 | 16 – 25 | Default | Total |
|---|---|---|---|---|---|
| **Total Non-Retail Exposure** | **8,284,669** | **12,696,207** | **7,752,282** | **798,565** | **29,531,723** |
| Bank | **1,605,863** | **410,861** | **55** | **–** | **2,016,779** |
| Corporate (excluding Specialised Financing) | **6,678,806** | **12,285,347** | **7,752,227** | **798,565** | **27,514,945** |
| **Exposure Weighted Average LGD** | | | | | |
| Bank | **45%** | **45%** | **45%** | **0%** | |
| Corporate (excluding Specialised Financing) | **45%** | **40%** | **38%** | **43%** | |
| **Exposure Weighted Average Risk Weight** | | | | | |
| Bank | **22%** | **32%** | **204%** | **0%** | |
| Corporate (excluding Specialised Financing) | **11%** | **67%** | **102%** | **0%** | |

**2021**

| (RM'000) Internal Risk Grading | CIMBISLG 1 – 7 | 8 – 15 | 16 – 25 | Default | Total |
|---|---|---|---|---|---|
| **Total Non-Retail Exposure** | 7,695,617 | 9,986,391 | 7,104,376 | 657,722 | 25,444,105 |
| Bank | 1,157,550 | 178,421 | 40 | – | 1,336,011 |
| Corporate (excluding Specialised Financing) | 6,538,066 | 9,807,970 | 7,104,337 | 657,722 | 24,108,094 |
| **Exposure Weighted Average LGD** | | | | | |
| Bank | 45% | 40% | 45% | – | |
| Corporate (excluding Specialised Financing) | 45% | 40% | 38% | 43% | |
| **Exposure Weighted Average Risk Weight** | | | | | |
| Bank | 20% | 31% | 230% | – | |
| Corporate (excluding Specialised Financing) | 12% | 70% | 103% | – | |

# Credit Risk

## CREDIT RISK – DISCLOSURE FOR PORTFOLIOS UNDER THE IRB APPROACH (CONTINUED)

### EXPECTED LOSSES VERSUS ACTUAL LOSSES BY PORTFOLIO TYPES

The following table summarises the expected losses versus actual losses by portfolio type:

**TABLE 21(A): ANALYSIS OF EXPECTED LOSS VERSUS ACTUAL LOSSES BY PORTFOLIO TYPES FOR CIMBBG**

| | CIMBBG | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| (RM'000) Exposure Class | Regulatory Expected Losses as at 31 December 2021 | Actual Losses for the year ended 31 December 2022 | Regulatory Expected Losses as at 31 December 2020 | Actual Losses for the year ended 31 December 2021 |
| Sovereign | **–** | **–** | – | – |
| Bank | **21,393** | **(0)** | 11,326 | 0 |
| Corporate | **914,981** | **91,960** | 1,113,071 | 167,747 |
| Mortgage/RRE Financing | **170,377** | **208,639** | 328,308 | 62,116 |
| HPE | **477,908** | **133,792** | 200,362 | 243,818 |
| QRRE | **338,929** | **49,600** | 360,546 | 45,121 |
| Other Retail | **277,141** | **23,676** | 340,289 | 18,821 |
| **Total** | **2,200,728** | **507,667** | 2,353,902 | 537,624 |

**TABLE 21(B): ANALYSIS OF EXPECTED LOSS VERSUS ACTUAL LOSSES BY PORTFOLIO TYPES FOR CIMBISLG**

| | CIMBISLG | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| (RM'000) Exposure Class | Regulatory Expected Losses as at 31 December 2021 | Actual Losses for the year ended 31 December 2022 | Regulatory Expected Losses as at 31 December 2020 | Actual Losses for the year ended 31 December 2021 |
| Sovereign | **–** | **–** | – | – |
| Bank | **374** | **–** | 266 | 0.002 |
| Corporate | **197,233** | **68,064** | 207,285 | 22,745 |
| RRE Financing | **51,047** | **93,830** | 123,957 | 14,581 |
| HPE | **264,538** | **78,048** | 117,337 | 129,335 |
| QRRE | **7,062** | **1,873** | 7,612 | 1,021 |
| Other Retail | **167,214** | **30,597** | 182,979 | 10,433 |
| **Total** | **687,468** | **272,411** | 639,435 | 178,115 |

Actual loss refers to impairment provisions and direct write-offs, if any during the year.

On the other hand, EL measures the loss expected from non-defaulted exposures at the start of the year. It is computed based on the risk parameters of the adopted IRB Approach. While a comparison of actual losses and EL provides some insight of the predictive power of the IRB Approach models used by the Group, the two metrics are not directly comparable due to the differences in methodology.

# Credit Risk

## OFF-BALANCE SHEET EXPOSURES AND COUNTERPARTY CREDIT RISK (CCR)

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undrawn commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

### I) CREDIT RISK MITIGATION

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into CSA with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC or the relevant credit approving authority.

### II) TREATMENT OF RATING DOWNGRADE

In the event of a one-notch downgrade of rating, based on the terms of the existing Credit Support Annexes, International Swaps and Derivatives Association Agreement and exposure as at 31 December 2022 and 31 December 2021 there was no requirement for additional collateral to be posted.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

The following tables disclose the Off-Balance Sheet exposures and CCR as at 31 December 2022 and 31 December 2021:

### TABLE 22(A): DISCLOSURE ON OFF-BALANCE SHEET EXPOSURES AND CCR FOR CIMBBG

| 2022 | CIMBBG | | | |
|---|---|---|---|---|
| (RM'000) Description | Principal Amount | Positive Fair Value of Derivative Contracts | Credit Equivalent Amount | Risk-Weighted Assets |
| Direct Credit Substitutes | 3,924,792 | | 3,924,792 | 2,575,002 |
| Transaction Related Contingent Items | 5,913,646 | | 2,956,823 | 1,736,334 |
| Short Term Self Liquidating Trade Related Contingencies | 1,752,664 | | 350,533 | 165,675 |
| Assets Sold With Recourse | – | | – | – |
| Forward Asset Purchases | – | | – | – |
| Obligations under an On-going Underwriting Agreement | – | | – | – |
| Lending/inancing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions)/Commitments to buy back Islamic securities under Sales and Buy Back Agreement | 5,346,790 | | 5,346,831 | 174,680 |
| Foreign Exchange Related Contracts | | | | |
| One year or less | 17,697,124 | 163,106 | 369,528 | 248,140 |
| Over one year to five years | 782,497 | 9,063 | 55,859 | 24,722 |
| Over five years | – | – | – | – |
| Interest/Profit Rate Related Contracts | | | | |
| One year or less | 1,328,928 | 6,178 | 10,049 | 7,392 |
| Over one year to five years | 4,135,807 | 21,997 | 117,368 | 56,009 |
| Over five years | 804,445 | 6,163 | 79,442 | 66,958 |

# Credit Risk

## OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

### TABLE 22(A): DISCLOSURE ON OFF-BALANCE SHEET EXPOSURES AND CCR FOR CIMBBG (CONTINUED)

| 2022 | CIMBBG | | | |
|---|---|---|---|---|
| (RM'000) Description | Principal Amount | Positive Fair Value of Derivative Contracts | Credit Equivalent Amount | Risk-Weighted Assets |
| Equity Related Contracts | | | | |
| One year or less | 293,828 | 22,202 | 39,832 | 52,226 |
| Over one year to five years | 237,002 | 8,596 | 27,556 | 27,587 |
| Over five years | – | – | – | – |
| Commodity Contracts | | | | |
| One year or less | – | – | – | – |
| Over one year to five years | – | – | – | – |
| Over five years | – | – | – | – |
| Credit Derivative Contracts | | | | |
| One year or less | – | – | – | – |
| Over one year to five years | – | – | – | – |
| Over five years | – | – | – | – |
| OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements | 1,548,374,596 | 5,802,366 | 23,498,882 | 9,274,909 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 44,730,064 | | 39,277,564 | 13,139,140 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | 231,069 | | 46,214 | 35,001 |
| Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness | 111,670,939 | | – | – |
| Unutilised credit card lines | 24,417,425 | | 6,674,288 | 1,693,867 |
| Off-balance sheet items for securitisation exposures | – | | – | – |
| Off-balance sheet exposures due to early amortisation provisions | – | | – | – |
| **Total** | **1,771,641,615** | **6,039,672** | **82,775,560** | **29,277,642** |

# Credit Risk

## OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

### TABLE 22(A): DISCLOSURE ON OFF-BALANCE SHEET EXPOSURES AND CCR FOR CIMBBG (CONTINUED)

| 2021 | CIMBBG | | | |
|---|---|---|---|---|
| (RM'000) Description | Principal Amount | Positive Fair Value of Derivative Contracts | Credit Equivalent Amount | Risk-Weighted Assets |
| Direct Credit Substitutes | 3,970,738 | | 3,970,738 | 2,354,140 |
| Transaction Related Contingent Items | 5,350,774 | | 2,675,387 | 1,614,130 |
| Short Term Self Liquidating Trade Related Contingencies | 1,143,596 | | 228,719 | 149,811 |
| Assets Sold With Recourse | – | | – | – |
| Forward Asset Purchases | – | | – | – |
| Obligations under an On-going Underwriting Agreement | – | | – | – |
| Lending/ Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/ reverse repurchase and securities lending/borrowing transactions)/Commitments to buy back Islamic securities under Sales and Buy Back Agreement | 3,644,158 | | 3,644,281 | 147,306 |
| Foreign Exchange Related Contracts | | | | |
| One year or less | 20,074,785 | 70,817 | 315,600 | 226,648 |
| Over one year to five years | 864,665 | 7,556 | 57,699 | 24,763 |
| Over five years | – | – | – | – |
| Interest/Profit Rate Related Contracts | | | | |
| One year or less | 1,740,536 | 18,331 | 35,489 | 12,353 |
| Over one year to five years | 2,258,881 | 37,526 | 88,396 | 65,143 |
| Over five years | 765,793 | 25,962 | 93,161 | 75,883 |
| Equity Related Contracts | | | | |
| One year or less | 14,819 | 221 | 1,110 | 1,122 |
| Over one year to five years | 227,163 | 16,546 | 34,719 | 49,446 |
| Over five years | – | – | – | – |
| Commodity Contracts | | | | |
| One year or less | 21,898 | 3,125 | 5,315 | 5,630 |
| Over one year to five years | – | – | – | – |
| Over five years | – | – | – | – |
| Credit Derivative Contracts | | | | |
| One year or less | – | – | – | – |
| Over one year to five years | – | – | – | – |
| Over five years | – | – | – | – |
| OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements | 986,536,629 | 4,022,462 | 17,515,506 | 8,733,603 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 40,433,386 | | 35,279,826 | 11,250,451 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | 286,204 | | 57,258 | 45,651 |
| Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness | 110,015,395 | | – | – |
| Unutilised credit card lines | 24,357,332 | | 5,888,887 | 2,316,865 |
| Off-balance sheet items for securitisation exposures | – | | – | – |
| Off-balance sheet exposures due to early amortisation provisions | – | | – | – |
| **Total** | 1,201,706,752 | 4,202,545 | 69,892,089 | 27,072,946 |

# Credit Risk

## OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

### TABLE 22(B): DISCLOSURE ON OFF-BALANCE SHEET EXPOSURES AND CCR FOR CIMBISLG

| 2022 | CIMBISLG | | | |
|---|---|---|---|---|
| (RM'000) Description | Principal Amount | Positive Fair Value of Derivative Contracts | Credit Equivalent Amount | Risk-Weighted Assets |
| Direct Credit Substitutes | 341,515 | | 341,515 | 241,962 |
| Transaction Related Contingent Items | 962,192 | | 481,096 | 249,949 |
| Short Term Self Liquidating Trade Related Contingencies | 135,912 | | 27,182 | 20,212 |
| Assets Sold With Recourse | – | | – | – |
| Forward Asset Purchases | – | | – | – |
| Obligations under an On-going Underwriting Agreement | – | | – | – |
| Commitments to buy back Islamic securities under Sales and Buy Back agreement | 77,597 | | 77,597 | 13,806 |
| Foreign Exchange Related Contracts | | | | |
| One year or less | 2,892,526 | 52,339 | 87,648 | 74,839 |
| Over one year to five years | – | – | – | – |
| Over five years | – | – | – | – |
| Profit Rate Related Contracts | | | | |
| One year or less | 26,548 | 1,546 | 1,823 | 1,444 |
| Over one year to five years | 139,629 | 594 | 2,994 | 3,198 |
| Over five years | 13,385 | 20 | 803 | 757 |
| Commodity contracts | | | | |
| One year or less | – | – | – | – |
| Over one year to five years | – | – | – | – |
| Over five years | – | – | – | – |
| OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements | 29,312,029 | 14,052 | 273,930 | 63,914 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 17,022,238 | | 15,270,164 | 4,925,373 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | – | | – | – |
| Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness | 12,285,454 | | – | – |
| Unutilised credit card lines | 360,498 | | 147,581 | 47,726 |
| Off-balance sheet items for securitisation exposures | – | | – | – |
| **Total** | **63,569,523** | **68,551** | **16,712,332** | **5,643,180** |

# Credit Risk

## OFF-BALANCE SHEET EXPOSURES AND CRR (CONTINUED)

### TABLE 22(B): DISCLOSURE ON OFF-BALANCE SHEET EXPOSURES AND CCR FOR CIMBISLG (CONTINUED)

| 2021 | CIMBISLG | | | |
|---|---|---|---|---|
| **(RM'000) Description** | **Principal Amount** | **Positive Fair Value of Derivative Contracts** | **Credit Equivalent Amount** | **Risk-Weighted Assets** |
| Direct Credit Substitutes | 262,292 | | 262,292 | 183,564 |
| Transaction Related Contingent Items | 731,032 | | 365,516 | 231,031 |
| Short Term Self Liquidating Trade Related Contingencies | 66,499 | | 13,300 | 11,263 |
| Assets Sold With Recourse | – | | – | – |
| Forward Asset Purchases | – | | – | – |
| Obligations under an On-going Underwriting Agreement | – | | – | – |
| Commitments to buy back Islamic securities under Sales and Buy Back agreement | – | | – | – |
| Foreign Exchange Related Contracts | | | | |
| One year or less | 2,009,918 | 4,999 | 31,699 | 42,581 |
| Over one year to five years | – | – | – | – |
| Over five years | – | – | – | – |
| Profit Rate Related Contracts | | | | |
| One year or less | 56,489 | 527 | 1,184 | 872 |
| Over one year to five years | 164,276 | 3,250 | 6,536 | 8,381 |
| Over five years | 16,081 | 45 | 1,085 | 812 |
| Commodity Contracts | | | | |
| One year or less | 5,586 | 3,063 | 3,622 | 4,011 |
| Over one year to five years | – | – | – | – |
| Over five years | – | – | – | – |
| OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements | 21,699,457 | 46,847 | 321,123 | 72,925 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | 14,032,806 | | 12,135,809 | 3,902,523 |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | – | | – | – |
| Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a customer's creditworthiness | 8,326,584 | | – | – |
| Unutilised credit card lines | 340,113 | | 100,990 | 45,644 |
| Off-balance sheet items for securitisation exposures | – | | – | – |
| **Total** | 47,711,134 | 58,731 | 13,243,155 | 4,503,608 |

# Credit Risk

## OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

### TABLE 22(C): DISCLOSURE ON OFF-BALANCE SHEET EXPOSURES AND CCR FOR CIMBIBG

| 2022 | CIMBIBG | | | |
|---|---|---|---|---|
| **(RM'000) Description** | **Principal Amount** | **Positive Fair Value of Derivative Contracts** | **Credit Equivalent Amount** | **Risk-Weighted Assets** |
| Direct Credit Substitutes | – | | – | – |
| Transaction Related Contingent Items | – | | – | – |
| Short Term Self Liquidating Trade Related Contingencies | – | | – | – |
| Assets Sold With Recourse | – | | – | – |
| Forward Asset Purchases | – | | – | – |
| Obligations under an On-going Underwriting Agreement | **87,500** | | **43,750** | **43,750** |
| Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/reverse repurchase and securities lending/borrowing transactions) | – | | – | – |
| Foreign Exchange Related Contracts | | | | |
| One year or less | – | – | – | – |
| Over one year to five years | – | – | – | – |
| Over five years | – | – | – | – |
| Commodity Contracts | | | | |
| One year or less | – | – | – | – |
| Over one year to five years | – | – | – | – |
| Over five years | – | – | – | – |
| Credit Derivative Contracts | | | | |
| One year or less | – | – | – | – |
| Over one year to five years | – | – | – | – |
| Over five years | – | – | – | – |
| OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements | – | – | – | – |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | – | | – | – |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | – | | – | – |
| Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | – | | – | – |
| Unutilised credit card lines | – | | – | – |
| Off-balance sheet items for securitisation exposures | – | | – | – |
| Off-balance sheet exposures due to early amortisation provisions | – | | – | – |
| **Total** | **87,500** | **–** | **43,750** | **43,750** |

# Credit Risk

## OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

### TABLE 22(C): DISCLOSURE ON OFF-BALANCE SHEET EXPOSURES AND CCR FOR CIMBIBG (CONTINUED)

| 2021 | CIMBIBG | | | |
|---|---|---|---|---|
| (RM'000) Description | Principal Amount | Positive Fair Value of Derivative Contracts | Credit Equivalent Amount | Risk-Weighted Assets |
| Direct Credit Substitutes | – | | – | – |
| Transaction Related Contingent Items | – | | – | – |
| Short Term Self Liquidating Trade Related Contingencies | – | | – | – |
| Assets Sold With Recourse | – | | – | – |
| Forward Asset Purchases | – | | – | – |
| Obligations under an On-going Underwriting Agreement | – | | – | – |
| Lending/Financing of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions (i.e. repurchase/ reverse repurchase and securities lending/borrowing transactions) | – | | – | – |
| Foreign Exchange Related Contracts | | | | |
| One year or less | – | – | – | – |
| Over one year to five years | – | – | – | – |
| Over five years | – | – | – | – |
| Commodity Contracts | | | | |
| One year or less | – | – | – | – |
| Over one year to five years | – | – | – | – |
| Over five years | – | – | – | – |
| Credit Derivative Contracts | | | | |
| One year or less | – | – | – | – |
| Over one year to five years | – | – | – | – |
| Over five years | – | – | – | – |
| OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements | – | – | – | – |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year | – | | – | – |
| Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year | – | | – | – |
| Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness | – | | – | – |
| Unutilised credit card lines | – | | – | – |
| Off-balance sheet items for securitisation exposures | – | | – | – |
| Off-balance sheet exposures due to early amortisation provisions | – | | – | – |
| **Total** | – | – | – | – |

# Credit Risk

## OFF-BALANCE SHEET EXPOSURES AND CCR (CONTINUED)

The tables below show the credit derivative transactions that create exposures to CCR (notional value) segregated between own use and client intermediation activities:

### TABLE 23(A): DISCLOSURE ON CREDIT DERIVATIVE TRANSACTIONS FOR CIMBBG

| | CIMBBG | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Notional of Credit Derivatives | | | |
| (RM'000) | Protection Bought | Protection Sold | Protection Bought | Protection Sold |
| Own Credit Portfolio | **109,763** | **1,411,281** | 326,321 | 2,408,164 |
| Client Intermediation Activities | **–** | **–** | – | – |
| **Total** | **109,763** | **1,411,281** | 326,321 | 2,408,164 |
| Credit Default Swaps | **109,763** | **1,411,281** | 326,321 | 2,408,164 |
| Total Return Swaps | – | – | – | – |
| **Total** | **109,763** | **1,411,281** | 326,321 | 2,408,164 |

### TABLE 23(B): DISCLOSURE ON CREDIT DERIVATIVE TRANSACTIONS FOR CIMBISLG

| | CIMBISLG | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Notional of Credit Derivatives | | | |
| (RM'000) | Protection Bought | Protection Sold | Protection Bought | Protection Sold |
| Own Credit Portfolio | **–** | **–** | – | – |
| Client Intermediation Activities | **–** | **20,200** | – | 20,500 |
| **Total** | **–** | **20,200** | – | 20,500 |
| Credit Default Swaps | **–** | **–** | – | – |
| Total Return Swaps | **–** | **20,200** | – | 20,500 |
| **Total** | **–** | **20,200** | – | 20,500 |

### TABLE 23(C): DISCLOSURE ON CREDIT DERIVATIVE TRANSACTIONS FOR CIMBIBG

| | CIMBIBG | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Notional of Credit Derivatives | | | |
| (RM'000) | Protection Bought | Protection Sold | Protection Bought | Protection Sold |
| Own Credit Portfolio | **–** | **–** | – | – |
| Client Intermediation Activities | **–** | **–** | – | – |
| **Total** | **–** | **–** | – | – |
| Credit Default Swaps | **–** | **–** | – | – |
| Total Return Swaps | **–** | **–** | – | – |
| **Total** | **–** | **–** | – | – |

# Credit Risk

## CREDIT RISK MITIGATION

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support, form an integral part of the credit risk management process. Credit risk mitigants are taken, where possible, and are considered secondary recourse to the obligor for the credit risk underwritten.

### I) COLLATERALS/SECURITIES

All extension of secured credit facilities deemed prudent, must be appropriately and adequately collateralised. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy/standard. GCC or the relevant credit approving authority is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, quoted shares, unit trusts and debt securities, while physical collateral includes land, buildings and vehicles. Guarantors accepted are in line with BNM's CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

### II) COLLATERAL VALUATION AND MANAGEMENT

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collaterals to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a procedure for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

### III) NETTING

In mitigating the counterparty credit risks in foreign exchange and derivative transactions, the Group enters into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates greater legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

### IV) PORTFOLIO DIVERSIFICATION FOR BETTER CLARITY

The Group avoids unwanted credit or market risk concentrations by diversifying our portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any products, counterparty, sectors and country.

# Credit Risk

## CREDIT RISK MITIGATION (CONTINUED)

The following tables summarise the extent of which exposures are covered by eligible credit risk mitigants as at 31 December 2022 and 31 December 2021:

### TABLE 24(A): DISCLOSURE ON CREDIT RISK MITIGATION FOR CIMBBG

| 2022 | CIMBBG | | | |
|---|---|---|---|---|
| (RM'000)<br>Exposure Class | Exposures before CRM | Exposures Covered by Guarantees/ Credit Derivatives | Exposures Covered by Eligible Financial Collateral | Exposures Covered by Other Eligible Collateral |
| ***Performing Exposures*** | | | | |
| Sovereign/Central Banks | 107,983,552 | – | – | – |
| Public Sector Entities | 12,695,143 | 9,539,445 | 61 | – |
| Banks, DFIs & MDBs | 38,677,347 | 812,603 | 1,029,491 | – |
| Insurance Cos/Takaful Operators, Securities Firms & Fund Managers | 7,709,205 | – | 1,414,014 | – |
| Corporate | 170,998,270 | 8,454,149 | 10,629,261 | 22,527,011 |
| Residential Mortgages/RRE Financing | 118,399,697 | – | 893 | – |
| Qualifying Revolving Retail | 12,853,416 | – | – | – |
| Hire Purchase | 20,809,844 | – | – | – |
| Other Retail | 89,540,729 | 5,989,742 | 1,770,815 | – |
| Securitisation | 404,626 | – | – | – |
| Equity | 72 | – | – | – |
| Higher Risk Assets | 1,672,370 | – | – | – |
| Other Assets | 21,494,564 | – | – | – |
| ***Defaulted Exposures*** | 6,195,720 | 32,375 | 64,230 | 664,477 |
| **Total Exposures** | **609,434,556** | **24,828,314** | **14,908,765** | **23,191,487** |

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

# Credit Risk

## CREDIT RISK MITIGATION (CONTINUED)

### TABLE 24(A): DISCLOSURE ON CREDIT RISK MITIGATION FOR CIMBBG (CONTINUED)

| **2021** | **CIMBBG** | | | |
|---|---|---|---|---|
| **(RM'000)<br>Exposure Class** | **Exposures before CRM** | **Exposures Covered by Guarantees/ Credit Derivatives** | **Exposures Covered by Eligible Financial Collateral** | **Exposures Covered by Other Eligible Collateral** |
| ***Performing Exposures*** | | | | |
| Sovereign/Central Banks | 88,609,102 | – | – | – |
| Public Sector Entities | 9,914,829 | 5,750,445 | 75 | – |
| Banks, DFIs & MDBs | 33,542,695 | 1,497,258 | 892,898 | – |
| Insurance Cos/Takaful Operators, Securities Firms & Fund Managers | 4,472,692 | – | 44,678 | – |
| Corporate | 158,936,271 | 7,716,293 | 12,612,262 | 20,983,233 |
| Residential Mortgages/RRE Financing | 111,312,096 | – | 2,606 | – |
| Qualifying Revolving Retail | 11,261,691 | – | – | – |
| Hire Purchase | 19,171,112 | – | – | – |
| Other Retail | 84,530,001 | 4,088,988 | 1,973,682 | – |
| Securitisation | 480,627 | – | – | – |
| Equity | 83 | – | – | – |
| Higher Risk Assets | 1,753,206 | – | – | – |
| Other Assets | 14,931,598 | – | – | – |
| ***Defaulted Exposures*** | 5,201,915 | 13,185 | 45,157 | 824,118 |
| **Total Exposures** | 544,117,920 | 19,066,170 | 15,571,358 | 21,807,350 |

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

# Credit Risk

## CREDIT RISK MITIGATION (CONTINUED)

### TABLE 24(B): DISCLOSURE ON CREDIT RISK MITIGATION FOR CIMBISLG

**2022**

| (RM'000) Exposure Class | CIMBISLG Exposures before CRM | Exposures Covered by Guarantees/ Credit Derivatives | Exposures Covered by Eligible Financial Collateral | Exposures Covered by Other Eligible Collateral |
|---|---|---|---|---|
| ***Performing Exposures*** | | | | |
| Sovereign/Central Banks | **26,237,445** | **–** | **–** | **–** |
| Public Sector Entities | **3,108,358** | **2,539,445** | **–** | **–** |
| Banks, DFIs & MDBs | **2,016,799** | **–** | **120** | **–** |
| Takaful Operators, Securities Firms & Fund Managers | **–** | **–** | **–** | **–** |
| Corporate | **32,427,607** | **3,109,375** | **730,121** | **8,307,874** |
| RRE Financing | **35,515,470** | **–** | **–** | **–** |
| Qualifying Revolving Retail | **334,478** | **–** | **–** | **–** |
| Hire Purchase | **15,211,435** | **–** | **–** | **–** |
| Other Retail | **40,693,322** | **1,113,452** | **687,657** | **–** |
| Securitisation | **–** | **–** | **–** | **–** |
| Higher Risk Assets | **–** | **–** | **–** | **–** |
| Other Assets | **347,779** | **–** | **–** | **–** |
| ***Defaulted Exposures*** | **1,701,740** | **203** | **6,175** | **122,102** |
| **Total Exposures** | **157,594,434** | **6,762,474** | **1,424,073** | **8,429,977** |

**2021**

| (RM'000) Exposure Class | CIMBISLG Exposures before CRM | Exposures Covered by Guarantees/ Credit Derivatives | Exposures Covered by Eligible Financial Collateral | Exposures Covered by Other Eligible Collateral |
|---|---|---|---|---|
| ***Performing Exposures*** | | | | |
| Sovereign/Central Banks | 21,746,593 | – | – | – |
| Public Sector Entities | 1,861,417 | 1,750,445 | – | – |
| Banks, DFIs & MDBs | 1,336,057 | – | 19,578 | – |
| Takaful Operators, Securities Firms & Fund Managers | – | – | – | – |
| Corporate | 26,955,501 | 2,556,824 | 660,615 | 7,784,571 |
| RRE Financing | 30,026,547 | – | – | – |
| Qualifying Revolving Retail | 245,322 | – | – | – |
| Hire Purchase | 13,025,571 | – | – | – |
| Other Retail | 35,700,681 | 715,163 | 764,109 | – |
| Securitisation | – | – | – | – |
| Higher Risk Assets | – | – | – | – |
| Other Assets | 244,901 | – | – | – |
| ***Defaulted Exposures*** | 919,447 | 39 | 1,624 | 126,276 |
| **Total Exposures** | 132,062,036 | 5,022,471 | 1,445,925 | 7,910,847 |

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

# Credit Risk

## CREDIT RISK MITIGATION (CONTINUED)

### TABLE 24(C): DISCLOSURE ON CREDIT RISK MITIGATION FOR CIMBIBG

**2022**

| | CIMBIBG | | | |
|---|---|---|---|---|
| **(RM'000)<br>Exposure Class** | **Exposures before CRM** | **Exposures Covered by Guarantees/ Credit Derivatives** | **Exposures Covered by Eligible Financial Collateral** | **Exposures Covered by Other Eligible Collateral** |
| ***Performing Exposures*** | | | | |
| Sovereign/Central Banks | **110,125** | **–** | **–** | **–** |
| Public Sector Entities | **–** | **–** | **–** | **–** |
| Banks, DFIs & MDBs | **211,004** | **–** | **–** | **–** |
| Insurance Cos, Securities Firms & Fund Managers | **–** | **–** | **–** | **–** |
| Corporate | **50,698** | **–** | **–** | **–** |
| Residential Mortgages | **–** | **–** | **–** | **–** |
| Qualifying Revolving Retail | **–** | **–** | **–** | **–** |
| Hire Purchase | **–** | **–** | **–** | **–** |
| Other Retail | **–** | **–** | **–** | **–** |
| Securitisation | **–** | **–** | **–** | **–** |
| Higher Risk Assets | **–** | **–** | **–** | **–** |
| Other Assets | **36,837** | **–** | **–** | **–** |
| ***Defaulted Exposures*** | **–** | **–** | **–** | **–** |
| **Total Exposures** | **408,664** | **–** | **–** | **–** |

**2021**

| | CIMBIBG | | | |
|---|---|---|---|---|
| **(RM'000)<br>Exposure Class** | **Exposures before CRM** | **Exposures Covered by Guarantees/ Credit Derivatives** | **Exposures Covered by Eligible Financial Collateral** | **Exposures Covered by Other Eligible Collateral** |
| ***Performing Exposures*** | | | | |
| Sovereign/Central Banks | 360,546 | – | – | – |
| Public Sector Entities | – | – | – | – |
| Banks, DFIs & MDBs | 238,032 | – | – | – |
| Insurance Cos, Securities Firms & Fund Managers | – | – | – | – |
| Corporate | 4,638 | – | – | – |
| Residential Mortgages | – | – | – | – |
| Qualifying Revolving Retail | – | – | – | – |
| Hire Purchase | – | – | – | – |
| Other Retail | – | – | – | – |
| Securitisation | – | – | – | – |
| Higher Risk Assets | – | – | – | – |
| Other Assets | 60,450 | – | – | – |
| ***Defaulted Exposures*** | – | – | – | – |
| **Total Exposures** | 663,667 | – | – | – |

The type of collateral recognised in each asset class is in accordance to the approach adopted in computing the RWA. The CRM shown is computed after taking into account the haircut as prescribed by the guidelines. For assets under SA, only financial collateral and guarantee are recognised. For assets under F-IRB Approach, guarantee, financial collateral and other eligible collateral are recognised. For assets under A-IRB Approach, the collateral has been taken into consideration in the computation of LGD, hence, excluded from the CRM disclosure.

# Securitisation

## THE ROLE CIMB PLAYS IN THE SECURITISATION PROCESS

In the course of its business, CIMB Group has undertaken securitisations of its own originated assets as a means of diversifying funding source, as well as advised on securitisations of third party assets as part of its regional debt capital markets services for its clients.

CIMB Group securitises its own assets in order to, amongst others, manage credit risk and to manage term funding for CIMB Group's balance sheet. Typically, CIMB Group undertakes the following roles in the securitisation activities (either singularly or in combination):

- Originator and servicer of securitised assets
- Asset-backed securities marketing, syndication and trading
- Provider of liquidity facilities to self-originated and third-party transactions
- Investor of third-party securitisations (where CIMB is not originator or sponsor)

## DISCLOSURE ON SECURITISATION FOR BANKING BOOK

The following tables show the disclosure on Securitisation for Banking Book for 31 December 2022 and 31 December 2021:

### TABLE 25(A): DISCLOSURE ON SECURITISATION FOR BANKING BOOK

| | CIMBBG | | | |
|---|---|---|---|---|
| **(RM'000)<br>Underlying Asset** | **Total Exposures Securitised** | **Past Due** | **Credit Impaired** | **Gains/(Losses) Recognised during the year** |
| **2022** | | | | |
| **TRADITIONAL SECURITISATION (Banking Book)** | | | | |
| **Originated by the Banking Institution** | | | | |
| Hire Purchase Exposure | **48,859** | **5,790** | **2,425** | **388** |
| **2021** | | | | |
| **TRADITIONAL SECURITISATION (Banking Book)** | | | | |
| **Originated by the Banking Institution** | | | | |
| Hire Purchase Exposure | 191,155 | 14,749 | 8,715 | (2,013) |

### TABLE 25(B): DISCLOSURE ON SECURITISATION FOR BANKING BOOK

| | CIMBISLG | | | |
|---|---|---|---|---|
| **(RM'000)<br>Underlying Asset** | **Total Exposures Securitised** | **Past Due** | **Credit Impaired** | **Gains/(Losses) Recognised during the year** |
| **2022** | | | | |
| **TRADITIONAL SECURITISATION (Banking Book)** | | | | |
| **Originated by the Banking Institution** | | | | |
| Hire Purchase Exposure | **–** | **–** | **–** | **–** |
| **2021** | | | | |
| **TRADITIONAL SECURITISATION (Banking Book)** | | | | |
| **Originated by the Banking Institution** | | | | |
| Hire Purchase Exposure | 46,438 | 5,422 | 3,758 | (2,232) |

There were no outstanding exposures securitised by CIMBIBG as at 31 December 2022 and 31 December 2021.

# Securitisation

## DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK

The tables below represent the disclosure on Securitisation under the SA for Banking Book:

### TABLE 26(A): DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK EXPOSURES FOR CIMBBG

| 2022 | CIMBBG | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Distribution of Exposures after CRM according to Applicable Risk Weights | | | | | | | | | |
| | | | Rated Securitisation Exposures | | | | | | | Unrated (Look Through) | | |
| (RM'000) Exposure Class | Net Exposure After CRM | Exposures subject to deduction | 0% | 10% | 20% | 50% | 100% | 350% | 1250% | Weighted Average RW | Exposure Amount | Risk-Weighted Assets |
| **Traditional Securitisation (Banking Book)** | | | | | | | | | | | | |
| *Non-originating Banking Institution* | | | | | | | | | | | | |
| *On-Balance Sheet* | | | | | | | | | | | | |
| Most senior | 400,050 | - | - | - | 400,050 | - | - | - | - | | | 80,010 |
| Mezzanine | 4,576 | - | - | - | 4,576 | - | - | - | - | | | 915 |
| First loss | - | - | - | - | - | - | - | - | - | | | - |
| *Off-Balance Sheet* | | | | | | | | | | | | |
| Rated eligible liquidity facilities | - | - | | | - | - | - | - | - | | | - |
| Unrated eligible liquidity facilities (with original maturity >1 year) | - | - | | | - | - | - | - | - | | | - |
| Unrated eligible liquidity facilities (with original maturity <1 year) | - | - | | | - | - | - | - | - | | | - |
| Eligible servicer cash advance facilities | - | - | | | - | - | - | - | - | | | - |
| Eligible underwriting facilities | - | - | | | - | - | - | - | - | | | - |
| Guarantees and credit derivatives | - | - | | | - | - | - | - | - | | | - |
| Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives) | - | - | | | - | - | - | - | - | | | - |
| *Originating Banking Institution* | | | | | | | | | | | | |
| *On-Balance Sheet* | | | | | | | | | | | | |
| Most senior | - | - | - | - | - | - | - | - | - | | | - |
| Mezzanine | - | - | - | - | - | - | - | - | - | | | - |
| First loss | - | - | - | - | - | - | - | - | - | | | - |
| *Off-Balance Sheet* | | | | | | | | | | | | |
| Rated eligible liquidity facilities | - | - | | | - | - | - | - | - | | | - |
| Unrated eligible liquidity facilities (with original maturity >1 year) | - | - | | | - | - | - | - | - | - | - | - |
| Unrated eligible liquidity facilities (with original maturity <1 year) | - | - | | | - | - | - | - | - | | | - |
| Eligible servicer cash advance facilities | - | - | | | - | - | - | - | - | | | - |
| Eligible underwriting facilities | - | - | | | - | - | - | - | - | | | - |
| Guarantees and credit derivatives | - | - | | | - | - | - | - | - | | | - |
| Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives) | - | - | | | - | - | - | - | - | | | - |
| **Total Exposures** | 404,626 | - | - | - | 404,626 | - | - | - | - | - | - | 80,925 |

# Securitisation

## DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK (CONTINUED)

### TABLE 26(A): DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK EXPOSURES FOR CIMBBG (CONTINUED)

| 2021 | CIMBBG | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Distribution of Exposures after CRM according to Applicable Risk Weights | | | | | | | | | |
| | | | Rated Securitisation Exposures | | | | | | | Unrated (Look Through) | | |
| (RM'000) Exposure Class | Net Exposure After CRM | Exposures subject to deduction | 0% | 10% | 20% | 50% | 100% | 350% | 1250% | Weighted Average RW | Exposure Amount | Risk-Weighted Assets |
| **Traditional Securitisation (Banking Book)** | | | | | | | | | | | | |
| *Non-originating Banking Institution* | | | | | | | | | | | | |
| *On-Balance Sheet* | | | | | | | | | | | | |
| Most senior | 475,916 | – | – | – | 475,916 | – | – | – | – | | | 95,183 |
| Mezzanine | 4,711 | – | – | – | 4,711 | – | – | – | – | | | 942 |
| First loss | – | – | – | – | – | – | – | – | – | | | – |
| *Off-Balance Sheet* | | | | | | | | | | | | |
| Rated eligible liquidity facilities | – | – | | | – | – | – | – | – | | | – |
| Unrated eligible liquidity facilities (with original maturity > 1 year) | – | – | | | – | – | – | – | – | | | – |
| Unrated eligible liquidity facilities (with original maturity < 1 year) | – | – | | | – | – | – | – | – | | | – |
| Eligible servicer cash advance facilities | – | – | | | – | – | – | – | – | | | – |
| Eligible underwriting facilities | – | – | | | – | – | – | – | – | | | – |
| Guarantees and credit derivatives | – | – | | | – | – | – | – | – | | | – |
| Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives) | – | – | | | – | – | – | – | – | | | – |
| *Originating Banking Institution* | | | | | | | | | | | | |
| *On-Balance Sheet* | | | | | | | | | | | | |
| Most senior | – | – | – | – | – | – | – | – | – | | | – |
| Mezzanine | – | – | – | – | – | – | – | – | – | | | – |
| First loss | – | – | – | – | – | – | – | – | – | | | – |
| *Off-Balance Sheet* | | | | | | | | | | | | |
| Rated eligible liquidity facilities | – | – | | | – | – | – | – | – | | | – |
| Unrated eligible liquidity facilities (with original maturity > 1 year) | – | – | | | – | – | – | – | – | – | – | – |
| Unrated eligible liquidity facilities (with original maturity < 1 year) | – | – | | | – | – | – | – | – | | | – |
| Eligible servicer cash advance facilities | – | – | | | – | – | – | – | – | | | – |
| Eligible underwriting facilities | – | – | | | – | – | – | – | – | | | – |
| Guarantees and credit derivatives | – | – | | | – | – | – | – | – | | | – |
| Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives) | – | – | | | – | – | – | – | – | | | – |
| **Total Exposures** | 480,627 | – | – | – | 480,627 | – | – | – | – | – | – | 96,125 |

# Securitisation

## DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK (CONTINUED)

### TABLE 26(B): DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK EXPOSURES FOR CIMBISLG

| 2022 | CIMBISLG | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Distribution of Exposures after CRM according to Applicable Risk Weights | | | | | | | | | | | |
| | | | Rated Securitisation Exposures | | | | | | | Unrated (Look Through) | | |
| (RM'000) Exposure Class | Net Exposure After CRM | Exposures subject to deduction | 0% | 10% | 20% | 50% | 100% | 350% | 1250% | Weighted Average RW | Exposure Amount | Risk-Weighted Assets |
| **Traditional Securitisation (Banking Book)** | | | | | | | | | | | | |
| *Non-originating Banking Institution* | | | | | | | | | | | | |
| *On-Balance Sheet* | | | | | | | | | | | | |
| Most senior | - | - | - | - | - | - | - | - | - | | | - |
| Mezzanine | - | - | - | - | - | - | - | - | - | | | - |
| First loss | - | - | - | - | - | - | - | - | - | | | - |
| *Off-Balance Sheet* | | | | | | | | | | | | |
| Rated eligible liquidity facilities | - | - | | | - | - | - | - | - | | | - |
| Unrated eligible liquidity facilities (with original maturity > 1 year) | - | - | | | - | - | - | - | - | | | - |
| Unrated eligible liquidity facilities (with original maturity < 1 year) | - | - | | | - | - | - | - | - | | | - |
| Eligible servicer cash advance facilities | - | - | | | - | - | - | - | - | | | - |
| Eligible underwriting facilities | - | - | | | - | - | - | - | - | | | - |
| Guarantees and credit derivatives | - | - | | | - | - | - | - | - | | | - |
| Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives) | - | - | | | - | - | - | - | - | | | - |
| *Originating Banking Institution* | | | | | | | | | | | | |
| *On-Balance Sheet* | | | | | | | | | | | | |
| Most senior | - | - | - | - | - | - | - | - | - | | | - |
| Mezzanine | - | - | - | - | - | - | - | - | - | | | - |
| First loss | - | - | - | - | - | - | - | - | - | | | - |
| *Off-Balance Sheet* | | | | | | | | | | | | |
| Rated eligible liquidity facilities | - | - | | | - | - | - | - | - | | | - |
| Unrated eligible liquidity facilities (with original maturity > 1 year) | - | - | | | - | - | - | - | - | - | - | - |
| Unrated eligible liquidity facilities (with original maturity < 1 year) | - | - | | | - | - | - | - | - | | | - |
| Eligible servicer cash advance facilities | - | - | | | - | - | - | - | - | | | - |
| Eligible underwriting facilities | - | - | | | - | - | - | - | - | | | - |
| Guarantees and credit derivatives | - | - | | | - | - | - | - | - | | | - |
| Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives) | - | - | | | - | - | - | - | - | | | - |
| **Total Exposures** | - | - | - | - | - | - | - | - | - | - | - | - |

# Securitisation

## SECURITISATION UNDER THE SA FOR BANKING BOOK (CONTINUED)

### TABLE 26(B): DISCLOSURE ON SECURITISATION UNDER THE SA FOR BANKING BOOK EXPOSURES FOR CIMBISLG (CONTINUED)

| 2021 | | | CIMBISLG | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | Distribution of Exposures after CRM according to Applicable Risk Weights | | | | | | | | | |
| | | | Rated Securitisation Exposures | | | | | | | Unrated (Look Through) | | |
| (RM'000) Exposure Class | Net Exposure After CRM | Exposures subject to deduction | 0% | 10% | 20% | 50% | 100% | 350% | 1250% | Weighted Average RW | Exposure Amount | Risk-Weighted Assets |
| **Traditional Securitisation (Banking Book)** | | | | | | | | | | | | |
| *Non-originating Banking Institution* | | | | | | | | | | | | |
| *On-Balance Sheet* | | | | | | | | | | | | |
| Most senior | - | - | - | - | - | - | - | - | - | | | - |
| Mezzanine | - | - | - | - | - | - | - | - | - | | | - |
| First loss | - | - | - | - | - | - | - | - | - | | | - |
| *Off-Balance Sheet* | | | | | | | | | | | | |
| Rated eligible liquidity facilities | - | - | | | - | - | - | - | - | | | - |
| Unrated eligible liquidity facilities (with original maturity > 1 year) | - | - | | | - | - | - | - | - | | | - |
| Unrated eligible liquidity facilities (with original maturity < 1 year) | - | - | | | - | - | - | - | - | | | - |
| Eligible servicer cash advance facilities | - | - | | | - | - | - | - | - | | | - |
| Eligible underwriting facilities | - | - | | | - | - | - | - | - | | | - |
| Guarantees and credit derivatives | - | - | | | - | - | - | - | - | | | - |
| Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives) | - | - | | | - | - | - | - | - | | | - |
| *Originating Banking Institution* | | | | | | | | | | | | |
| *On-Balance Sheet* | | | | | | | | | | | | |
| Most senior | - | - | - | - | - | - | - | - | - | | | - |
| Mezzanine | - | - | - | - | - | - | - | - | - | | | - |
| First loss | - | - | - | - | - | - | - | - | - | | | - |
| *Off-Balance Sheet* | | | | | | | | | | | | |
| Rated eligible liquidity facilities | - | - | | | - | - | - | - | - | | | - |
| Unrated eligible liquidity facilities (with original maturity > 1 year) | - | - | | | - | - | - | - | - | - | - | - |
| Unrated eligible liquidity facilities (with original maturity < 1 year) | - | - | | | - | - | - | - | - | | | - |
| Eligible servicer cash advance facilities | - | - | | | - | - | - | - | - | | | - |
| Eligible underwriting facilities | - | - | | | - | - | - | - | - | | | - |
| Guarantees and credit derivatives | - | - | | | - | - | - | - | - | | | - |
| Other off-balance sheet securitisation exposures (excl. guarantees and credit derivatives) | - | - | | | - | - | - | - | - | | | - |
| **Total Exposures** | - | - | - | - | - | - | - | - | - | - | - | - |

As at 31 December 2022 and 31 December 2021, CIMBIBG has no Securitisation under the SA for Banking Book Exposures.

# Securitisation

## SECURITISATION UNDER THE SA FOR TRADING BOOK EXPOSURES SUBJECT TO MARKET RISK CAPITAL CHARGE

The tables below present the Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge:

### TABLE 27(A): DISCLOSURE ON SECURITISATION UNDER THE SA FOR TRADING BOOK EXPOSURES SUBJECT TO MARKET RISK CAPITAL CHARGE FOR CIMBBG

| 2022 | CIMBBG | | | | |
|---|---|---|---|---|---|
| (RM'000)<br>Securitisation Exposures | Total Exposure Value of Positions Purchased or Retained | Exposures subject to deduction | General Risk Charge | Specific Risk Charge | Risk-Weighted Assets |
| **TRADITIONAL SECURITISATION** | | | | | |
| **Originated by Third Party** | | | | | |
| *On-Balance Sheet* | – | – | – | – | – |
| *Off-Balance Sheet* | – | – | – | – | – |
| *Sub-total* | – | – | – | – | – |
| **Originated by Banking Institution** | | | | | |
| *On-Balance Sheet* | – | – | – | – | – |
| *Off-Balance Sheet* | – | – | – | – | – |
| *Sub-total* | – | – | – | – | – |
| **Securitisation subject to Early Amortisation** | | | | | |
| Seller's interest | | | | | |
| *On-Balance Sheet* | – | – | – | – | – |
| *Off-Balance Sheet* | – | – | – | – | – |
| Investor's interest | | | | | |
| *On-Balance Sheet* | – | – | – | – | – |
| *Off-Balance Sheet* | – | – | – | – | – |
| *Sub-total* | – | – | – | – | – |
| **TOTAL (TRADITIONAL SECURITISATION)** | – | – | – | – | – |

# Securitisation

## SECURITISATION UNDER THE SA FOR TRADING BOOK EXPOSURES SUBJECT TO MARKET RISK CAPITAL CHARGE (CONTINUED)

### TABLE 27(A): DISCLOSURE ON SECURITISATION UNDER THE SA FOR TRADING BOOK EXPOSURES SUBJECT TO MARKET RISK CAPITAL CHARGE FOR CIMBBG (CONTINUED)

| **2021** | | | **CIMBBG** | | |
|---|---|---|---|---|---|
| **(RM'000) Securitisation Exposures** | **Total Exposure Value of Positions Purchased or Retained** | **Exposures subject to deduction** | **General Risk Charge** | **Specific Risk Charge** | **Risk-Weighted Assets** |
| **TRADITIONAL SECURITISATION** | | | | | |
| **Originated by Third Party** | | | | | |
| *On-Balance Sheet* | 4,975 | – | 17 | 12 | 372 |
| *Off-Balance Sheet* | – | – | – | – | – |
| *Sub-total* | 4,975 | – | 17 | 12 | 372 |
| **Originated by Banking Institution** | | | | | |
| *On-Balance Sheet* | – | – | – | – | – |
| *Off-Balance Sheet* | – | – | – | – | – |
| *Sub-total* | – | – | – | – | – |
| **Securitisation subject to Early Amortisation** | | | | | |
| Seller's interest | | | | | |
| *On-Balance Sheet* | – | – | – | – | – |
| *Off-Balance Sheet* | – | – | – | – | – |
| Investor's interest | | | | | |
| *On-Balance Sheet* | – | – | – | – | – |
| *Off-Balance Sheet* | – | – | – | – | – |
| *Sub-total* | – | – | – | – | – |
| **TOTAL (TRADITIONAL SECURITISATION)** | 4,975 | – | 17 | 12 | 372 |

As at 31 December 2022 and 31 December 2021, CIMBISLG and CIMBIBG have no Securitisation under the SA for Trading Book Exposures subject to Market Risk Capital Charge.

# Market Risk

Market risk is defined as fluctuations in the value of financial instruments due to changes in market risk factors such as interest rates/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility.

## MARKET RISK MANAGEMENT

The Group hedges the exposures to market risk by employing various strategies, including the use of derivative instruments.

The Group adopts various measures as part of the risk management process. The GRCC with the assistance of GMCRC and its delegated committees ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board.

Market Risk CoE is responsible for measuring and controlling the Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework. Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried out with the independent price verification requirements to ensure that financial assets/liabilities are recorded at fair value. The valuation methods and models used are validated by risk management quantitative analysts to assess their applicability relative to market conditions.

The Group adopts the VaR methodology as an approach in the measurement of market risk. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level.

Stress testing is conducted to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenarios, consideration is given to various aspects of the market; for example, identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

In addition to the above, Market Risk CoE undertakes the monitoring and oversight process at Treasury & Markets' trading floors, which include reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, monitoring limit usage, assessing limit adequacy and verifying transaction prices.

## CAPITAL TREATMENT FOR MARKET RISK

At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM's guidelines on CAF (Basel II - Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

Details on RWA and capital requirements related to Market Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG for the following in Tables 2(a), (b) and (c):

- Interest Rate Risk/Profit Rate Risk;
- Foreign Currency Risk;
- Equity Risk;
- Commodity Risk; and
- Options Risk.

# Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. It includes legal risk but excludes strategic and Shariah non-compliance risks.

## OPERATIONAL RISK MANAGEMENT OVERSIGHT

The NFRM CoE, within Group Risk, provides the methodology, tools and processes for the identification, assessment, reporting and management of operational risks by the respective risk owners across the Group. Identified risks are rated using a defined risk rating methodology applied across the Group's Three Lines-of-Defence. The NFRM CoE also independently oversees the operational risk controls monitoring that resides within the first line-of-defence.

Monitoring of the identified risks is primarily done through the Operational Risk Committee or relevant risk management committees operating in each material geography and business line. These committees report up to the relevant functional or country level committees.

The Group Operational & Resiliency Risk Management Committee (GORRC) is the senior management committee at the Group-level that is tasked to oversee the operational risk framework and policies to ensure they are appropriate for the size and complexity of the current and future operations of CIMB Group and make recommendation to the GRCC for approval. GORRC oversees and monitors the overall control environment of CIMB Group and reports to the GRCC on material operational and reputational risks. Reputation risk is defined as current or prospective risk to earnings and capital arising from the adverse perception by the stakeholders about the Group's business practices, conduct or financial condition.

## OPERATIONAL RISK MANAGEMENT APPROACH

CIMB Group recognises that the key determinant for a well-managed banking operation is to cultivate an organisation-wide risk management discipline and culture. The Group manages operational risks through the following key measures:

i) Sound risk management practices in accordance with Basel regulatory guidelines;
ii) Board and senior management oversight;
iii) Well-defined responsibilities for all personnel concerned;
iv) Establishment of a risk management culture; and
v) Deployment of Operational Risk Management (ORM) tools that include:
   - Operational Event and Loss Data Management;
   - Risk & Control Self-Assessment;
   - Control Issue Management;
   - Key Risk Indicators;
   - New Product Approval Process; and
   - Scenario Analysis.

# Operational Risk

## OPERATIONAL RISK MANAGEMENT APPROACH (CONTINUED)

These tools form part of the operational risk framework that allows the Group to effectively identify, measure, mitigate and report its operational risks. Each material division of the Group self-assesses on their internal risk and control environment rating and report key control deficiencies with remediation plans.

Each new or varied product with changes to the process flow is subjected to a rigorous risk review, where all critical and relevant areas of risk are being appropriately identified and assessed independently from the risk takers or product owners.

The promotion of a risk management culture within the Group, whereby the demand for integrity and honesty is non-negotiable, remains the core theme in our operational risk awareness program. Additionally, the e-learning module on operational risk management has enhanced the awareness of operational risk amongst the staff.

## CAPITAL TREATMENT FOR OPERATIONAL RISK

The Group adopts the Basic Indicator Approach to compute operational risk capital requirement under BNM's guidelines on CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets).

Details on RWA and capital requirements related to Operational Risk are disclosed separately for CIMBBG, CIMBISLG and CIMBIBG in Tables 2 (a), (b) and (c).

# Equity Exposures in Banking Book

The Group's banking book equity investments consist of:

i) Strategic stakes in entities held as part of growth initiatives and/or in support of business operations; and

ii) Investments held for yield and/or long-term capital gains.

The Group's and CIMB's banking book equity investments are measured at fair value in accordance with Malaysian Financial Reporting Standards.

Realised and unrealised gains or losses arising from sales and liquidations of equities for the year ended 31 December 2022 and 31 December 2021 are as follows:

### TABLE 28(A): REALISED GAINS/(LOSSES) FROM SALES AND LIQUIDATIONS, AND UNREALISED GAINS OF EQUITIES FOR CIMBBG

| | CIMBBG | |
|---|---|---|
| **(RM'000)** | **2022** | **2021** |
| **Realised loss** | | |
| Shares, private equity funds and unit trusts | **–** | – |
| **Unrealised gains** | | |
| Shares, private equity funds and unit trusts | **38,506** | 51,954 |

There were no realised and unrealised gained or losses for equity holdings in banking book for CIMBISLG and CIMBIBG as at 31 December 2022 and 31 December 2021.

The following table shows an analysis of equity investments by appropriate equity groupings and Risk-Weighted assets as at 31 December 2022 and 31 December 2021 for the Group:

### TABLE 29(A): ANALYSIS OF EQUITY INVESTMENTS BY GROUPING AND RWA FOR CIMBBG

| | CIMBBG | | | |
|---|---|---|---|---|
| | **2022** | | **2021** | |
| **(RM'000)** | **Exposures subject to Risk-Weighting** | **RWA** | **Exposures subject to Risk-Weighting** | **RWA** |
| Privately held | **1,658,490** | **2,487,735** | 1,739,576 | 2,609,364 |
| Publicly traded | **72** | **72** | 83 | 83 |
| **Total** | **1,658,562** | **2,487,807** | 1,739,659 | 2,609,447 |

### TABLE 29(B): ANALYSIS OF EQUITY INVESTMENTS BY GROUPING AND RWA FOR CIMBISLG

| | CIMBISLG | | | |
|---|---|---|---|---|
| | **2022** | | **2021** | |
| **(RM'000)** | **Exposures subject to Risk-Weighting** | **RWA** | **Exposures subject to Risk-Weighting** | **RWA** |
| Privately held | **–** | **–** | – | – |
| Publicly traded | **–** | **–** | – | – |
| **Total** | **–** | **–** | – | – |

# Equity Exposures in Banking Book

## TABLE 29(C): ANALYSIS OF EQUITY INVESTMENTS BY GROUPING AND RWA FOR CIMBIBG

| | CIMBIBG | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| (RM'000) | Exposures subject to Risk-Weighting | RWA | Exposures subject to Risk-Weighting | RWA |
| Privately held | – | – | – | – |
| Publicly traded | – | – | – | – |
| **Total** | – | – | – | – |

# Interest Rate Risk/Rate of Return Risk in the Banking Book

IRRBB/RORBB is defined as the current and potential risk to the Group's earnings and economic value arising from movement of interest rates/profit rates.

## IRRBB/RORBB MANAGEMENT

The Group manages its banking book exposure to fluctuations in the interest rates/profit rates through policies established by GALCO. The GALCO is a board-delegated committee which reports to the GRCC. IRRBB/RORBB undertaken by the Group is governed by an established risk appetite that defines the acceptable level of risk to be assumed by the Group. The risk appetite is established by the Board. With the support from ALM COE under Group Risk, EXCO Balance Sheet Management under Group Corporate Treasury and Capital Management under Group Finance, the GALCO is responsible for steering the Group's balance sheet and hedging strategies, the overall interest rate risk/rate of return risk in the banking book profile and ensuring that such risk profile is within the established risk appetite. Interest rate risk/rate of return risk in the banking book exposure based on balance sheet forecasts and relevant risk drivers are projected to help in business and hedging strategies planning. Treasury & Markets, together with EXCO Balance Sheet Management and Capital Management, are responsible for the day-to-day management of exposures and gapping activities including execution of hedging strategies.

IRRBB/RORBB is measured by:

- **Economic Value of Equity sensitivity:**
  measures the long-term impact of sudden interest rate/profit rate movement across the full maturity spectrum of the Group's assets and liabilities. It defines and quantifies interest rate risk/rate of return risk as the change in the economic value of equity (e.g. present value of potential future earnings and capital) as asset portfolio values and liability portfolio values would rise and fall with changes in interest rates/profit rates. This measure helps the Group to quantify the risk and impact on capital with the focus on current banking book positions.

For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/profit rate shock is applied. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing are profiled based on core balance assumptions. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

The tables below illustrate the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/profit rate shock from economic value perspective:

### TABLE 30(A): IRRBB – IMPACT ON ECONOMIC VALUE FOR CIMBBG

| | CIMBBG | |
|---|---|---|
| | **2022** | **2021** |
| **(RM'000)**<br>**Currency** | **+100bps Increase/(Decline) in Economic Value (Value in RM Equivalent)** | |
| Ringgit Malaysia | **(3,148,261)** | (3,106,269) |
| US Dollar | **(127,165)** | (139,763) |
| Thai Baht | **(499,026)** | (450,557) |
| Singapore Dollar | **(241,653)** | (341,014) |
| Others | **(40,639)** | (56,777) |
| **Total** | **(4,056,744)** | (4,094,380) |

# Interest Rate Risk/Rate of Return Risk in the Banking Book

## IRRBB/RORBB MANAGEMENT (CONTINUED)

- **ECONOMIC VALUE OF EQUITY SENSITIVITY: (CONTINUED)**

**TABLE 30(B): RORBB – IMPACT ON ECONOMIC VALUE FOR CIMBISLG**

| | CIMBISLG | |
|---|---|---|
| | 2022 | 2021 |
| (RM'000) Currency | +100bps Increase/(Decline) in Economic Value (Value in RM Equivalent) | |
| Ringgit Malaysia | **(826,305)** | (852,495) |
| US Dollar | **2,965** | (989) |
| Thai Baht | **–** | – |
| Singapore Dollar | **1** | 1 |
| Others | **(644)** | (999) |
| **Total** | **(823,983)** | (854,482) |

**TABLE 30(C): IRRBB – IMPACT ON ECONOMIC VALUE FOR CIMBIBG**

| | CIMBIBG | |
|---|---|---|
| | 2022 | 2021 |
| (RM'000) Currency | +100bps Increase/(Decline) in Economic Value (Value in RM Equivalent) | |
| Ringgit Malaysia | **(104)** | (16) |
| US Dollar | **–** | – |
| Thai Baht | **–** | – |
| Singapore Dollar | **–** | – |
| Others | **–** | – |
| **Total** | **(104)** | (16) |

- **Earnings-at-Risk:**

  is the potential impact of interest/profit rate changes on the Bank's accruing or reported earnings. It focuses on risk-to-earnings in the near term, typically the next one year. Fluctuations in interest rates/profit rates generally affect reported earnings through changes in the Bank's net interest/profit income, which is the difference between total interest/profit income earned from assets and total interest/profit expense incurred from liabilities. The Group's EAR is taking into consideration forecasts on new business generation and product pricing strategies.

For the purpose of this disclosure, the impact under an instantaneous 100 bps parallel interest rate/profit rate shock is applied to the static balance sheet positions. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing are profiled based on core balance assumptions. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and so forth.

# Interest Rate Risk/Rate of Return Risk in the Banking Book

## IRRBB/RORBB MANAGEMENT (CONTINUED)

- **EARNINGS-AT-RISK: (CONTINUED)**

The tables below illustrate the Group's IRRBB/RORBB under a 100 bps parallel upward interest rate/profit rate shock from the earnings perspective:

**TABLE 31(A): IRRBB – IMPACT ON EARNINGS FOR CIMBBG**

| (RM'000) Currency | CIMBBG 2022 | 2021 |
|---|---|---|
| | +100bps Increase/(Decline) in Earnings (Value in RM Equivalent) | |
| Ringgit Malaysia | **22,345** | (8,370) |
| US Dollar | **(264,259)** | (244,719) |
| Thai Baht | **(83,358)** | (88,561) |
| Singapore Dollar | **8,676** | (32,617) |
| Others | **33,096** | 58,441 |
| **Total** | **(283,500)** | (315,826) |

**TABLE 31(B): RORBB – IMPACT ON EARNINGS FOR CIMBISLG**

| (RM'000) Currency | CIMBISLG 2022 | 2021 |
|---|---|---|
| | +100bps Increase/(Decline) in Earnings (Value in RM Equivalent) | |
| Ringgit Malaysia | **34,761** | (35,845) |
| US Dollar | **(37,069)** | (16,760) |
| Thai Baht | **9** | 9 |
| Singapore Dollar | **(27)** | (20) |
| Others | **(2,925)** | 549 |
| **Total** | **(5,251)** | (52,067) |

**TABLE 31(C): IRRBB – IMPACT ON EARNINGS FOR CIMBIBG**

| (RM'000) Currency | CIMBIBG 2022 | 2021 |
|---|---|---|
| | +100bps Increase/(Decline) in Earnings (Value in RM Equivalent) | |
| Ringgit Malaysia | **5,039** | 5,049 |
| US Dollar | **–** | – |
| Thai Baht | **–** | – |
| Singapore Dollar | **–** | – |
| Others | **–** | (8) |
| **Total** | **5,039** | 5,041 |

# Sustainability Risk

Sustainability risk is defined as the risk of financial and non-financial impact arising from environmental, social and ethical issues stemming from transactions and/or activities associated with a business relation and its operations, and/or the Group's own internal operations and employee.

The Sustainability Governance Framework defines the roles and responsibilities of Board, management and the rest of the organisation in fulfilling our aspiration to become a high performing purpose-driven organisation to help advance customers and society. The Framework also aims to ensure that sustainability-related risks are effectively identified, assessed and managed in a timely manner, while improving transparency through disclosures and reporting to promote overall accountability. The Sustainability Governance Framework, including the sustainability operating model, sustainability risk management framework, as well as policies and procedures, are regularly reviewed and strengthened to ensure continued relevance in view of emerging risks and evolving stakeholder priorities.

Three main policies ensure proper governance and management of sustainability risks across the Group. These are:

- Group Sustainability Policy (GSP), which outlines our overarching principles and approach to sustainability and sustainability risk management.
- Group Sustainable Financing Policy (GSFP) governs the handling of environmental and social risks in non-retail financing and capital raising transactions. CIMB has identified 148 sub-sectors, within 10 main industries, that are classified as high sustainability risk. We have developed seven Sector Guides that cover palm oil, forestry, oil and gas, construction and infrastructure, coal, mining and quarrying, and manufacturing sectors.
- Group Human Rights Policy (GHR), which lays out our overarching commitments, principles and approaches to respecting Human Rights.


Our Integrated Annual Report cover features CIMB's chevron, reinforcing our commitment to advance customers and society forward into the future. The hexagon on the cover of our Financial Statements represents our multi-dimensional approach to planning and delivering growth. Finally, our Sustainability Report cover features a circle that reflects our greater responsibility in driving business and relationships along our value chain.

Together the three covers of CIMB's 2022 Integrated Annual Report convey our journey of moving Forward, achieving sustainable growth and delivering value for all stakeholders.

**SIMPLICITY**
We have gone sparse – replacing full scale and massive images with more icons, and limited the use of colours, keeping it rich.

**CLEAN LINES**
We optimised use of line-drawings, non-filled bar graphs/charts, and clean lines for clarity and visually more pleasing and easier to decipher.

**MINIMAL ART**
Our design this year balances between a clever play of space, creative design, and icons and tighter leadings and margins for text to reduce number of pages.

**MONOCHROMATIC COLOR PALETTE**
By using a single base colour, and its variant shades and tones, we minimised the use of multiple colours that require more ink, with potential wastage.

**REDUCTIVISM**
Where possible, we have avoided and reduced the need for heavy texts, fonts, and design elements including photographs etc.

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This Report is printed on environmentally friendly paper