Company No: 200401032872 (671380-H)

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements
for the financial year ended 31 December 2021

Company No: 200401032872 (671380-H)

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2021

Contents

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2021

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and CIMB Islamic Bank Berhad ("CIMB Islamic" or "the Bank") for the financial year ended 31 December 2021.

Principal activities

The principal activities of the Bank during the financial year are Islamic banking and finance business and the provision of related financial services. The principal activities of the subsidiaries as set out in Note 12 to the Financial Statements, consist of Islamic nominees services. There was no significant change in the nature of these activities during the financial year.

Financial results

	The Group RM'000	The Bank RM'000
Profit after taxation and zakat	**871,780**	**870,483**

Dividend

No dividends have been paid or declared by the Group and the Bank since the financial year ended 31 December 2020.

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2021.

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.

CIMB Islamic Bank Berhad

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Directors' Report
for the financial year ended 31 December 2021 (Continued)

Share-based employee benefit plan

The Group's and the Bank's employee benefit schemes are explained in Note 44 to the Financial Statements.

Bad and doubtful financing

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

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

Current assets

Before the Financial Statements of the Group and of the Bank were prepared, the Directors took reasonable steps to ascertain that any current assets, other than 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 Bank 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 Bank 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 Bank 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 Bank 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 Bank which has arisen since the end of the financial year other than in the ordinary course of banking business.

No contingent or other liability in the Group or the Bank 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 Bank and its subsidiaries to meet their obligations when they fall due.

Change of circumstances

At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in this Report or the Financial Statements of the Group and of the Bank, 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 Bank'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 48.1 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 Bank for the financial year in which this Report is made other than those disclosed in Note 48.2 to the Financial Statements.

Directors

The Directors of the Bank 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:

Dato' Mohamed Ross bin Mohd Din
Ahmed Baqar Rehman
Ho Yuet Mee
Jalalullail Othman
Ahmad Shahriman bin Mohd Shariff
Dr Azura Othman (appointed on 1 July 2021)

In accordance with Article 75, 88 and 89 of the Bank's Constitution, Dr. Azura Othman and Encik Jalalullail Othman shall retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

Directors' interests in shares and share options

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 ultimate holding company and its related corporation during the financial year are as follows:

	Number of ordinary shares			
	As at 1 January 2021	Acquired/ Granted	Disposed/ Vested	As at 31 December 2021
<u>Ultimate holding company</u>				
CIMB Group Holdings Berhad				
Direct interest				
Ahmad Shahriman bin Mohd Shariff	-	10,447 (a)	-	10,447

(a) Shares granted under Equity Ownership Plan ("EOP") and acquired by way of the exercise of Dividend Reinvestment Scheme ("DRS")

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 of the Bank, the holding company, the ultimate holding company and the Bank's related corporations during the financial year.

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2021 (Continued)

Directors' interests in shares and share options (Continued)

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 fulfill 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, where vesting is subject to service conditions. 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 service and performance conditions (based on return on equity targets and individual performance). 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 44 to the Financial Statements.

(i) Details of ESOS shares awarded:

Award Date	Fair Value RM	Awarded (Units'000)	Vesting Dates
9 June 2021	0.45	216,758	31 March 2024
			31 March 2025

Directors' interests in shares and share options (Continued)

The following table indicates the number and movement of ESOS shares during the financial year ended 31 December 2021:

	Outstanding as at	Movement during the year		Outstanding as at	Exerciseable as at
	1 January 2021	Awarded	Expired/ Forfeited	31 December 2021	31 December 2021
Award Date	(Units'000)	(Units'000)	(Units'000)	(Units'000)	(Units'000)
9 June 2021	-	6,376	(435)	5,941	-

(ii) Details of SGP shares awarded

Award Date	Fair Value	Awarded	Vesting Dates
	RM	(Units'000)	
9 June 2021	4.65	15,748	31 March 2024 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 2021:

	Outstanding as at	Movement during the year		Outstanding as at	Exerciseable as at
	1 January 2021	Awarded	Expired/ Forfeited	31 December 2021	31 December 2021
Award Date	(Units'000)	(Units'000)	(Units'000)	(Units'000)	(Units'000)
9 June 2021	-	461	(31)	430	-

Executive Director and Key Management Personnel who have been awarded with the ESOS and SGP during the financial year ended 31 December 2021 are listed below:

	No of ESOS Awarded	No of SGP Awarded
Name	(Units'000)	(Units'000)
Ahmad Shariman bin Mohd Shariff	5,000	364
Key management personnel	941	66

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 41 to the Financial Statements or the fixed salary as a full time employees of the Bank) by reason of a contract made by the Bank 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 Bank is a party with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than Equity Ownership Plan ("EOP") and Long Term Incentive Plan of the ultimate holding company (shown in Note 44 to the Financial Statements).

Subsidiaries

(a) Details of subsidiaries

Details of subsidiaries are as set out in Note 12 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 12 to the Financial Statements.

Auditors' Remuneration

Details of auditors' remuneration are as set out in Note 40 to the Financial Statements.

Directors' Report for the financial year ended 31 December 2021 (Continued)

2021 Business Plan and Strategy

2021 was another challenging year for the banking industry underpinned by a slower domestic and global economy, a weakened Ringgit, intensified competition and margin pressure from lower profit rates. Recovery was stymied by the resurgence of COVID-19 infections resulting in new movement control restrictions and lockdowns that affected business momentum. During the financial year, the Bank continued its risk mitigation practices put in place since 2020 to ensure the safety and well-being of our customers and staff while minimising business disruptions.

We continued to support customers impacted by the pandemic through various financing relief programmes such as financing moratorium and rescheduling and restructuring ("R&R"). Prudent credit risk management actions were maintained through credit tightening for impacted sectors and ensuring collection activities remain robust.

The year saw issuances of several landmark Sustainability and Green Sukuks including a RM210 million ASEAN SRI Green Senior Sukuk by a sustainable energy solutions company. Proceeds from this issuance will be utilised by the issuer to finance projects and activities that contribute to emission reductions and have direct positive environmental impact. Digital proliferation efforts continued via various enhancements and leveraging eKYC to provide customers greater ease for digital transactions, account opening and enabling customer acquisition. Cost discipline remained an integral focal point as the Bank emphasised cost optimisation with various initiatives across segments and divisions.

Outlook for 2022

The Bank remains cautiously optimistic for 2022 and expects a gradual economic recovery across all our key operating markets on the back of a progressive easing of pandemic restrictions, continued opening of economies and sustained stimulus measures undertaken by respective governments. However, the current operating environment warrants caution as uncertainties persist with headwinds brought about by the new Covid-19 variants and mutations, within an environment of impending rising profit rates. The Bank will continue to execute the Forward23+ strategies while focusing on credit risk and Risk-Adjusted Return On Capital (RAROC) optimisation. Overall, the Bank expects an improved financial performance in 2022 driven by prudent financing growth, lower provisions and further progress on cost management.

The Bank's performance should track the economy and industry growth as we continue to support impacted segments, while driving sustainable growth through Current Account and Savings Account ("CASA") accumulation, RAROC optimisation, Preferred and wealth management expansion, enhancing and expanding digital services as well as customer acquisition and sustainability financing. The Bank will continue creating economic opportunities for the underserved communities and supporting environmental conservation in line with our ongoing strategy to integrate value-based intermediation into our business approach.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2021 (Continued)

Rating by External Rating Agencies

Details of the ratings of the Bank and its debt securities are as follows:

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Malaysian Rating Corporation Berhad ("MARC")	July 2021	1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating 3. RM10.0 billion senior Sukuk Wakalah Programme 4. RM5.0 billion Tier 2 Junior Sukuk Programme (Proposed Junior Sukuk)	AAA MARC-1 AAA_{IS} $AA+_{IS}$	Stable
RAM Rating Services Berhad ("RAM")	May 2021	1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating 3. RM10.0 billion Senior Sukuk Wakalah Programme	AAA P1 AAA	Stable
Moody's Investors Service ("Moody's")	February 2021	1. Long-term Foreign Currency Bank Deposits Rating 2. Short-term Foreign Currency Bank Deposits Rating 3. Long-term Domestic Currency Bank Deposits Rating 4. Short-term Domestic Currency Bank Deposits Rating	A3 P-2 A3 P-2	Stable

Board Shariah Committee

Pursuant to the enterprise wide Shariah Governance Framework as provided by Bank Negara Malaysia in its Policy Document on Shariah Governance for Islamic Financial Institutions and the 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 Bank's operation as well as the operations of its subsidiaries that it has management control. In undertaking its duties and responsibilities relating to Shariah, the Board relies on the advice of the Board Shariah Committee of CIMB Group as established under the Bank.

The main responsibility of the Board Shariah Committee is to assist the Board in the oversight and management of all Shariah matters relating to the Islamic banking and finance business of the Bank and its subsidiaries that it has management control. The Board Shariah Committee 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 its business shall be made based on the decisions, views and opinions of the Board Shariah Committee.

In having due regard to the decisions and advice of the Board Shariah Committee 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 Board Shariah Committee.

Any decision of the Board on Shariah matter shall be made based on the final decisions, views and opinions of the Board Shariah Committee. All decisions of the Board and the Board Shariah Committee 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 Board Shariah Committee 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 members of the Board Shariah Committee are as follows:

1. Dr. Shafaai bin Musa
2. Professor Dr. Yousef Abdullah Al Shubaily
3. Associate Professor Dr. Aishath Muneeza
4. Ahmed Baqar Rehman
5. Dr. Ahmad Sufian Che Abdullah
6. Associate Professor Dr. Mohamed Fairooz Abdul Khir

Board Shariah Committee (Continued)

The Board hereby affirms based on advice of the Board Shariah Committee that the operation of the Bank and its subsidiaries that it has management control 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 Board Shariah Committee in a separate Board Shariah Committee Report made herein.

Zakat obligations

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

The obligation and responsibility for specific payment of zakat on depositors fund lies with its Muslim customers only. The aforesaid is subject to the jurisdictional requirements on zakat payment as may be applicable from time to time on the Bank 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 Statement of the Bank is reflective of this.

Significant event during the financial year

Significant event during the financial year is disclosed in Note 48.1 to the Financial Statements.

Subsequent event after the financial year

Significant event after the financial year is disclosed in Note 48.2 to the Financial Statements.

Statement of Directors' Responsibility

In preparing the Financial Statements, the Directors have ensured that the Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 have been complied with and reasonable and prudent judgements and estimates have been made.

It is the responsibility of the Directors to ensure that the Financial Statements of the Group and the Bank present a true and fair view of the financial position of the Group and the Bank as at 31 December 2021 and financial performance of the Group and the Bank for the financial year ended 31 December 2021.

The Financial Statements are prepared on a going concern basis and the Directors have ensured that proper accounting records are kept so as to enable the preparation of the Financial Statements with reasonable accuracy.

The Directors have also overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Group and the Bank and for the implementation and continued operation of adequate accounting and internal control systems for the prevention and detection of fraud and other irregularities. The system of internal controls is designed to provide reasonable and not absolute assurance for achieving certain internal control standards and helps the Group and the Bank manage the risk of failure to achieve business.

The Statement by Directors pursuant to Section 251(2) of the Companies Act 2016 is set out on page 14 of the Financial Statements.

Ultimate holding company

The Directors regard CIMB Group Holdings Berhad, a quoted company incorporated in Malaysia, as the Bank's ultimate holding company.

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report for the financial year ended 31 December 2021 (Continued)

Statement of Directors' Responsibility (Continued)

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 14 March 2022.

Signed on behalf of the Board of Directors

Dato' Mohamed Ross bin Mohd Din
Director

Ahmad Shahriman bin Mohd Shariff
Director

Kuala Lumpur
14 March 2022

Company No: 200401032872 (671380-H)

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

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

We, Dato' Mohamed Ross bin Mohd Din and Ahmad Shahriman bin Mohd Shariff, being two of the Directors of CIMB Islamic Bank Berhad, state that, in the opinion of the Directors, the Financial Statements set out on pages 24 to 274 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2021 and financial performance of the Group and of the Bank for the financial year ended 31 December 2021, 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.

Dato' Mohamed Ross bin Mohd Din
Director

Ahmad Shahriman bin Mohd Shariff
Director

Kuala Lumpur
14 March 2022

Company No: 200401032872 (671380-H)

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

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

I, Wong Siew Fern, being the person primarily responsible for the financial management of CIMB Islamic Bank Berhad, do solemnly and sincerely declare the Financial Statements set out on pages 24 to 274 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.

Wong Siew Fern

Subscribed and solemnly declared by the above named Wong Siew Fern at Kuala Lumpur before me, on 14 March 2022.

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 the Bank, are responsible to assist the Board in the oversight and management of Shariah matters in the operation of the Bank. Although the Board is ultimately responsible and accountable for all Shariah matters under the Bank, the Board relies on our independent advice on the same.

Our main responsibility and accountability is to assist the Board in ensuring that the Bank's business 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 Bank) in the relevant jurisdiction that the Bank 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 Bank has 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 Malaysian regulators and where relevant by the financial regulators in the relevant jurisdictions that the Bank's 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 the Bank maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the Shariah compliant status of its businesses.

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Board Shariah Committee's Report (Continued)

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

In addition to the necessary policies and procedures the Bank has a well-defined division of responsibility and guidelines of business conduct to all staff.

Effective Shariah governance is supported by proffessional 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 Procedures were established to set out policies for Shariah review function encompassing regular examination and evaluation of the Bank's level of compliance to the Shariah requirements, remedial rectification measures to resolve non-compliances and control mechanisms to avoid recurrences. In addition, the Shariah Review Procedures sets out the procedures for Shariah review execution, responsibilities of stakeholders and internal reporting process relating to Shariah noncompliance 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 Bank's operations on a scheduled and periodic basis.

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

The Bank also continues capacity building programmes to inculcate strong Shariah knowledge within the Bank. The Bank has supported CIMB Islamic and CIMB Bank staff to enrol in relevant certification programmes such as Associate Qualification in Islamic Finance ("AQIF"), Certified Shariah Auditor and Advisor ("CSAA"), Certified Shariah Advisor ("CSA") and many more. On top of that, the Bank conducted a session by representative for the Board Shariah Committee with all staff on the Bank where the Board Shariah Committee Member shared about the theme around embracing Shariah-compliance culture.

Board Shariah Committee's Report (Continued)

All in all, the Management of the Bank is responsible and accountable to the Board to ensure that the businesses of the Bank are done 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 Bank 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, and nothing has come to the Board Shariah Committee's attention that causes the Shariah committee to believe that the operations, business, affairs and activities of the IFI involve any material Shariah non-compliances.

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2021 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 assessed 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 Bank. 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 Bank has not violated Shariah.

Board Shariah Committee's Report (Continued)

We, the members of the Board Shariah Committee, are of the opinion that the operations of the Bank for the financial year ended 31 December 2021 were conducted in conformity with Shariah.

On behalf of the Board Shariah Committee.

Dr. Shafaai bin Musa
Chairman

Associate Professor Dr. Aishath Muneeza
Member

Kuala Lumpur
14 March 2022

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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CIMB ISLAMIC BANK BERHAD
(Incorporated in Malaysia)
Registration No. 200401032872 (671380-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB Islamic Bank Berhad ("the Bank") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Bank, 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 Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 24 to 274.

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 Bank 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.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
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INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CIMB ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200401032872 (671380-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report and Board Shariah Committee's Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

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

Responsibilities of the Directors for the financial statements

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CIMB ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200401032872 (671380-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

(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 Bank's internal control.

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

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

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CIMB ISLAMIC BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 200401032872 (671380-H)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditor's responsibilities for the audit of the financial statements (Continued)

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENT

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditor, is disclosed in Note 12 to the financial statements.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

NG YEE LING
03032/01/2023 J
Chartered Accountant

Kuala Lumpur
14 March 2022

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2021

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
Assets					
Cash and short-term funds	2	**12,294,211**	12,577,466	**12,294,165**	12,577,420
Deposits and placements with banks and other financial institutions	3	**179,331**	50,046	**179,331**	50,046
Financial investments at fair value through profit or loss	4	**5,222,390**	5,034,429	**5,222,390**	5,034,429
Debt instruments at fair value through other comprehensive income	5	**5,065,382**	3,670,899	**5,065,382**	3,670,899
Debt instruments at amortised cost	6	**8,852,502**	8,501,654	**8,852,502**	8,501,654
Islamic derivative financial instruments	22(a)	**241,287**	522,847	**241,287**	522,847
Financing, advances and other financing/loans	7	**90,609,415**	84,916,816	**90,609,415**	84,916,816
Other assets	8	**323,341**	412,506	**323,341**	573,186
Tax recoverable		**-**	3,007	**-**	3,007
Deferred taxation	9	**173,233**	85,777	**173,233**	85,777
Amounts due from holding company	10	**283,487**	311,109	**283,487**	311,109
Amounts due from related companies	11	**320**	167	**320**	167
Investment in subsidiaries	12	**-**	-	**11**	11
Property, plant and equipment	13	**1,010**	1,348	**1,010**	1,348
Right-of-use assets	14	**1,613**	2,220	**1,613**	2,220
Intangible assets	15	**19,473**	56,112	**19,473**	56,112
Goodwill	16	**136,000**	136,000	**136,000**	136,000
Total assets		**123,402,995**	116,282,403	**123,402,960**	116,443,048
Liabilities					
Deposits from customers	17	**96,001,736**	96,302,909	**96,001,736**	96,649,535
Investment accounts of customers	18	**10,427,167**	2,678,870	**10,427,167**	2,678,870
Deposits and placements of banks and other financial institutions	19	**2,309,269**	2,799,014	**2,309,269**	2,799,014
Collateralised Commodity Murabahah		**328,821**	299,236	**328,821**	299,236
Investment accounts due to designated financial institutions	20	**3,919,753**	4,751,241	**3,919,753**	4,751,241
Financial liabilities designated at fair value through profit or loss	21	**799,686**	71,610	**799,686**	71,610
Islamic derivative financial instruments	22(a)	**271,954**	557,847	**271,954**	557,847
Amounts due to related companies	11	**455**	8,643	**455**	8,643
Other liabilities	23	**396,506**	470,405	**396,506**	469,317
Lease liabilities	24	**1,775**	2,365	**1,775**	2,365
Provision for taxation and zakat		**51,387**	3,000	**51,387**	3,000
Sukuk	25	**-**	186,155	**-**	-
Subordinated Sukuk	26	**1,108,045**	1,118,336	**1,108,045**	1,118,336
Total liabilities		**115,616,554**	109,249,631	**115,616,554**	109,409,014

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2021 (Continued)

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
Capital and reserves attributable to equity holder of the Bank					
Perpetual preference shares	27	**420,000**	420,000	**420,000**	420,000
Ordinary share capital	28	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Reserves	29	**6,366,441**	5,612,772	**6,366,406**	5,614,034
Total equity		**7,786,441**	7,032,772	**7,786,406**	7,034,034
Total equity and liabilities		**123,402,995**	116,282,403	**123,402,960**	116,443,048
Restricted Agency Investment Account (*)	30	**12,748,755**	8,730,980	**12,748,755**	8,730,980
Total Islamic Banking asset		**136,151,750**	125,013,383	**136,151,715**	125,174,028
Commitments and contingencies	22(b)	**45,338,343**	51,459,641	**45,338,343**	51,459,641
Net assets per ordinary share attributable to owners of the Parent (RM)		**7.37**	6.61	**7.37**	6.61

* The disclosure is in accordance with the requirements of Bank Negara Malaysia's Guideline on Financial Reporting for Islamic Banking Institutions.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Income
for the financial year ended 31 December 2021

		The Group		The Bank	
		2021	2020	**2021**	2020
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Income derived from investment of depositors' funds and others	31	**3,614,577**	3,904,300	**3,614,577**	3,904,300
Income derived from investment of investment account	32	**396,201**	365,292	**396,201**	365,292
Income derived from investment of shareholder's funds	33	**573,356**	368,933	**573,856**	369,756
Modification loss	34	**(95,749)**	(185,804)	**(95,749)**	(185,804)
Expected credit losses on financing, advances and other financing/loans	35	**(311,822)**	(580,462)	**(311,822)**	- (580,462)
Expected credit losses made for commitments and contingencies	23	**(28,783)**	(30,932)	**(28,783)**	(30,932)
Other expected credit losses (made)/written back	36	**(1,720)**	161	**(1,720)**	161
Total distributable income		**4,146,060**	3,841,488	**4,146,560**	3,842,311
Income attributable to depositors and others	37	**(1,655,038)**	(2,078,364)	**(1,656,891)**	(2,079,120)
Profit distributed to investment account holder	38	**(208,489)**	(219,351)	**(208,489)**	(219,351)
Total net income		**2,282,533**	1,543,773	**2,281,180**	1,543,840
Personnel costs	39	**(22,373)**	(20,941)	**(22,373)**	(20,941)
Other overheads and expenditures	40	**(1,088,396)**	(890,181)	**(1,088,340)**	(890,039)
Profit before taxation and zakat		**1,171,764**	632,651	**1,170,467**	632,860
Taxation and zakat	42	**(299,984)**	(139,191)	**(299,984)**	(139,191)
Profit after taxation and zakat		**871,780**	493,460	**870,483**	493,669
Earnings per share (sen)					
- Basic / Diluted	43	**87.18**	49.35	**87.05**	49.37

Statements of Comprehensive Income
for the financial year ended 31 December 2021

	The Group		The Bank	
	2021	2020	**2021**	2020
	RM'000	RM'000	**RM'000**	RM'000
Profit for the financial year	**871,780**	493,460	**870,483**	493,669
Other comprehensive income/(expense):				
Items that will not reclassified to profit or loss				
Fair value changes on financial liabilities designated at fair value attributable to own credit risk	**(4)**	31	**(4)**	31
Items that may be reclassified subsequently to profit or loss				
Debt instruments at fair value through other comprehensive income	**(118,413)**	8,473	**(118,413)**	8,473
- Net (loss)/gain from change in fair value	**(111,151)**	101,247	**(111,151)**	101,247
- Realised gain transferred to statement of income on disposal	**(46,269)**	(90,185)	**(46,269)**	(90,185)
- Changes in expected credit losses	**1,226**	66	**1,226**	66
- Income tax effects	**37,781**	(2,655)	**37,781**	(2,655)
Total comprehensive income for the financial year	**753,363**	501,964	**752,066**	502,173

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2021

The Group

	Note	Ordinary share capital RM'000	Fair value reserve-debt instruments at fair value through other comprehensive income RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Own credit risk reserve RM'000	Share-based payment reserve RM'000	Capital contribution by Ultimate Holding Company RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
		← Attributable to owners of the Parents →											
At 1 January 2021		1,000,000	31,312	(2,457)	458	213,032	-	1,225	-	5,369,202	6,612,772	420,000	7,032,772
Profit for the financial year		-	-	-	-	-	-	-		871,780	871,780	-	871,780
Other comprehensive expense (net of tax)		-	(118,413)	-	-	-	(4)	-	-	-	(118,417)	-	(118,417)
- debt instruments at fair value through other comprehensive income		-	(118,413)	-	-	-	-	-	-	-	(118,413)	-	(118,413)
- fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve		-	-	-	-	-	(4)	-	-	-	(4)	-	(4)
Total comprehensive income/(expense) for the financial year		-	(118,413)	-	-	-	(4)	-	-	871,780	753,363	-	753,363
Share-based payment expense	39	-	-	-	-	-	-	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	-	306	-	306
Transfer from regulatory reserve		-	-	-	-	(213,032)	-	-	-	213,032	-	-	-
As at 31 December 2021		1,000,000	(87,101)	(2,457)	458	-	(4)	587	944	6,454,014	7,366,441	420,000	7,786,441

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2021 (Continued)

Attributable to owners of the Parents

The Group

	Note	Ordinary share capital RM'000	Fair value reserve- debt instruments at fair value through other comprehensive income RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Own credit risk reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2020		1,000,000	22,839	(2,457)	458	513,533	(31)	1,231	4,575,241	6,110,814	220,000	6,330,814
Profit for the financial year		-	-	-	-	-	-	-	493,460	493,460	-	493,460
Other comprehensive income (net of tax)		-	8,473	-	-	-	31	-	-	8,504	-	8,504
- debt instruments at fair value through other comprehensive income		-	8,473	-	-	-	-	-	-	8,473	-	8,473
- fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve		-	-	-	-	-	31	-	-	31	-	31
Total comprehensive income for the financial year		-	8,473	-	-	-	31	-	493,460	501,964	-	501,964
Issue of shares due to capital injection		-	-	-	-	-	-	-	-	-	200,000	200,000
Share-based payment expense	39	-	-	-	-	-	-	1,336	-	1,336	-	1,336
Shares released under Equity Ownership Plan		-	-	-	-	-	-	(1,342)	-	(1,342)	-	(1,342)
Total transactions with owners recognised directly in equity		-	-	-	-	-	-	(6)	-	(6)	200,000	199,994
Transfer to regulatory reserve		-	-	-	-	(300,501)	-	-	300,501	-	-	-
As at 31 December 2020		1,000,000	31,312	(2,457)	458	213,032	-	1,225	5,369,202	6,612,772	420,000	7,032,772

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity for the financial year ended 31 December 2021 (Continued)

The Bank

		Non-distributable								Distributable			
	Note	Ordinary share capital RM'000	Fair value reserve-debt instruments at fair value through other comprehensive income RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Own credit risk reserve RM'000	Share-based payment reserve RM'000	Capital contribution by Ultimate Holding Company RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2021		1,000,000	31,312	(2,457)	458	213,032	-	1,225	-	5,370,464	6,614,034	420,000	7,034,034
Profit for the financial year		-	-	-	-	-	-	-		870,483	870,483	-	870,483
Other comprehensive expense (net of tax)		-	(118,413)	-	-	-	(4)	-	-	-	(118,417)	-	(118,417)
- debt instruments at fair value through other comprehensive income		-	(118,413)	-	-	-	-	-	-	-	(118,413)	-	(118,413)
- fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve		-	-	-	-	-	(4)	-	-	-	(4)	-	(4)
Total comprehensive income/(expense) for the financial year		-	(118,413)	-	-	-	(4)	-	-	870,483	752,066	-	752,066
Share-based payment expense	39	-	-	-	-	-	-	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	-	306	-	306
Transfer from regulatory reserve		-	-	-	-	(213,032)	-	-	-	213,032	-	-	-
As at 31 December 2021		1,000,000	(87,101)	(2,457)	458	-	(4)	587	944	6,453,979	7,366,406	420,000	7,786,406

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2021 (Continued)

The Bank

		← Non-distributable						→	Distributable			
	Note	Ordinary share capital RM'000	Fair value reserve-debt instruments at fair value through other comprehensive income RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Own credit risk reserve RM'000	Share-based payment reserve RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2020		1,000,000	22,839	(2,457)	458	513,533	(31)	1,231	4,576,294	6,111,867	220,000	6,331,867
Profit for the financial year		-	-	-	-	-	-	-	493,669	493,669	-	493,669
Other comprehensive income (net of tax)		-	8,473	-	-	-	31	-	-	8,504	-	8,504
- debt instruments at fair value through other comprehensive income		-	8,473	-	-	-	-	-	-	8,473	-	8,473
- fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve		-	-	-	-	-	31	-	-	31	-	31
Total comprehensive income for the financial year		-	8,473	-	-	-	31	-	493,669	502,173	-	502,173
Issue of shares due to capital injection		-	-	-	-	-	-	-	-	-	200,000	200,000
Share-based payment expense	39	-	-	-	-	-	-	1,336	-	1,336	-	1,336
Shares released under Equity Ownership Plan		-	-	-	-	-	-	(1,342)	-	(1,342)	-	(1,342)
Total transactions with owners recognised directly in equity		-	-	-	-	-	-	(6)	-	(6)	200,000	199,994
Transfer to regulatory reserve		-	-	-	-	(300,501)	-	-	300,501	-	-	-
As at 31 December 2020		1,000,000	31,312	(2,457)	458	213,032	-	1,225	5,370,464	6,614,034	420,000	7,034,034

Statements of Cash Flows
for the financial year ended 31 December 2021

	The Group		The Bank	
	2021	2020	**2021**	2020
	RM'000	RM'000	**RM'000**	RM'000
Cash flows from operating activities				
Profit before taxation and zakat	**1,171,764**	632,651	**1,170,467**	632,860
Adjustments for:				
Depreciation of property, plant and equipment	**417**	1,454	**417**	1,454
Depreciation of right-of-use assets	**546**	555	**546**	555
Amortisation of intangible assets	**37,447**	8,549	**37,447**	8,549
Profit income from debt instruments at fair value through other comprehensive income	**(158,775)**	(144,965)	**(158,775)**	(144,965)
Profit income from debt instruments at amortised cost	**(364,770)**	(340,351)	**(364,770)**	(340,351)
Profit expense on lease liabilities	**65**	102	**65**	102
Profit expense on Sukuk	**2,678**	7,782	**-**	-
Profit expense on subordinated Sukuk	**44,428**	44,678	**44,428**	44,678
Profit expense on recourse obligation on loans and financing sold to Cagamas	**-**	47,369	**-**	47,369
Gain from disposal of debt instruments at fair value through other comprehensive income	**(46,269)**	(90,186)	**(46,269)**	(90,186)
Property, plant and equipment written off	**3**	2,490	**3**	2,490
Intangible asset written off	**-**	42	**-**	42
Net gain from hedging derivatives	**(327)**	(565)	**(327)**	(565)
Unrealised gain on foreign exchange	**(83,484)**	(68,159)	**(83,484)**	(68,159)
Unrealised loss/(gain) from revaluation of financial assets designated at fair value through profit or loss	**9,714**	(3,612)	**9,714**	(3,612)
Unrealised (gain)/loss arising from financial liabilities designated at fair value through profit and loss	**(39,343)**	2,426	**(39,343)**	2,426
Unrealised loss from revaluation of Islamic derivative financial instruments	**11,973**	33,249	**11,973**	33,249
Accretion of discount less amortisation of premium	**(60,439)**	(56,271)	**(60,439)**	(56,271)
Expected credit losses on financing, advances and other financing/loans	**369,129**	629,274	**369,129**	629,274
Other expected credit lossess and impairment allowances written back/(made)	**1,720**	(161)	**1,720**	(161)
Expected credit losses written back for commitments and contingencies	**28,783**	30,932	**28,783**	30,932
Share-based payment expense	**1,637**	1,336	**1,637**	1,336
Modification loss	**95,749**	185,804	**95,749**	185,804
	1,022,646	924,423	**1,018,671**	916,850
(Increase)/Decrease in operating assets				
Financing, advances and other financing/loans	**(6,159,748)**	(6,722,879)	**(6,159,748)**	(6,722,879)
Other assets	**87,836**	(106,337)	**248,516**	(267,017)
Statutory deposits with Bank Negara Malaysia	**-**	2,058,109	**-**	2,058,109
Deposits and placements with banks and other financial institutions	**(145,955)**	-	**(145,955)**	-
Financial assets at fair value through profit or loss	**(106,933)**	99,416	**(106,933)**	99,416
Amounts due from holding company	**27,622**	(311,108)	**27,622**	(311,108)
Amounts due from related companies	**(153)**	616	**(153)**	616
Increase/(Decrease) in operating liabilities				
Deposits from customers	**(301,173)**	11,070,582	**(647,799)**	11,067,112
Investment accounts of customers	**7,748,297**	(770,094)	**7,748,297**	(770,094)
Deposits and placements from banks and other financial institutions	**(489,745)**	518,144	**(489,745)**	518,144
Collateralised Commodity Murabahah	**29,585**	299,236	**29,585**	299,236
Investment accounts due to designated financial institutions	**(831,488)**	(270,733)	**(831,488)**	(270,733)
Financial liabilities designated at fair value through profit and loss	**767,415**	(26,284)	**767,415**	(26,284)
Islamic derivative financial instruments	**(11,537)**	(8,644)	**(11,537)**	(8,644)
Amount due to holding company	**-**	(38,859)	**-**	(38,859)
Amount due to related companies	**(8,188)**	(2,598)	**(8,188)**	(2,598)
Other liabilities	**(19,197)**	(159,109)	**(18,109)**	(75,235)
	1,609,284	6,553,881	**1,420,451**	6,466,032
Taxation and zakat paid	**(298,265)**	(253,987)	**(298,265)**	(253,987)
Net cash flows generated from operating activities	**1,311,019**	6,299,894	**1,122,186**	6,212,045

Statements of Cash Flows for the financial year ended 31 December 2021 (Continued)

	Note	The Group 2021 RM'000	The Group 2020 RM'000	The Bank 2021 RM'000	The Bank 2020 RM'000
Cash flows from investing activities					
Net purchase of debt instruments at amortised cost		**(360,098)**	(423,174)	**(360,098)**	(423,174)
Net (purchase)/proceeds of debt instruments at fair value through other comprehensive income		**(1,517,447)**	29,448	**(1,517,447)**	29,448
Profit income received from purchase of debt instruments at fair value through other comprehensive income		**146,973**	146,012	**146,973**	146,012
Profit income received from debt instruments at amortised cost		**364,664**	336,047	**364,664**	336,047
Purchase of property, plant and equipment		**(82)**	(1,773)	**(82)**	(1,773)
Purchase of intangible assets		**(808)**	(196)	**(808)**	(196)
Net addition of right-of-use assets		**(446)**	-	**(446)**	-
Net cash flows (used in)/generated from investing activities		**(1,367,244)**	86,364	**(1,367,244)**	86,364
Cash flows from financing activities					
Profit expense paid on subordinated Sukuk		**(44,719)**	(44,597)	**(44,719)**	(44,597)
Redemption of subordinated Sukuk		**(10,000)**	-	**(10,000)**	-
Profit expense paid on Sukuk		**(2,833)**	(7,849)	**-**	-
Redemption of Sukuk		**(186,000)**	(80,000)	**-**	-
Proceeds from issuance of preference shares		**-**	200,000	**-**	200,000
Repayment of lease liabilities		**(148)**	(591)	**(148)**	(591)
Profit expense paid on recourse obligation on loans and financing sold to Cagamas		**-**	(57,748)	**-**	(57,748)
Redemption of recourse obligation on loans and financing sold to Cagamas		**-**	(1,500,011)	**-**	(1,500,011)
Net cash flows used in financing activities		**(243,700)**	(1,490,796)	**(54,867)**	(1,402,947)
Net (decrease)/increase in cash and cash equivalents		**(299,925)**	4,895,462	**(299,925)**	4,895,462
Cash and cash equivalents at beginning of the financial year		**12,627,512**	7,732,050	**12,627,466**	7,732,004
Cash and cash equivalents at end of the financial year		**12,327,587**	12,627,512	**12,327,541**	12,627,466
Cash and cash equivalents comprise :					
Cash and short-term funds	2	**12,294,211**	12,577,466	**12,294,165**	12,577,420
Deposits and placements with banks and other financial institutions	3	**179,331**	50,046	**179,331**	50,046
		12,473,542	12,627,512	**12,473,496**	12,627,466
Less: Deposits and placements with financial institutions, with original maturity of more than three months		**(145,955)**	-	**(145,955)**	-
Cash and cash equivalents at end of the financial year		**12,327,587**	12,627,512	**12,327,541**	12,627,466

Statements of Cash Flows
for the financial year ended 31 December 2021 (Continued)

An analysis of changes in liabilities arising from financing activities for the financial year ended 31 December 2021 and 31 December 2020 are as follows:

The Group	Sukuk RM'000	Subordinated Sukuk RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2021	**186,155**	**1,118,336**	**2,365**	**1,306,856**
Payment and redemption	**(186,000)**	**(10,000)**	**(148)**	**(196,148)**
Profit paid	**(2,833)**	**(44,719)**	**-**	**(47,552)**
Other non cash movement	**2,678**	**44,428**	**(442)**	**46,664**
At 31 December 2021	**-**	**1,108,045**	**1,775**	**1,109,820**

The Group	Sukuk RM'000	Subordinated Sukuk RM'000	Lease Liabilities RM'000	Recourse obligation on loans and financing sold to Cagamas RM'000	Total RM'000
At 1 January 2020	266,222	1,118,255	2,854	1,510,390	2,897,721
Payment and redemption	(80,000)	-	(591)	(1,500,011)	(1,580,602)
Profit paid	(7,849)	(44,597)	-	(57,748)	(110,194)
Other non cash movement	7,782	44,678	102	47,369	99,931
At 31 December 2020	186,155	1,118,336	2,365	-	1,306,856

Statements of Cash Flows
for the financial year ended 31 December 2021 (Continued)

An analysis of changes in liabilities arising from financing activities for the financial year ended 31 December 2021 and 31 December 2020 are as follows: (Continued)

The Bank	Subordinated Sukuk RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2021	**1,118,336**	**2,365**	**1,120,701**
Payment and redemption	**(10,000)**	**(148)**	**(10,148)**
Profit paid	**(44,719)**	**-**	**(44,719)**
Other non cash movement	**44,428**	**(442)**	**43,986**
At 31 December 2021	**1,108,045**	**1,775**	**1,109,820**

The Bank	Subordinated Sukuk RM'000	Lease Liabilities RM'000	Recourse obligation on loans and financing sold to Cagamas RM'000	Total RM'000
At 1 January 2020	1,118,255	2,854	1,510,390	2,631,499
Payment and redemption	-	(591)	(1,500,011)	(1,500,602)
Profit paid	(44,597)	-	(57,748)	(102,345)
Other non cash movement	44,678	102	47,369	92,149
At 31 December 2020	1,118,336	2,365	-	1,120,701

Summary of Significant Accounting Policies for the financial year ended 31 December 2021

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

The Financial Statements have been prepared under historical cost convention, as modified by the revaluation of financial assets at fair value though profit or loss, debts instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, derivatives financial instruments and financial liabilities designated at fair value through profit of loss.

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 Bank'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 49.

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

The new accounting standards, amendments to published standards and interpretation that are effective and applicable to the Group and the Bank for the financial year beginning 1 January 2021 are as follows:

- Amendments to MFRS 16 "COVID-19 Related Rent Concessions"
- Interest rate benchmark reform-Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

A Basis of preparation (Continued)

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

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

(i) Financial year beginning on/after 1 April 2021

- Amendments to MFRS 16 "COVID-19-Related Rent Concessions beyond 30 June 2021"

The amendment extends the applicable period of the practical expedient by one year to cover rent concessions that reduce lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

(ii) Financial year beginning on/after 1 January 2022

- Amendments to MFRS 116 "Proceeds before intended use"

The amendments prohibit an entity from deducting from the cost of a property, plant and equipment the proceeds received from selling items produced by the property, plant and equipment before it is ready for its intended use. The sales proceeds should instead be recognised in profit or loss.

The amendments also clarify that testing whether an asset is functioning properly refers to assessing the technical and physical performance of the property, plant and equipment.

The amendments shall be applied retrospectively.

- Amendments to MFRS 3 "Reference to Conceptual Framework"

The amendments replace the reference to Framework for Preparation and Presentation of Financial Statements with 2018 Conceptual Framework. The amendments did not change the current accounting for business combinations on acquisition date.

The amendments provide an exception for the recognition of liabilities and contingent liabilities should be in accordance with the principles of MFRS 137 'Provisions, contingent liabilities and contingent assets' and IC Interpretation 21 'Levies' when falls within their scope. It also clarifies that contingent assets should not be recognised at the acquisition date.

The amendments shall be applied prospectively.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

A Basis of preparation (Continued)

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

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

(ii) Financial year beginning on/after 1 January 2022 (Continued)

- Amendments to MFRS 137 "Onerous Contracts – Cost of Fulfilling a Contract"

The amendments clarify that direct costs of fulfilling a contract include both the incremental cost of fulfilling the contract as well as an allocation of other costs directly related to fulfilling contracts. The amendments also clarify that before recognising a separate provision for an onerous contract, impairment loss that has occurred on assets used in fulfilling the contract should be recognised.

The amendments shall be applied prospectively.

- Annual improvements to MFRS 9 "Fees in the 10% test for derecognition of financial liabilities"

It clarifies that only fees paid or received between the customer and the financier, including the fees paid or received on each other's behalf, are included in the cash flow of the new financing when performing the 10% test.

An entity shall apply the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

- Annual Improvements to Illustrative Example accompanying MFRS 16 Leases: Lease Incentives

The amendments removed the illustration on the reimbursement relating to leasehold improvements by the lessor to avoid potential confusion as the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in MFRS 16.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

A Basis of preparation (Continued)

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

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

(iii) Financial year beginning on/after 1 January 2023

- 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 financier 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.

- 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 Accounting Policies for the financial year ended 31 December 2021 (Continued)

A Basis of preparation (Continued)

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

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

(iii) 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

<u>Amendments on disclosure of accounting policies (Amendments to MFRS 101 and MFRS Practice Statement 2)</u>

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.

<u>Amendments on definition of accounting estimates (Amendments to MFRS 108)</u>

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 Bank.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

B Economic entities in the Group

(a) Subsidiaries

The consolidated Financial Statements include the Financial Statements of the Bank 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

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 L. 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 acquire 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.

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 either in profit or loss or as a change to other comprehensive income. 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 statement of income, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

B Economic entities in the Group (Continued)

(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 have 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) Interests in subsidiaries

In the Bank’s separate Financial Statements, investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, 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 Bank does not expect repayment in the foreseeable future are considered as part of the Bank’s investments in the subsidiaries.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

C Recognition of profit income and profit expense

Profit income and profit expense for all profit-bearing financial instruments are recognised within "profit income" and "profit expense" in the statement of income using the effective profit method.

The effective profit method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the profit income or profit expense over the relevant period. The effective 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 profit rate, the Bank takes into account all contractual terms of the financial instrument and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective profit rate, but not future credit losses.

Profit income is calculated by applying effective 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 profit rate is applied to the net carrying amount of the financial assets (after deduction of the loss allowance).

(a) Financing

Tawarruq vis-à-vis Commodity Murabahah

Tawarruq structure for CIMB Islamic 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.

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' is a form of IMBT 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.

Ujrah

Arrangement that involves payment of a service fee in exchange for the services rendered to customers.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

C Recognition of profit income and profit expense (Continued)

(a) Financing (Continued)

<u>Murabahah</u>

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.

<u>Bai’ Bithaman Ajil</u>

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. 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.

<u>Bai’ al-’inah</u>

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.

<u>Qard</u>

A contract of lending a fungible asset to a customer who is bound to return an equivalent replacement. No income from financing/profit expense from deposits shall be generated/paid from the transactions.

<u>Bai’ al- Dayn</u>

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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

C Recognition of profit income and profit expense (Continued)

(b) Deposits from customers

Tawarruq vis-à-vis Commodity Murabahah

Tawarruq structure for the Bank's deposit product consists of three (3) sales and purchases transaction. The first involves, the purchase of a commodity by customer from Commodity Trader 1, on cash and spot basis. Secondly, the customer will sell the commodity using Murabahah contract, to the Bank on deferred basis. Subsequently, the Bank will sell the commodity to Commodity Trader 2 on cash and spot basis. Finally, Bank will get a cash to finance the Bank's activities and generate income.

Qard

A contract of lending a fungible asset to a customer who is bound to return an equivalent replacement. No income from financing/profit expense from deposits shall be generated/paid from the transactions.

(c) Placements from investment accounts

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 whilst financial losses are borne by the rabbul mal provided that such losses are not due to the mudharib's negligence (taqsir), 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:

i) Unrestricted Mudharabah (Mudharabah Mutlaqah) is a contract in which the rabbul mal permits the mudharib to manage the venture without any specific restriction.

ii) 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.

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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

C Recognition of profit income and profit expense (Continued)

(c) Placements from investment accounts (Continued)

Wakalah

A contract where a party, as principal (muwakkil) authorizes another party as his agent (wakil) to perform a particular task on matters that may be delegated, with or without imposition of a fee. The profit distribution is after deducting the agency fee and any agreed performance incentive fee to the agent. The Wakalah contract may take the following forms:

i)Unrestricted agency (Wakalah Mutlaqah): an agency contract in which the principal appoints someone as agent to perform a particular task without any specific restriction or condition; or

ii)Restricted agency (Wakalah Muqayyadah): an agency contract in which the principal appoints someone as agent to perform a particular task with specific restriction or condition.

D Recognition of fees and other income

(a) Income from financing and receivables based on mutual accounting policy on Shariah contracts according to the nature of the transactions

Financing arrangement fees and commissions are recognised as income when all conditions precedent is fulfilled.

(b) Fee and other income recognition

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 have 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 financing, advances and other financing/loans. These fees constitute a single performance obligation.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

D Recognition of fees and other income (Continued)

(b) Fee and other income recognition (Continued)

- 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.

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

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.

Islamic derivative financial instruments are developed using Bai' Sarf contract which is a buying and selling of foreign currencies and wa'ad which is a promise for delivery or fulfillment at a future date. The derivatives products may also be structured with other contracts such as Bai' al-'Inah and Commodity Murabahah. The other income recognised comprises of mark-to-market changes on derivatives and realised gains or losses recognised upon early termination of the derivatives.

E Collateralised Commodity Murabahah

Obligations on securities transferred through Collateralised Commodity Murabahah as collateral, are securities which the Group and the Bank had transferred from their portfolio with a commitment under the agreement to be transferred back at future dates. Such financing transactions and the obligation for the securities to be transferred back are reflected as a liability on the statements of financial position.

The difference between the transfer and return price is treated as profit and accrued over the life of the Collateralised Commodity Murabahah transactions using the effective yield method.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

F Financial assets

(a) Classification

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

Business model assessment

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

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 Bank.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

F Financial assets (Continued)

(a) Classification (Continued)

(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 Bank have made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss, and
- Debt securities where the contractual cash flows are solely principal and profit and the objective of the Group's and the Bank's business model is achieved both by collecting contractual cash flows and selling financial assets.

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

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

(iii) The Group and the Bank 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 Bank 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 Bank commit to purchase and sell the assets.

At initial recognition, the Group and the Bank 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 profit.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

F Financial assets (Continued)

(c) Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Bank'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 Bank classify their debt instruments.

(i) Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, are measured at amortised cost. Any gain or loss on a debt investment that measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Profit income from these financial assets is included in finance income using the effective 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 profit, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, profit income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other operating income. When the Group and the Bank hold more than one investment in the same security, they are deemed to be disposed of on a first-in, first-out basis. Profit income from these financial assets is included in finance income using the effective profit rate method.

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

Financial assets that do not meet the criteria for amortised cost or FVOCI or financial assets held for trading are measured at fair value through profit or loss. The Group and the Bank 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 other operating income in the period which it arises.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

F Financial assets (Continued)

(c) Subsequent measurement (Continued)

Equity instruments

The Group and the Bank 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 Bank'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 operating income when the Group's and the Bank's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other operating income in the statement of income as applicable.

(d) Reclassification of financial assets

The Group and the Bank reclassify financial assets when and only when their business model for managing those assets changes. In such cases, the Group and the Bank 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 financing, advances and other financing/loans

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

- If the customer is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the customer is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the financing, advances and other financing/loans.
- Significant extension of the financing, advances and other financing/loans term when the customers is not in financial difficulty.
- Significant change in the profit rate.
- Change in the currency the financing, advances and other financing/loans is denominated in.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

F Financial assets (Continued)

(e) Modification of financing, advances and other financing/loans (Continued)

- Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the financing, advances and other financing/loans.

If the terms are substantially different, the Group and the Bank derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective 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 and the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the 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.

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

The impact of modifications of financial assets is disclosed in Note 34. The ′phase 2′ amendments for financial assets affected by IBOR reform is disclosed in Note O.

G 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

G Financial liabilities (Continued)

(a) Financial liabilities at fair value through profit or loss (Continued)

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 Bank accounting policy on derivatives is detailed in Note O.

The financial liabilities measured at fair value through profit or 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 Bank 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 and the Bank under this criterion. The profit 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 Accounting Policies for the financial year ended 31 December 2021 (Continued)

G 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 Bank 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 and the Bank's own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling to profit or loss, but are transferred to retained earnings when realised.

The Group and the Bank 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 the convertible debentures. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the conversion option embedded derivative are excluded from the assessment of market risk fair value changes.

The Group and the Bank believes that this approach most faithfully represents the amount of change in fair value due to the Group's and the Bank'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, Collateralised Commodity Murabahah, other financial liabilities in other liabilities, Sukuks, subordinated Sukuk, lease liabilities and recourse obligations on financing sold to Cagamas.

Deposit from customers consists of Tawarruq vis-à-vis Commodity Murabahah, Mudharabah and Qard contracts.

Investment accounts of customers and investment accounts due to designated financial institutions consist of Mudharabah contracts.

The 'phase 2' amendments for financial liabilities affected by IBOR reform is disclosed in Note O.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

H Derecognition of financial assets and financial liabilities

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 Bank 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 Bank under standard Collateralised Commodity Murabahah transactions is not derecognised because the Group and the Bank retain substantially all the risks and rewards on the basis of the predetermined return price, and the criteria for de-recognition are therefore not met.

I Offsetting financial instruments

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

J Impairment of financial assets

The Group and the Bank 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 financing 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 financing commitments and financial guarantee contracts.

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

J Impairment of financial assets (Continued)

(i) Financial assets accounted for at amortised cost, FVOCI and with the exposure arising from financing commitments and financial guarantee contracts. (Continued)

A summary of the assumptions underpinning the Group's and the Bank'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 profit 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 profit 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 profit income is calculated on the net carrying amount of the financial assets.

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

(ii) Other assets

The Group and the Bank 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

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 Bank 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.

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:

Renovations	5 – 10 years or over the period of the tenancy, whichever is shorter
Office equipment, furniture and fittings:	
- Office equipment	3 – 10 years
- Furniture and fittings	5 – 10 years
General plant and machinery	5 years
Computer equipment and hardware:	
- Servers and hardware	3 – 7 years
- ATM machine	5 – 10 years
Motor vehicles	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 other operating income.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

L 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 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.

(b) Other intangible assets

Other intangible assets include computer software. 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 Bank. Acquired computer software 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.

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

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 was revised from 3-15 years to 3-10 years.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

M Leases – the Group and the Bank 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 and the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Bank 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 and the Bank considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Bank and affects whether the Group and the Bank 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 and the Bank 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

M Leases – the Group and the Bank as lessee (Continued)

Lease liabilities

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

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

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

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 profit on the remaining balance of the liability for each period.

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

Short term leases and leases of low value assets

The Group and the Bank 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

N Leases – the Group and the Bank as lessor

As a lessor, the Group and the Bank determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group and the Bank 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 and the Bank 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 and the Bank 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 and the Bank 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 and the Bank 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 and the Bank revises the lease income allocation if there is a reduction in the estimated unguaranteed residual value.

(b) Operating lease

The Group and the Bank 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 and the Bank 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

O 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 and the Bank recognise the fair value of derivatives in the statement of income immediately.

The Group and the Bank designate certain derivatives to manage its exposure to foreign currency and profit rate risks. The instruments used included Islamic profit rate swap, cross currency profit rate swap and currency swap.

The Group and the Bank documents at the inception of the hedging transaction the risk management objective & 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 22(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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

O Derivative financial instruments and hedge accounting (Continued)

Fair value hedge (Continue)

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 profit rate method over the period to maturity. 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.

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, financing 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 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 and the Bank will also discontinue the publication of the 2-month 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, which continue to reflect an active underlying market, will be reviewed in the second half of 2022.

Impact of IBOR reform on Group’s and the Bank’s hedging relationship

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

The Group’s and the Bank’s risk exposure that is directly affected by the interest rate benchmark reform is its fair value hedge of the following financial instruments. These hedging relationships are designated using profit rate swaps, for changes attributable to MYR KLIBOR and USD LIBOR that are respective current benchmark interest rate. Additional information about the Group’s and the Bank’s exposure to IBOR reform is presented in Note 22(a).

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

O Derivative financial instruments and hedge accounting (Continued)

Impact of IBOR reform on Group's and the Bank's hedging relationship (Continue)

Hedged items	The Group and the Bank
Fixed rate financial investments at fair value through other comprehensive	RM 575,000,000
Fixed rate loans	USD 15,736,403

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.

The Group and the Bank 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 (Financing) and hedging instruments (the derivatives used to hedge the relevant hedged items).

Managing the process to transition
The Group and the Bank have established a steering committee to oversee the Group's and the Bank's IBORs transition plan. This steering committee 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 and the Bank are continuing to monitor market developments in relation to the transition to RFRs from IBOR rates and their impact on the Group's and the Bank'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 as at 1 January 2021 because none of the IBOR-based contracts of the Group were modified in 2020. For contracts modified as a result of IBOR reform during the financial year, the Group applies the Phase 2 amendments as described below.

O Derivative financial instruments and hedge accounting (Continued)

Hedge relationships

For the financial year ended 31 December 2021, the Group and the Bank have 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 and the Bank 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 and the Bank 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 and the Bank to discontinue its hedge relationships. The Group and the Bank have not made any amendments to its hedge documentation in the reporting period relating to IBOR reform.

As at 31 December 2021, changes required to systems, processes and models have been identified and have been partially implemented. There have been general communications with counterparties, but specific changes to contracts required by IBOR reform have not yet been proposed or agreed.

The Group and the Bank have 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 financing transitioning from LIBORs and the resulting impact on economic risk management; and updating hedge designations. The Group and the Bank 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.

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).

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

O Derivative financial instruments and hedge accounting (Continued)

Financial instruments measured using amortised cost measurement (Continued)

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 expedient 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 is, assessed for modification or derecognition, with the resulting modification gain / loss recognised immediately in profit or loss where the instrument is not derecognised).

For the financial year ended 31 December 2021, the Group and the Bank have applied the practical expedients offered under 'phase 2' of the amendments on the financial instruments in the following section.

Effect of IBOR reform

The following table contains details of all financial instruments that the Group and the Bank holds at 31 December 2021 which are referenced to USD LIBOR, GBP LIBOR, and MYR KLIBOR have not yet transitioned to alternative benchmark rates. All outstanding GBP LIBOR exposures have met the last fixing as of 31 December 2021, and have been transitioned to RFR on 3 January 2022.

	The Group and the Bank					
	Notional amount of which: Have yet to transition to an alternative benchmark rate as at 31 December 2021					
	USD LIBOR		GBP LIBOR		MYR KLIBOR	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
	Asset	Liability	Asset	Liability	Asset	Liability
Non-derivatives assets and liabilities						
Bonds/Sukuk and notes	517,608	-	-	-	-	(824,780)
Deposit from customers	-	-	-	-	1,941	(101,063)
Loans/financing	236,325	-	-	-	992,660	-
Derivatives	704,103	(810,551)	22,811	-	2,828,090	(2,683,090)

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

P 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 Group's and the Bank'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 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

Q Income and deferred taxes

The tax expense for the period comprises current and deferred 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 Malaysia 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 nor 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 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 the Bank and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax related to 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 at the end of each reporting period 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 Accounting Policies for the financial year ended 31 December 2021 (Continued)

R 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) Earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Group and the Bank, 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 financial year and excluding treasury shares.

(e) 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 profit 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

S Employee benefits

(a) Short-term employee benefits

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

Wages, salaries, paid annual 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 Bank.

(b) Post employment benefits

Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Bank 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 employees benefits relating to employee service in the current and prior periods.

The Group's and the Bank's contributions to a defined contribution plan are charged to the statement of income. Once the contributions have been paid, the Group and the Bank 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.

(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 services by the employees concerned using an accounting methodology 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

S Employee benefits (Continued)

(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 Bank recognise termination benefits at the earlier of the following dates:

(a) when the Group and the Bank 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.

(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 fulfill 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 44(h).

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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

S Employee benefits (Continued)

(e) Share-based compensation benefits (Continued)

Employee Ownership Plan ("EOP")

CIMB Group operates an equity-settled, share-based compensation plan, where ordinary shares of CIMB Group 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.

T 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 purpose 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 Accounting Policies for the financial year ended 31 December 2021 (Continued)

U Provisions

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

(i) the Group and the Bank 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 Bank 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 a profit expense.

V Financial guarantee contracts

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

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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

W Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances and deposit placements with original maturity of 3 months or less.

X 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.

Y 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 and the Bank. As this may result in the recognition of income that may never be realised, contingent assets are not recognised in the Group's and the Bank'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 and the Bank; 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.

Summary of Significant Accounting Policies for the financial year ended 31 December 2021 (Continued)

Z Investment Accounts

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 the Bank 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 the Bank as an investment agent whereby the Bank 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 the bank (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 the Bank's misconduct (Ta'addi), negligence (Taqsir), or breach of specific terms (Mukhalafah al-Shurut). Daily Investment Account-i is classified as unrestricted investment accounts.

AA 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 and the Bank 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 2021

1 General information

The Bank is principally engaged in all aspects of Islamic banking and finance business and in the provision of related financial services. The principal activities of the significant subsidiaries as set out in Note 12 in the Financial Statements are providing Islamic nominee and custody services. Islamic banking and finance business refers generally to the acceptance of deposits and granting of financing and all other activities allowed under the Islamic Financial Services Act 2013 done in accordance with Shariah.

The immediate holding company of the Bank is CIMB Bank Berhad, a licensed bank incorporated in Malaysia and the Directors regard CIMB Group Holdings Berhad ("CIMB Group"), a quoted company incorporated in Malaysia, as the Bank's ultimate holding company.

The Bank is a licensed Islamic Bank under the Islamic Financial Services Act 2013, incorporated and domiciled in Malaysia.

The address of the Bank's registered office is at 13th Floor, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

The Bank's principal place of business is at 17th Floor, Menara CIMB, Jalan Stesen Sentral 2, Kuala Lumpur Sentral, 50470 Kuala Lumpur.

2 Cash and short-term funds

		The Group		The Bank	
	Note	**31 December 2021 RM'000**	31 December 2020 RM'000	**31 December 2021 RM'000**	31 December 2020 RM'000
Cash and balances with banks and other financial institutions		**186,411**	196,948	**186,365**	196,902
Money at call and deposit placements maturing within one month		**12,107,800**	12,380,518	**12,107,800**	12,380,518
		12,294,211	12,577,466	**12,294,165**	12,577,420
Expected credit losses	3	**-**	-	**-**	-
		12,294,211	12,577,466	**12,294,165**	12,577,420

Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

3 Deposits and placements with banks and other financial institutions

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Licensed banks	**179,331**	50,046
Expected credit losses	**-**	-
	179,331	50,046

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

The Group and the Bank	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 2021	-	-	-	-
Total charge to Statement of Income:	-	-	-	-
New financial assets originated	**51**	-	-	**51**
Financial assets that have been derecognised	-	-	-	-
Change in credit risk	**(51)**	-	-	**(51)**
At 31 December 2021	-	-	-	-
The Group and the Bank				
At 1 January 2020	-	-	-	-
Total charge to Statement of Income:	-	-	-	-
New financial assets originated	66	-	-	66
Financial assets that have been derecognised	-	-	-	-
Change in credit risk	(66)	-	-	(66)
At 31 December 2020	-	-	-	-

4 Financial investments at fair value through profit or loss

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Money market instruments		
Unquoted:		
Malaysian Government treasury bills	**62,959**	288,829
Islamic negotiable instruments of deposits	**2,444,411**	1,195,653
Government Investment Issues	**584,426**	396,416
Islamic Cagamas bonds	**104,948**	7,545
Islamic Commercial Paper	**1,299,801**	2,809,208
	4,496,545	4,697,651
Unquoted securities:		
In Malaysia		
Corporate sukuk	**703,546**	336,778
Outside Malaysia		
Corporate sukuk	**22,299**	-
	5,222,390	5,034,429

5 Debt instruments at fair value through other comprehensive income

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Money market instruments		
Unquoted:		
Government Investment Issues	**1,247,287**	628,152
Islamic Cagamas bonds	**5,119**	57,150
Malaysian Government Sukuk	**-**	20,997
Islamic Commercial Papers	**-**	24,803
	1,252,406	731,102
Unquoted securities:		
In Malaysia		
Corporate sukuk	**3,777,378**	2,893,404
Outside Malaysia		
Corporate sukuk	**35,598**	46,393
	5,065,382	3,670,899

Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

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 and the Bank	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 2021	**1,914**	**-**	**-**	**1,914**
Changes in expected credit losses due to transferred within stages:	-	-	-	-
Transferred to Stage 1	-	-	-	-
Transferred to Stage 2	-	-	-	-
Total charge to Statement of Income:	**1,226**	**-**	**-**	**1,226**
New financial assets purchased	**16,892**	**-**	**-**	**16,892**
Financial assets that have been derecognised	**(1,137)**	**-**	**-**	**(1,137)**
Change in credit risk	**(14,529)**	**-**	**-**	**(14,529)**
At 31 December 2021	**3,140**	**-**	**-**	**3,140**

The Group and the Bank	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 2020	1,749	99	-	1,848
Changes in expected credit losses due to transferred within stages:	117	(117)	-	-
Transferred to Stage 1	117	(117)	-	-
Transferred to Stage 2	-	-	-	-
Total charge to Statement of Income:	48	18	-	66
New financial assets purchased	14,376	-	-	14,376
Financial assets that have been derecognised	(450)	-	-	(450)
Change in credit risk	(13,878)	18	-	(13,860)
At 31 December 2020	1,914	-	-	1,914

5 Debt instruments at fair value through other comprehensive income (Continued)

Impact of movements in gross carrying amount on expected credit losses

2021
Net expected credit losses ("ECL") increased by RM1,226,000 for the Group and the Bank mainly due to recognition of gross carrying amounts ("GCA") from new financial assets purchased, offsetted by derecognition of GCA for debt instruments at fair value through other comprehensive income from disposal.

2020
Net expected credit losses ("ECL") increased by RM66,000 for the Group and the Bank mainly due to recognition of gross carrying amounts ("GCA") from new financial assets purchased, offsetted by derecognition of GCA for debt instruments at fair value through other comprehensive income from disposal.

6 Debt instruments at amortised cost

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Money market instruments		
Unquoted:		
Government Investment Issue	**3,323,269**	2,926,780
Islamic Cagamas bonds	**30,117**	52,912
Malaysian Government Sukuk	**101,341**	101,341
Khazanah bonds	**89,047**	89,047
	3,543,774	3,170,080
Unquoted securities:		
In Malaysia		
Corporate sukuk	**5,315,624**	5,333,167
Amortisation of premium net of accretion of discount	**(6,216)**	(1,409)
Less : Expected credit losses	**(680)**	(184)
	8,852,502	8,501,654

Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

6 Debt instruments at amortised cost (Continued)

Expected credit losses movement for debt instruments at amortised cost:

The Group and the Bank	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 2021	**184**	**-**	**-**	**184**
Total charge to Statement of Income:	**496**	**-**	**-**	**496**
New financial assets purchased	**1,002**	**-**	**-**	**1,002**
Change in credit risk	**(506)**	**-**	**-**	**(506)**
At 31 December 2021	**680**	**-**	**-**	**680**

The Group and the Bank	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
Debt instruments at amortised cost				
At 1 January 2020	395	-	-	395
Total charge to Statement of Income:	(211)	-	-	(211)
New financial assets purchased	1,113	-	-	1,113
Change in credit risk	(1,324)	-	-	(1,324)
At 31 December 2020	184	-	-	184

Impact of movements in gross carrying amount on expected credit losses

2021
The net ECL increased by RM496,000 for the Group and the Bank is mainly due to recognition of gross carrying amounts (“GCA”) from new financial assets purchased, offsetted by change in credit risk.

2020
The net ECL decreased by RM211,000 for the Group and the Bank is mainly due to write-back of ECL from lower GCA from partial disposal.

Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

6 Debt instruments at amortised cost (Continued)

Gross carrying amount movement for debt instruments at amortised cost classified as credit impaired:

	The Group and the Bank	
	Lifetime expected credit losses - Credit impaired (Stage 3)	
	Total	Total
	RM'000	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

7 Financing, advances and other financing/loans

31 December 2021
At amortised cost:

	The Group and the Bank									
	Sale-based contracts					Lease-based contracts		Loan contract	Others	
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik*	Al-Ijarah Thumma Al-Bai'#	Qard	Ujrah	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line^	-	295	866	-	1,119,047	-	-	8,118	-	1,128,326
Term financing										
House Financing	-	4,498,841	-	-	27,289,680	1,150,034	-	-	-	32,938,555
Syndicated Financing	-	-	20,275	-	1,568,517	-	-	-	-	1,588,792
Hire purchase receivables	-	-	-	-	-	-	12,935,554	-	-	12,935,554
Other term financing	-	1,030,219	1,654,204	-	34,282,169	39,728	-	-	-	37,006,320
Bills receivable	641,132	-	-	17,755	-	-	-	458	-	659,345
Islamic trust receipts	32,482	-	-	-	-	-	-	-	-	32,482
Claims on customers under acceptance credits	688,422	-	-	71,233	-	-	-	-	-	759,655
Staff financing**	-	-	-	-	225,183	-	-	-	-	225,183
Credit card receivables	-	-	-	-	-	-	-	-	145,587	145,587
Revolving credits	-	-	-	-	4,395,247	-	-	-	-	4,395,247
Gross financing, advances and other financing/loans, at amortised cost	1,362,036	5,529,355	1,675,345	88,988	68,879,843	1,189,762	12,935,554	8,576	145,587	91,815,046
Fair value changes arising from fair value hedge										1,565
										91,816,611
Less: Expected credit losses										(1,207,196)
Total net financing, advances and other financing/loans										90,609,415

^ Includes current account in excess
* The Bank is the beneficial owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.
#The Bank 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.
** Includes financing to Directors of the Group and the Bank amounting to RM 2,312,571 (2020:RM 2,081,719).

7 Financing, advances and other financing/loans (Continued)

31 December 2020
At amortised cost:

	The Group and the Bank									
	Sale-based contracts					Lease-based contracts		Loan contract	Others	
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik*	Al-Ijarah Thumma Al-Bai'#	Qard	Ujrah	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash line^	-	268	842	-	1,036,198	-	-	8,907	-	1,046,215
Term financing										
House Financing	-	4,937,835	-	-	21,574,218	1,227,897	-	-	-	27,739,950
Syndicated Financing	-	-	39,111	-	2,082,395	-	-	-	-	2,121,506
Hire purchase receivables	-	-	-	-	-	-	11,380,856	-	-	11,380,856
Other term financing	-	1,168,761	5,004,003	-	31,036,109	44,811	-	-	-	37,253,684
Bills receivable	334,959	-	-	31,043	-	-	-	-	-	366,002
Islamic trust receipts	96,492	-	-	-	-	-	-	-	-	96,492
Claims on customers under acceptance credits	691,902	-	-	84,911	-	-	-	-	-	776,813
Staff financing**	-	-	-	-	171,716	-	-	-	-	171,716
Credit card receivables	-	-	-	-	-	-	-	-	134,389	134,389
Revolving credits	-	-	-	-	4,603,440	-	-	-	-	4,603,440
Gross financing, advances and other financing/loans, at amortised cost	1,123,353	6,106,864	5,043,956	115,954	60,504,076	1,272,708	11,380,856	8,907	134,389	85,691,063
Fair value changes arising from fair value hedge										3,835
										85,694,898
Less: Expected credit losses										(975,403)
Net financing, advances and other financing/loans, at amortised cost										84,719,495

7 Financing, advances and other financing/loans (Continued)

31 December 2020
At fair value through profit or loss:

	The Group and the Bank									
	Sale-based contracts					Lease-based contracts		Loan contract	Others	
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik*	Al-Ijarah Thumma Al-Bai'#	Qard	Ujrah	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Term financing										
Syndicated Financing	-	-	-	-	197,321	-	-	-	-	197,321
Gross financing, advances and other financing/loans, at fair value through profit or loss	-	-	-	-	197,321	-	-	-	-	197,321
Total net financing, advances and other financing/loans										84,916,816

^ Includes current account in excess
* The Bank is the beneficial owner of the asset. The ownership of the asset will be transferred to the customer via sale at the end of the Ijarah financing.
#The Bank 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.
** Includes financing to Directors of the Group and the Bank amounting to RM 2,312,571 (2020:RM 2,081,719).

7 Financing, advances and other financing/loans (Continued)

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Total gross financing, advances and other financing/loans		
- At amortised cost	**91,815,046**	85,691,063
- At fair value through profit or loss	-	197,321
	91,815,046	85,888,384

(i) By type and Shariah contracts:

(a) The Group and the Bank have undertaken fair value hedge on the profit rate risk of RM65,935,000 (2020: RM78,322,000) 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 the Bank and CIMB Bank Berhad. CIMB Bank Berhad is exposed to risks and rewards on RPSIA financing and will account for all the portfolio and individual impairment for bad and doubtful financing arising thereon.

As at 31 December 2021, the gross exposure and expected credit losses relating to RPSIA financing are RM3,844,040,000 (2020: RM4,703,553,000) and RM1,506,000 (2020: RM104,169,000) respectively.

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7 Financing, advances and other financing/loans (Continued)

(i) By type and Shariah contracts: (Continued)

(c) Movement of Qard financing

	The Group and the Bank	
	2021	2020
	RM'000	RM'000
As at 1 January	**8,907**	5,910
New disbursement	**7,102**	5,072
Repayment	**(7,433)**	(2,075)
As at 31 December	**8,576**	8,907
Sources of Qard fund:		
Depositors' fund	**8,028**	8,401
Shareholders' fund	**548**	506
	8,576	8,907
Uses of Qard fund:		
Personal use	**620**	469
Business purpose	**7,956**	8,438
	8,576	8,907

(ii) By type of customer:

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
Domestic non-bank financial institutions	**2,390,409**	2,307,114
Domestic business enterprises		
- Small medium enterprises	**13,129,102**	11,717,859
- Others	**8,567,057**	9,675,087
Government and statutory bodies	**1,406,573**	3,485,484
Individuals	**65,610,553**	57,876,284
Other domestic entities	**211,648**	227,451
Foreign entities	**499,704**	599,105
Gross financing, advances and other financing/loans	**91,815,046**	85,888,384

7 Financing, advances and other financing/loans (Continued)

(iii) By profit rate sensitivity:

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Fixed rate		
- house financing	**205,339**	171,776
- hire purchase receivables	**11,966,416**	10,220,238
- others	**3,786,694**	2,460,723
Variable rate		
- house financing	**32,733,216**	27,568,174
- others	**43,123,381**	45,467,473
Gross financing, advances and other financing/loans	**91,815,046**	85,888,384

(iv) By economic purpose:

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Personal use	**2,078,010**	2,318,285
Credit card	**145,587**	134,389
Construction	**1,588,035**	1,801,730
Residential property	**33,782,539**	28,484,583
Non-residential property	**8,621,137**	7,885,765
Purchase of fixed assets other than land and building	**361,100**	340,901
Purchase of securities	**14,911,564**	14,019,757
Purchase of transport vehicles	**13,225,131**	11,635,714
Working capital	**14,222,897**	15,992,835
Merger and acquisition	**350,779**	532
Other purpose	**2,528,267**	3,273,893
Gross financing, advances and other financing/loans	**91,815,046**	85,888,384

7 Financing, advances and other financing/loans (Continued)

(v) By geographical distribution:

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Malaysia	**91,815,046**	85,888,384

(vi) By economic sector:

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Primary agriculture	**2,825,431**	3,131,487
Mining and quarrying	**637,045**	654,850
Manufacturing	**3,356,093**	3,109,434
Electricity, gas and water supply	**366,745**	283,688
Construction	**1,691,522**	1,647,676
Transport, storage and communications	**2,065,701**	2,335,206
Education, health and others	**2,239,110**	4,207,790
Wholesale and retail trade, and restaurants and hotels	**3,886,791**	3,547,681
Finance, insurance/takaful, real estate and business activities	**8,697,579**	8,688,348
Household	**65,984,997**	58,200,960
Others	**64,032**	81,264
Gross financing, advances and other financing/loans	**91,815,046**	85,888,384

7 Financing, advances and other financing/loans (Continued)

(vii) By residual contractual maturity:

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Within one year	**7,452,366**	10,817,368
One year to less than three years	**1,241,013**	1,412,871
Three years to less than five years	**4,894,836**	2,754,591
Five years and more	**78,226,831**	70,903,554
Gross financing, advances and other financing/loans	**91,815,046**	85,888,384

(viii) Credit impaired financing, advances and other financing/loans by economic purpose:

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Personal use	**13,229**	36,843
Credit cards	**1,820**	1,762
Construction	**672**	1,312
Residential property	**240,304**	370,505
Non-residential property	**105,668**	123,188
Purchase of fixed assets other than land and building	**-**	65
Purchase of securities	**5,509**	87,766
Purchase of transport vehicles	**133,839**	99,852
Working capital	**107,735**	757,692
Other purpose	**30,723**	18,257
Gross credit impaired financing, advances and other financing/loans	**639,499**	1,497,242

(ix) Credit impaired financing, advances and other financing/loans by geographical distribution:

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Malaysia	**639,499**	1,497,242

7 Financing, advances and other financing/loans (Continued)

(x) Credit impaired financing, advances and other financing/loans by economic sector:

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Primary agriculture	**20,844**	19,370
Mining and quarrying	**-**	1,340
Manufacturing	**28,132**	694,217
Electricity, gas and water supply	**-**	1
Construction	**20,267**	16,505
Transport, storage and communications	**1,877**	3,796
Education, health and others	**6,268**	3,567
Wholesale and retail trade, and restaurants and hotels	**83,351**	92,310
Finance, insurance/takaful, real estate and business activities	**51,161**	39,048
Household	**427,598**	627,086
Others	**1**	2
Gross credit impaired financing, advances and other financing/loans	**639,499**	1,497,242

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

7 Financing, advances and other financing/loans (Continued)

(xi) Movements in the expected credit losses for financing, advances and other financing/loans are as follows:

Financing, advances and other financing/loans at amortised cost:

The Group and the Bank	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 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 Statement of Income:	(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)
Writeback 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
At 31 December 2021	248,701	727,401	231,094	1,207,196

7 Financing, advances and other financing/loans (Continued)

(xi) Movements in the expected credit losses for financing, advances and other financing/loans are as follows: (Continued)

Financing, advances and other financing/loans at amortised cost: (Continued)

The Group and the Bank (Continued)	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 2020	134,567	132,054	168,027	434,648
Changes in expected credit losses due to transferred within stages:	(126,796)	115,144	11,652	-
Transferred to Stage 1	105,759	(82,281)	(23,478)	-
Transferred to Stage 2	(231,780)	339,942	(108,162)	-
Transferred to Stage 3	(775)	(142,517)	143,292	-
Total charge to Statement of Income:	246,643	134,861	244,907	626,411
New financial assets originated	81,920	5,138	61,547	148,605
Financial assets that have been derecognised	(51,255)	(19,025)	-	(70,280)
Writeback in respect of full recoveries	-	-	(60,469)	(60,469)
Change in credit risk	215,978	148,748	243,829	608,555
Write-offs	(221)	(70)	(89,915)	(90,206)
Other movements	211	(143)	4,482	4,550
At 31 December 2020	254,404	381,846	339,153	975,403

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

7 Financing, advances and other financing/loans (Continued)

(xii) Movements in credit impaired for financing, advances and other financing/loans.

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

	The Group and the Bank Lifetime expected credit losses -Credit impaired (Stage 3) Total RM'000	Total RM'000
At 1 January 2021	**1,497,242**	**1,497,242**
Transfer within stages	**(545,048)**	**(545,048)**
New financial assets originated	**180,792**	**180,792**
Write-offs	**(160,014)**	**(160,014)**
Amount fully recovered	**(322,210)**	**(322,210)**
Other movements	**(11,263)**	**(11,263)**
At 31 December 2021	**639,499**	**639,499**

	The Group and the Bank Lifetime expected credit losses -Credit impaired (Stage 3) Total RM'000	Total RM'000
At 1 January 2020	1,242,097	1,242,097
Transfer within stages	493,309	493,309
New financial assets originated	358,118	358,118
Write-offs	(89,915)	(89,915)
Amount fully recovered	(391,882)	(391,882)
Other changes in financing, advances and other financing/loans	(114,485)	(114,485)
At 31 December 2020	1,497,242	1,497,242

	The Group and the Bank 31 December 2021	31 December 2020
Ratio of credit impaired financing to total financing, advances and other financing/loans	**0.70%**	1.74%

7 Financing, advances and other financing/loans (Continued)

(xii) Movements in credit impaired financing, advances and other financing/loans: (Continued)

Impact of movements in gross carrying amount on expected credit losses

2021

Stage 1 ECL decreased by RM6 million for the Group and the Bank as a result of RM41,876 million of the Group's and the Bank's financing, advances and other financing/loans 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 financing, advances and other financing/loans 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 RM346 million for the Group and the Bank as a result of RM21,880 million of financing, advances and other financing/loans migrating into Stage 2 arising from additional disbursement, offset by financing, advances and other financing/loans 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 decreased by RM108 million for the Group and the Bank as a result of RM2,260 million of the Group's and the Bank's financing, advances and other financing/loans 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 financing, advances and other financing/loans that were newly originated or migrated into Stage 1 from Stage 2 or Stage 3 due to credit quality improvement. Changes in Stage 3 ECL is also due to financing, advances and other financing/loans 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 50.1.7.

The amount of financing, advances and other financing/loans whose cash flows were modified of the Group and the Bank during the financial year were both RM20,878,428 respectively.

7 Financing, advances and other financing/loans (Continued)

(xii) Movements in credit impaired financing, advances and other financing/loans: (Continued)

Impact of movements in gross carrying amount on expected credit losses (Continued)

2020

Stage 1 ECL increased by RM120 million for the Group and the Bank as a result of financing, advances and other financing/loans that were newly originated or migrated into Stage 1 from Stage 2 or Stage 3 due to credit quality improvement, offset by RM26,741 million and of the Group's and the Bank's financing, advances and other financing/loans 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.

Stage 2 ECL increased by RM250 million for the Group and the Bank as a result of financing, advances and other financing/loans migrating into Stage 2 arising from escalation of credit risk on certain segments of the targeted repayment assistance loans, selected exposures to the oil and gas industry and additional disbursement, offset by RM4,968 million of the Group's and the Bank's financing, advances and other financing/loans 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 RM171 million for the Group and Bank as a result of financing, advances and other financing/loans that were transferred into Stage 3 due to credit quality deterioration for the Group and the Bank respectively including selected exposures to the oil and gas industry. This is offsetted by RM1,138 million of financing, advances and other financing/loans for the Group and the Bank 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 financing, advances and other financing/loans which ECL mostly fully provided for that were written off during the financial year.

Total ECL movements in 2020 is also affected by the changes in forward-looking economic inputs, increased weighting of a downside economic scenario and increased overlay provisions from estimated impacts of COVID-19 pandemic, as disclosed in Note 50.1.7.

The amount of financing, advances and other financing/loans whose cash flows were modified of the Group and the Bank during the financial year were both RM47,865,950 respectively.

8 Other assets

	The Group		The Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	**31 December 2021 RM'000**	31 December 2020 RM'000
Deposits and prepayments	**11,042**	9,069	**11,042**	9,069
Sundry debtors net of expected credit losses*	**223,560**	235,912	**223,560**	396,592
Collateral pledged for derivative transactions	**49,640**	25,250	**49,640**	25,250
Treasury related receivables	**29,645**	35,678	**29,645**	35,678
Clearing accounts	**9,454**	106,597	**9,454**	106,597
	323,341	412,506	**323,341**	573,186

* Sundry debtors net of expected credit losses of RM271,000 (2020: RM273,000).

Included in sundry debtors for 2020 amounting to RM160,976,000 (2021: Nil) is funding received by the Bank, via issuance of Sukuk from Ziya. At the Group level, due to the consolidation of Ziya, the funding is eliminated and reclassified under Sukuk (Refer to Note 25).

(a) Movements of lifetime expected credit losses on sundry debtors using simplified approach are as follows:

	The Group and the Bank	
	2021 RM'000	2020 RM'000
At 1 January	**273**	289
Expected credit losses written back during the financial year	**(2)**	(16)
At 31 December	**271**	273

9 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 and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Deferred tax assets	**173,233**	85,777

Further breakdown are as follows:

	31 December 2021	31 December 2020
Deferred tax assets (before offsetting)	**RM'000**	RM'000
Expected credit losses	**133,659**	85,913
Property, plant and equipment	**14**	299
Provision for expenses	**11,201**	9,211
Lease liabilities	**427**	568
Other temporary differences	**191**	294
	145,492	96,285
Offsetting	**27,741**	(10,508)
Deferred tax assets (after offsetting)	**173,233**	85,777
Deferred tax liabilities (before offsetting)		
Fair value reserve - Debt instruments at fair value through other comprehensive income	**28,496**	(9,285)
Right-of-use assets	**(386)**	(532)
Intangible assets	**(369)**	(691)
	27,741	(10,508)
Offsetting	**(27,741)**	10,508
Deferred tax liabilities (after offsetting)	**-**	-

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9 Deferred taxation (Continued)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

The Group and the Bank	Note	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Debt instruments at fair value through other comprehensive income RM'000	Intangible assets RM'000	Provision for expenses RM'000	Right-of-use assets RM'000	Lease liabilities RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets/(liabilities)										
At 1 January 2021		**85,913**	**299**	**(9,285)**	**(691)**	**9,211**	**(532)**	**568**	**294**	**85,777**
Credited/(charged) to statements of income	**42**	**47,524**	**1**	**-**	**39**	**1,993**	**146**	**(141)**	**(103)**	**49,459**
Over/(under) provision in prior financial year		**222**	**(286)**	**-**	**283**	**(3)**	**-**	**-**	**-**	**216**
Transferred to equity		**-**	**-**	**37,781**	**-**	**-**	**-**	**-**	**-**	**37,781**
At 31 December 2021		**133,659**	**14**	**28,496**	**(369)**	**11,201**	**(386)**	**427**	**191**	**173,233**

9 Deferred taxation (Continued)

The movements in deferred tax assets and liabilities during the financial year comprise the following: (Continued)

The Group and the Bank	Note	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Debt instruments at fair value through other comprehensive income RM'000	Intangible assets RM'000	Provision for expenses RM'000	Right-of-use assets RM'000	Lease liabilities RM'000	Other temporary differences RM'000	Total RM'000
Deferred tax assets/(liabilities)										
At 1 January 2020		20,700	(142)	(6,630)	(1,251)	9,158	(665)	685	296	22,151
Credited/(charged) to statements of income	**42**	63,172	244	-	(25)	2,650	133	(117)	(5,143)	60,914
Over/(under) provision in prior financial year		2,041	197	-	585	(2,597)	-	-	5,141	5,367
Transferred to equity		-	-	(2,655)	-	-	-	-	-	(2,655)
At 31 December 2020		85,913	299	(9,285)	(691)	9,211	(532)	568	294	85,777

10 Amounts due from holding company

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
Amounts due from :		
- holding company	**283,487**	311,109

The amounts due from holding company are unsecured, interest-free and recallable on demand.

11 Amounts due from/(to) related companies

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
Amounts due from :		
- related companies	**320**	167
Amounts due to :		
- related companies	**(455)**	(8,643)

The amounts due from/(to) related companies are unsecured, interest-free and recallable on demand.

12 Investment in subsidiaries

	The Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Unquoted shares, at cost	**20**	20
Less: Allowance for impairment losses	**(9)**	(9)
	11	11

The table below shows the movements in allowance for impairment losses during the financial year for the Bank:

	The Bank	
	2021 RM'000	2020 RM'000
At 1 January/31 December	**9**	9

12 Investment in subsidiaries (Continued)

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

		Percentage of equity held directly by the Bank	
		31 December 2021	31 December 2020
Name	**Principal activities**	**%**	**%**
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100
Ziya Capital Berhad **	Implementing and carrying out an asset-backed Islamic securitisation transaction under a Sukuk programme. Engaged in the purchase of Islamic receivables from multi-originators	**-**	-

**The silo of Ziya Capital Berhad is consolidated pursuant to MFRS 10 and not audited by PricewaterhouseCoopers PLT.

All the subsidiaries are incorporated in Malaysia.

(b) Consolidation of Ziya Capital Berhad

On 12 August 2016, the Bank obtained funding through securitisation of its hire purchase receivables to Ziya Capital Berhad ("Ziya"), a special purpose vehicle set up to undertake multi securitisation transactions. Arising from the adoption of MFRS 10 "Consolidated Financial Statements", the Group has consolidated the silo of Ziya in relation to the Bank's hire purchase receivables, as this silo has been legally ring-fenced for this transaction.

The securitisation transaction was completed during the financial year.

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13 Property, plant and equipment

2021	The Group and the Bank Renovations, work-in-progress, office equipment, plant and machinery, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and hardware RM'000	Total RM'000
Cost				
At 1 January	**3,760**	**387**	**19,652**	**23,799**
Additions	**21**	**-**	**61**	**82**
Written off	**(284)**	**-**	**(13)**	**(297)**
At 31 December	**3,497**	**387**	**19,700**	**23,584**
Accumulated depreciation				
At 1 January	**2,662**	**278**	**19,511**	**22,451**
Charge for the financial year	**221**	**78**	**118**	**417**
Written off	**(281)**	**-**	**(13)**	**(294)**
At 31 December	**2,602**	**356**	**19,616**	**22,574**
Net book value at 31 December	**895**	**31**	**84**	**1,010**

2020	The Group and the Bank Renovations, work-in-progress, office equipment, plant and machinery, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and hardware RM'000	Total RM'000
Cost				
At 1 January	3,669	387	21,965	26,021
Additions	91	-	1,682	1,773
Written off	-	-	(3,995)	(3,995)
At 31 December	3,760	387	19,652	23,799
Accumulated depreciation				
At 1 January	2,397	200	19,905	22,502
Charge for the financial year	265	78	1,111	1,454
Written off	-	-	(1,505)	(1,505)
At 31 December	2,662	278	19,511	22,451
Net book value at 31 December	1,098	109	141	1,348

No work-in-progress for the Group and the Bank in 2021 and 2020.

14 Right-of-use assets

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

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Building	**1,613**	2,220

Additions to the right-of-use assets during the financial year is nil. Depreciation charge during the financial year for buildings are RM546,000 (2020: RM555,000). At 31 December 2021, the variable lease payment expense and low-value leases expense that are not included in lease liabilities are RM384,000 (2020: Nil) and RM174 (2020: RM841) respectively.

15 Intangible assets

	The Group and the Bank	
	2021 RM'000	2020 RM'000
Computer software and work-in-progress		
Cost		
At 1 January	**137,842**	137,688
Additions	**808**	196
Written off	**(33)**	(42)
At 31 December	**138,617**	137,842
Accumulated amortisation		
At 1 January	**81,730**	73,181
Amortisation for the financial year	**37,447**	8,549
Written off	**(33)**	-
At 31 December	**119,144**	81,730
Net book value at 31 December	**19,473**	56,112

The remaining amortisation period of the intangible assets is between 4 months and 5 years.

The above intangible assets include computer software under construction at cost of the Group and the Bank of RM331,792,000 (2020: RM26,809,000).

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 and the Bank.

16 Goodwill

	The Group and the Bank	
	2021	2020
	RM'000	RM'000
Cost		
At 1 January/At 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.

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 2022 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 years period, revised for current economic conditions. Cash flows beyond the four years period (2020: five years) are extrapolated using an estimated growth rate of 4.06% (2020: 3.31%). 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 9.17% (2020: 8.85%). The discount rate is pre-tax and reflects the specific risks relating to the CGU.

In view of the uncertainty in the economic outlook as a result of COVID-19, management has revised the projected cash flows for all CGUs to reflect potential implications of COVID-19 to the CGU and have also applied a more conservative growth rate to derive the recoverable amount. This includes estimation of the impact of prolonged economic downturn on the CGUs cash flow projections and a recovery to overall business outlook in the medium-term horizon.

In addition, the cash flow projections have incorporated probability-weighted multiple scenarios with variation in the assumptions used including growth rates to estimate the expected cash flow under the current uncertain economic condition.

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 2021 and 31 December 2020.

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

17 Deposits from customers

(i) By type of deposits:

	The Group		The Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	**31 December 2021 RM'000**	31 December 2020 RM'000
a) Savings deposit	**6,872,193**	5,195,321	**6,872,193**	5,195,321
Commodity Murabahah (via Tawarruq arrangement)*	**6,872,193**	5,195,321	**6,872,193**	5,195,321
b) Demand deposit	**16,783,396**	15,123,852	**16,783,396**	15,123,852
Qard	**14,491,756**	12,859,028	**14,491,756**	12,859,028
Commodity Murabahah (via Tawarruq arrangement)*	**2,291,640**	2,264,824	**2,291,640**	2,264,824
c) Term deposit	**72,202,583**	75,847,891	**72,202,583**	76,194,517
Commodity Murabahah Deposits-i (via Tawarruq arrangement)	**45,323,655**	46,720,074	**45,323,655**	47,066,700
Fixed Return Income Account-i (via Tawarruq arrangement)*	**26,430,641**	29,028,255	**26,430,641**	29,028,255
Negotiable Islamic Debt Certificate (NIDC) Hybrid (Bai Bithamin Ajil (BBA) and Bai al-Dayn)	**448,287**	99,562	**448,287**	99,562
d) Specific investment account	**99,600**	98,672	**99,600**	98,672
Mudharabah	**99,600**	98,672	**99,600**	98,672
e) Others	**43,964**	37,173	**43,964**	37,173
Qard	**43,964**	37,173	**43,964**	37,173
	96,001,736	96,302,909	**96,001,736**	96,649,535

*included Qard contract of RM603,416,000 (31 December 2020:RM429,534,000)

17 Deposits from customers (Continued)

(i) By type of deposits: (Continued)

The maturity structure of term deposits and specific investment accounts are as follows:

	The Group		The Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	**31 December 2021 RM'000**	31 December 2020 RM'000
Due within six months	**62,451,968**	66,419,984	**62,451,968**	66,766,610
Six months to less than one year	**9,677,387**	9,365,547	**9,677,387**	9,365,547
One year to less than three years	**143,696**	134,341	**143,696**	134,341
Three years to less than five years	**5,473**	3,589	**5,473**	3,589
Five years and more	**23,659**	23,102	**23,659**	23,102
	72,302,183	75,946,563	**72,302,183**	76,293,189

(ii) By type of customers:

	The Group		The Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	**31 December 2021 RM'000**	31 December 2020 RM'000
Government and statutory bodies	**4,880,028**	4,755,946	**4,880,028**	4,755,946
Business enterprises	**33,347,868**	29,739,057	**33,347,868**	29,739,057
Individuals	**29,214,733**	29,055,068	**29,214,733**	29,055,068
Others	**28,559,107**	32,752,838	**28,559,107**	33,099,464
	96,001,736	96,302,909	**96,001,736**	96,649,535

18 Investment accounts of customers

	The Group and the Bank 31 December 2021 RM'000	The Group and the Bank 31 December 2020 RM'000
Unrestricted investment accounts (Mudharabah)		
-without maturity		
Special Mudharabah Investment Account	**892,710**	831,454
-with maturity		
Term Investment Account-i	**9,023,282**	1,847,416
Unrestricted investment accounts (Wakalah)		
-without maturity		
Daily Investment Account-i	**48,844**	-
Restricted investment accounts (Mudharabah)		
-with maturity		
Restricted Profit Sharing Investment Account (RPSIA)	**462,331**	-
	10,427,167	2,678,870

i) Movement in the investment accounts of customers

	The Group and the Bank 31 December 2021				The Group and the Bank 31 December 2020			
	Mudharabah		**Wakalah**		Mudharabah		Wakalah	
	Unrestricted Investment Account	**Restricted Investment Account**	**Unrestricted Investment Account**	**Total**	Unrestricted Investment Account	Restricted Investment Account	Unrestricted Investment Account	Total
	RM'000	**RM'000**	**RM'000**	**RM'000**	RM'000	RM'000	RM'000	RM'000
As at 1 January	**2,678,870**	**-**	**-**	**2,678,870**	3,448,964	-	-	3,448,964
Funding inflows/outflows								
New placement during the financial year	**9,951,656**	**448,997**	**49,368**	**10,450,021**	3,158,912	-	-	3,158,912
Redemption during the financial year	**(2,817,129)**	**-**	**(525)**	**(2,817,654)**	(4,019,728)	-	-	(4,019,728)
Income from investment	**225,371**	**13,971**	**26**	**239,368**	179,291	-	-	179,291
Company's share of profit								
Profit distributed to mudarib	**(122,776)**	**(140)**	**(25)**	**(122,941)**	(88,569)	-	-	(88,569)
Incentive fee	**-**	**(497)**	**-**	**(497)**	-	-	-	-
As at 31 December	**9,915,992**	**462,331**	**48,844**	**10,427,167**	2,678,870	-	-	2,678,870
Investment asset:								
House financing	**2,179,136**	**-**	**-**	**2,179,136**	1,192,776	-	-	1,192,776
Hire purchase receivables	**6,829,206**	**-**	**-**	**6,829,206**	908,062	-	-	908,062
Other term financing	**907,650**	**-**	**48,844**	**956,494**	578,032	-	-	578,032
Marketable securities	**-**	**461,761**	**-**	**461,761**	-	-	-	-
Miscellaneous Other Assets	**-**	**570**	**-**	**570**	-	-	-	-
Total investment	**9,915,992**	**462,331**	**48,844**	**10,427,167**	2,678,870	-	-	2,678,870

18 Investment accounts of customers (Continued)

ii) Profit Sharing Ratio and Rate of Return:

	2021		2020	
	Investment account holder		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	**5.00**	**0.13**	5.00	0.15
- less than 1 year	**56.94**	**2.03**	64.00	2.89

	2021			2020		
	Investment account holder			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**	**2.10**	**1.28**	-	-	-

iii) By type of customers:

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Business enterprises	**1,233,940**	451,629
Individuals	**9,179,078**	2,227,165
Others	**14,149**	76
	10,427,167	2,678,870

19 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Licensed investment banks	**387,882**	1,050
Licensed banks	**1,636,410**	2,536,685
Bank Negara Malaysia	**5,000**	5,000
Other financial institutions	**279,977**	256,279
	2,309,269	2,799,014

The maturity structure of deposits and placement of banks and other financial institutions are as follows:

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Due within six months	**2,150,982**	2,645,844
Three years to five years	**158,287**	153,170
	2,309,269	2,799,014

Included in deposits and placements by BNM are amount received by the Group and the Bank under government financing scheme as part of the government support measures in response to COVID-19 pandemic for the purpose of SME financing at below market rate with a six year maturity period.

20 Investment accounts due to designated financial institutions

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Restricted investment accounts		
Mudharabah	**3,919,753**	4,751,241

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
By type of counterparty		
Licensed banks	**3,919,753**	4,751,241

i) Movement in the investment accounts due to designated financial institutions

<u>Mudharabah</u>	The Group and the Bank	
Restricted Profit Sharing Investment Account -RPSIA	**31 December 2021 RM'000**	31 December 2020 RM'000
1 January	**4,751,241**	5,021,974
<u>Funding inflows/outflows</u>		
New placement during the financial year	**424,332**	1,578,248
Redemption during the financial year	**(1,348,381)**	(1,977,610)
Income from investment	**156,469**	194,211
<u>Bank's share of profit</u>		
Profit distributed to mudarib	**(1,565)**	(1,890)
Incentive fee	**(62,343)**	(63,692)
31 December	**3,919,753**	4,751,241
<u>Investment asset:</u>		
Other term financing	**3,440,943**	4,296,603
Marketable securities	**56,573**	103,104
Miscellaneous other assets	**422,237**	351,534
Total investment	**3,919,753**	4,751,241

20 Investment accounts due to designated financial institutions (Continued)

ii) Profit Sharing Ratio, Rate of Return and Performance Incentive Fee

	2021			2020		
	Investment account holder			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**	**2.11**	**1.32**	99.00	2.65	1.31

These placements are the RPSIA placed by CIMB Bank Berhad amounting to RM3,919,753,000 (2020: RM4,751,241,000) for tenures within 1 month at indicative profit rates from 1.75% to 2.28% per annum (2020: 1.79% to 2.28% tenures within 4 months). 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.

21 Financial liabilities designated at fair value through profit and loss

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Deposits from customers - structured investments	**799,686**	71,610

The Group and the Bank have issued structured investments and have designated them at fair value in accordance with MFRS 9. The Group and the Bank have the option to designate these instruments at fair value reduces an accounting mismatch, is managed by the Group and the Bank 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 of the Group and the Bank as at 31 December 2021 were RM39,988,000 (2020: RM650,000) 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.

22(a) Islamic derivative financial instruments

The following tables summarise the contractual 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 statement 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.

	The Group and the Bank					
	31 December 2021			31 December 2020		
	Principal amount RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000	Principal amount RM'000	Fair values Assets RM'000	Fair values Liabilities RM'000
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	9,522,898	109,042	(112,920)	9,784,130	187,192	(256,745)
Currency swaps	7,602,865	33,087	(24,204)	8,318,263	118,983	(83,499)
Currency spot	60,108	65	(85)	59,437	118	(82)
Currency option	235,665	1,244	(1,214)	264,718	947	(939)
Cross currency profit rate swaps	891,991	50,104	(46,899)	1,555,059	87,826	(85,253)
	18,313,527	193,542	(185,322)	19,981,607	395,066	(426,518)
Profit rate derivatives						
Islamic profit rate swaps	4,429,348	42,531	(80,345)	11,213,722	122,486	(122,309)
Equity related derivatives						
Equity swap	19,513	229	(219)	37,194	1,717	(1,717)
Credit related contracts						
Total return swaps	41,000	1,248	(1,248)	41,500	2,024	(2,024)
Commodity derivatives						
Commodity swaps	23,481	1,133	(978)	7,555	1,554	(1,340)
Commodity options	46,640	65	(65)	-	-	-
	70,121	1,198	(1,043)	7,555	1,554	(1,340)
Hedging derivatives						
Islamic profit rate swaps	640,613	2,539	(3,777)	78,008	-	(3,939)
Total derivative assets/(liabilities)	23,514,122	241,287	(271,954)	31,359,586	522,847	(557,847)

22(a) Islamic derivative financial instruments (Continued)

Fair value hedge

The Group and the Bank use Islamic profit rate swaps to hedge its exposure to changes in the fair value of fixed rate financing.

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 profit with changes in the fair value of the Islamic profit rate swaps.

The Group and the Bank establish 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 profit 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.

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 Islamic profit rate swaps which is not reflected in the fair value of the hedged item attributable to the change in profit rate; and

- Differences in maturities and reset dates of the Islamic profit rate swaps and the fixed rate financing.

22(a) Islamic derivative financial instruments (Continued)

Fair value hedge (Continued)

The Group and the Bank use the following items as hedging instruments in fair value hedges:

31 December 2021	Less than 1 month	1-3 months	Maturity 3 months-1 year	1-5 years	More than 5 years
Profit rate risk					
Islamic profit rate swaps (MYR)					
Nominal amount (RM'000)	-	-	**140,000**	**310,000**	**125,000**
Average fixed profit rate	-	-	**1.98%**	**2.83%**	**3.05%**
Islamic profit rate swaps (USD)					
Nominal amount (RM'000)	-	-	-	**65,613**	-
Average fixed profit rate	-	-	-	**3.03%**	-

31 December 2020	Less than 1 month	1-3 months	Maturity 3 months-1 year	1-5 years	More than 5 years
Profit rate risk					
Islamic profit rate swaps (USD)					
Nominal amount (RM'000)	-	-	-	78,008	-
Average fixed profit rate	-	-	-	3.03%	-

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

31 December 2021	Nominal amount	Fair values* Assets	Fair values* Liabilities	Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss**	Nominal amount directly impacted by IBOR reform***
Profit rate risk	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Islamic profit rate swaps (MYR)	**575,000**	**2,539**	**(2,119)**	**2,507**	**336**	**575,000**
Islamic profit rate swaps (USD)	**65,613**	**-**	**(1,658)**	**2,262**	**(9)**	**65,613**

31 December 2020	Nominal amount	Fair values* Assets	Fair values* Liabilities	Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss**	Nominal amount directly impacted by IBOR reform***
Profit rate risk	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Islamic profit rate swaps (MYR)	-	-	-	8,182	550	-
Islamic profit rate swaps (USD)	78,008	-	(3,939)	(2,378)	15	78,008

*****All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.

**All hedge ineffectiveness are recognised in the "Income derived from investment of shareholder's funds" in the statement of income.

***Of the RM575,000,000 nominal amount of MYR profit rate swaps above, RM 140,000,000 nominal amount will mature before the anticipated MYR KLIBOR review in second half of 2022.

***Of the RM65,612,932 nominal amount of USD profit rate swaps above, RM NIL nominal amount will mature before the anticipated USD LIBOR replacement in June 2023.

22(a) Islamic derivative financial instruments (Continued)

Fair value hedge (Continued)

Effect of IBOR Reform - significant assumption.

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

- The Group and the Bank have applied the assumptions afforded by IFRS/MFRS 9 6.8 where applicable;
- The Group and the Bank 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 item is anticipated.

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

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		Line item in the SOFP in which the hedged item is included	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
	Assets	Liabilities	Assets	Liabilities			
Hedged items	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
MYR fixed rate sukuk	579,604	-	520	(2,657)	Debt instruments at FVOCI	(2,171)	-
USD fixed rate financing	67,500	-	1,565	-	Financing, advances and other financing/loans	(2,271)	-

31 December 2020	Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Line item in the SOFP in which the hedged item is included	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
	Assets	Liabilities	Assets	Liabilities			
Hedged items	RM'000	RM'000	RM'000	RM'000		RM'000	RM'000
MYR fixed rate sukuk	-	-	-	-	Debt instruments at FVOCI	(7,633)	-
USD fixed rate financing	82,158	-	3,835	-	Financing, advances and other financing/loans	2,393	-

22(b) Commitments and contingencies

In the normal course of business, the Group and the Bank 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 Bank, 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.

The notional/principal amount of the commitments and contingencies constitute the following:

	The Group and the Bank	
	31 December 2021	31 December 2020
	Principal amount RM'000	Principal amount RM'000
Credit-related		
Direct credit substitutes	**282,545**	291,893
Transaction-related contingent items	**730,082**	697,011
Short-term self-liquidating trade-related contingencies	**81,410**	75,486
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	**11,681,141**	11,469,447
- maturity exceeding one year	**9,020,531**	7,541,999
Miscellaneous commitments and contingencies	**28,512**	24,219
Total credit-related commitments and contingencies	**21,824,221**	20,100,055

CIMB Islamic Bank Berhad
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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

22(b) Commitments and contingencies (Continued)

	The Group and the Bank	
	31 December 2021	31 December 2020
	Principal amount	Principal amount
Treasury-related	**RM'000**	RM'000
Foreign exchange related contracts:		
- less than one year	**17,078,967**	18,304,042
- one year to five years	**722,031**	825,356
- more than five years	**512,529**	852,209
	18,313,527	19,981,607
Profit rate related contracts:		
- less than one year	**740,645**	6,537,030
- one year to five years	**3,109,318**	3,683,709
- more than five years	**1,219,998**	1,070,991
	5,069,961	11,291,730
Equity related contracts:		
- less than one year	**19,513**	24,956
- more than five years	**-**	12,238
	19,513	37,194
Commodity related contract:		
- less than one year	**70,121**	4,732
- one year to five years	**-**	2,823
	70,121	7,555
Credit related contracts:		
- one year to five years	**41,000**	-
- more than five years	**-**	41,500
	41,000	41,500
Total treasury-related commitments and contingencies	**23,514,122**	31,359,586
	45,338,343	51,459,641

23 Other liabilities

	The Group		The Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	**31 December 2021 RM'000**	31 December 2020 RM'000
Accruals and other payables	**58,847**	53,168	**58,847**	53,168
Clearing accounts	**37,456**	170,168	**37,456**	170,168
Expected credit losses for commitments and contigencies	**105,256**	76,450	**105,256**	76,450
Collateral received for derivative transactions	**21,476**	86,100	**21,476**	86,100
Structured deposits	**28,833**	38,448	**28,833**	38,448
Treasury related payables	**116,376**	13,960	**116,376**	13,960
Others	**28,262**	32,111	**28,262**	31,023
	396,506	470,405	**396,506**	469,317

(a) Expected credit losses movement of financing commitments and contingencies are as follows:

The Group and the Bank	**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 2021	**46,852**	**23,066**	**6,532**	**76,450**
Changes in expected credit losses due to transferred within stages:	**31,151**	**(27,109)**	**(4,042)**	**-**
Transferred to Stage 1	**36,250**	**(33,508)**	**(2,742)**	**-**
Transferred to Stage 2	**(5,054)**	**10,020**	**(4,966)**	**-**
Transferred to Stage 3	**(45)**	**(3,621)**	**3,666**	**-**
Total charge to Income Statement:	**(15,698)**	**43,175**	**1,306**	**28,783**
New exposures	**69,269**	**69**	**-**	**69,338**
Exposures derecognised or matured	**(37,382)**	**(8,263)**	**(4,216)**	**(49,861)**
Change in credit risk	**(47,585)**	**51,369**	**5,522**	**9,306**
Other movements	**(37)**	**48**	**12**	**23**
At 31 December 2021	**62,268**	**39,180**	**3,808**	**105,256**

Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

23 Other liabilities (Continued)

(a) Expected credit losses movement of financing commitments and contingencies are as follows: (Continued)

The Group and the Bank	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 2020	36,471	6,572	2,500	45,543
Changes in expected credit losses due to transferred within stages:	1,427	(4,348)	2,921	-
Transferred to Stage 1	7,306	(6,029)	(1,277)	-
Transferred to Stage 2	(5,868)	7,771	(1,903)	-
Transferred to Stage 3	(11)	(6,090)	6,101	-
Total charge to Income Statement:	8,224	21,473	1,235	30,932
New exposures	70,168	183	-	70,351
Exposures derecognised or matured	(30,359)	(4,816)	(1,068)	(36,243)
Change in credit risk	(31,585)	26,106	2,303	(3,176)
Other movements	730	(631)	(124)	(25)
At 31 December 2020	46,852	23,066	6,532	76,450

As at 31 December 2021, the gross carrying amount of financing commitments and financial guarantee contracts that are credit impaired for the Group and the Bank is RM15,517,000 (2020: RM40,036,000).

24 Lease liabilities

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Building	**1,775**	2,365

25 Sukuk

	The Group		The Bank	
	31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
	RM'000	RM'000	**RM'000**	RM'000
Ziya Capital Berhad	**-**	186,155	**-**	-

On 12 August 2016, Ziya Capital Bhd ("Ziya") issued RM630 million Sukuk which bears a periodic distribution rate of 3.38% per annum. On 23 July 2021, Ziya undertook a full redemption of its Sukuk balance amounting to RM186 million.

26 Subordinated Sukuk

		The Group and the Bank	
		31 December 2021	31 December 2020
	Note	**RM'000**	RM'000
Subordinated Sukuk 2016/2026 RM10 million	(a)	**-**	10,127
Subordinated Sukuk 2017/2027 RM300 million	(b)	**300,155**	300,155
Subordinated Sukuk 2019/2029 RM800 million	(c)	**807,890**	808,054
		1,108,045	1,118,336

(a) Subordinated Sukuk 2016/2026 RM10 million

On 21 September 2016, the Bank had issued RM10 million Tier 2 Junior Sukuk ("the Sukuk") at par and is due on 21 September 2026, with optional redemption on 21 April 2021 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.55% 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 RM10 million Sukuk qualify as Tier 2 Capital for the purpose of the total capital ratio computation of the Bank.

On 21 September 2021, the Bank redeemed its existing RM10 million Tier 2 Junior Sukuk issued from the RM5 billion Tier 2 Junior Sukuk Programme on the first call date.

26 Subordinated Sukuk (Continued)

(b) Subordinated Sukuk 2017/2027 RM300 million

On 28 December 2017, the Bank had issued RM300 million Tier 2 Junior Sukuk ("the 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, 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.

(c) Subordinated Sukuk 2019/2029 RM800 million

On 25 September 2019, the Bank 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, the Bank 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 the Bank.

27 Perpetual preference shares

	The Group and the Bank	
	2021	2020
	RM'000	RM'000
Issued and fully paid		
Perpetual preference shares:		
At 1 January	**420,000**	220,000
Issued during the financial year	**-**	200,000
At 31 December	**420,000**	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 payment in full the nominal amount and premium payable of that preference share after the payment and discharge of all debts and liabilities of the Bank 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 the Bank beyond such redemption rights as are expressly set out in these Articles.

The Bank 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 the Bank.

28 Ordinary share capital

	The Group and the Bank	
	2021	2020
	RM'000	RM'000
Issued and fully paid		
Ordinary shares:		
At 1 January/31 December	**1,000,000**	1,000,000

29 Reserves

		The Group		The Bank	
		31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
	Note	**RM'000**	RM'000	**RM'000**	RM'000
Merger reserve	(a)	**(2,457)**	(2,457)	**(2,457)**	(2,457)
Capital reserve	(b)	**458**	458	**458**	458
Regulatory reserve	(c)	**-**	213,032	**-**	213,032
Share-based payment reserve	(d)	**587**	1,225	**587**	1,225
Capital contribution by ultimate holding company	(e)	**944**	-	**944**	-
Fair value reserve					
-Debt intruments at fair value through other comprehensive income	(f)	**(87,101)**	31,312	**(87,101)**	31,312
Other reserves					
- Own credit risk reserve	(g)	**(4)**	-	**(4)**	-
Retained earnings		**6,454,014**	5,369,202	**6,453,979**	5,370,464
		6,366,441	5,612,772	**6,366,406**	5,614,034

(a) Merger reserves, which are non-distributable, relate to the difference between the cost of the merger between the Bank and the Islamic banking operation of CIMB Bank Berhad, and the value of the net assets and reserves transferred to the Bank.

(b) Capital reserves, which are non-distributable, relate to the retained earnings of the Islamic banking business of CIMB Bank Berhad which were transferred to the Bank, arising from the business combination under common control using the predecessor basis of accounting in the financial year 2007.

(c) Regulatory reserve of the Group is maintained by the Bank, which is transferred from the retained earnings, as an additional credit risk absorbent to ensure robustness on the financing impairment assessment methodology.

BNM guideline 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.

In 2020, the regulatory reserve held against expected losses is reduced to 0%, a COVID-19 related measure to drawdown prudential buffers as permitted by BNM.

29 Reserves (Continued)

(d) Share-based payment reserve arose from Employee Ownership Plan, Long Term Incentive Plan ("LTIP"), the Group's and the Bank's share-based compensation benefits.

(e) Capital contribution by ultimate holding company is the cost of the ordinary shares and share options of the Group's and the Bank's awarded to eligible employees of the Group and the Bank.

(f) For debt instruments at 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 and loss when the investment is disposed of.

(g) Changes in fair value of financial liabilities designated at fair value relating to the Group's and the Bank's own credit risk are recognised in other comprehensive income. These changes are also accumulated within own credit risk reserve within equity.

30 Restricted Agency Investment Account

(i) The details of the Restricted Agency Investment Account ("RAIA") financing are as below. The exposures and corresponding risk weighted amount are reported in investors' financial statements.

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
RAIA arrangement		
Financing and advances	10,248,755	5,030,980
Commitments and contingencies	2,500,000	3,700,000
	12,748,755	8,730,980

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Total RWA for Credit Risk	1,227,746	209,266
	1,227,746	209,266

RAIA arrangement is with the Bank's holding company, CIMB Bank Berhad, and the contract is based on the Wakalah principle where CIMB Bank Berhad provides the funds, whilst the assets are managed by the Bank (as the Wakeel or agent). In the arrangement, the Bank has transferred substantially all the risk and rewards of ownership of the Investment (i.e. the financing facility) to CIMB Bank Berhad. 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 Berhad.

The recognition and derecognition of the above are in accordance to Note F and H in the financial statements of the Group and the Bank for the financial year ended 31 December 2021.

30 Restricted Agency Investment Account (Continued)

ii) Movement in the Investment Account

Wakalah	**The Group and the Bank**	
Restricted Agency Investment Account -RAIA	**31 December 2021 RM'000**	**31 December 2020 RM'000**
As at 1 January	**5,030,980**	6,231,742
Funding inflows/outflows		
New placement during the financial year	**5,200,000**	2,300,000
Redemption during the financial year	**-**	(4,180,694)
Income from investment	**17,775**	679,932
As at 31 December	**10,248,755**	5,030,980
Investment asset:		
Revolving credit	**1,201,933**	-
Other term financing	**9,046,822**	5,030,980
Total investment	**10,248,755**	5,030,980

iii) Rate of Return

	Investment account holder Average rate of return	
	2021 %	**2020 %**
Restricted investment accounts:		
1 month or less	**-**	2.76
more than 1 month to 3 months	**1.45**	3.28
more than 3 month to 6 months	**2.44**	3.30
more than 4 years to 5 years	**3.51**	3.42
more than 5 years	**4.24**	4.59

31 Income derived from investment of depositors' funds and others

		The Group and the Bank	
		31 December	31 December
		2021	2020
	Note	**RM'000**	RM'000
Income derived from investment of:			
- General investment deposits	(i)	**2,641,927**	2,835,821
- Specific investment deposits	(ii)	**1,924**	2,515
- Other deposits	(iii)	**970,726**	1,065,964
		3,614,577	3,904,300

(i) Income derived from investment of general investment deposits

	The Group and the Bank	
	31 December	31 December
	2021	2020
	RM'000	RM'000
Financing, advances and other financing/loans:		
- Profit income	**2,047,371**	2,102,776
- Unwinding income*	**23,118**	26,930
Debt instruments at fair value through other comprehensive income	**108,512**	98,999
Debt instruments at amortised cost	**244,075**	232,458
Money at call and deposit with financial institutions	**156,168**	153,805
Reverse Collateralised Commodity Murabahah	**7**	-
	2,579,251	2,614,968
Accretion of discount less amortisation of premium	**(24,554)**	(17,057)
Other finance income for financial assets at fair value through profit or loss		
- Financial assets at fair value through profit or loss	**41,525**	40,547
- Financing, advances and other financing/loans	**908**	6,204
- Net accretion of discount less amortisation of premium	**62,278**	55,404
Total finance income and hibah	**2,659,408**	2,700,066
Other operating income		
Net gain/(loss) from financial assets at fair value through profit or loss:		
- realised	**3,699**	20,648
- unrealised	**(6,797)**	2,433
Net gain from sale of investment in debt instruments at fair value through other comprehensive income	**32,066**	61,236
Net unrealised gain/(loss) arising from financing, advances and other financings at fair value through profit or loss	**3,603**	(1,749)
Net (loss)/gain from foreign exchange transactions	**(57,792)**	46,671
	(25,221)	129,239
Fee and commission income		
- Guarantee fee	**7,740**	6,516
	2,641,927	2,835,821

**Unwinding income is income earned on impaired financial assets.*

31 Income derived from investment of depositors' fund and others (Continued)

(ii) Income derived from investment of specific investment deposits

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Money at call and deposit with financial institutions	**1,924**	2,515

(iii) Income derived from investment of other deposits

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Financing, advances and other financing/loans:		
- Profit income	**752,001**	790,114
- Unwinding income*	**8,397**	10,106
Debt instruments at fair value through other comprehensive income	**40,164**	37,180
Debt instruments at amortised cost	**89,682**	87,269
Money at call and deposit with financial institutions	**57,337**	57,798
Reverse Collateralised Commodity Murabahah	**3**	-
	947,584	982,467
Accretion of discount less amortisation of premium	**(9,065)**	(6,380)
Other finance income for financial assets at fair value through profit or loss		
- Financial assets at fair value through profit or loss	**15,290**	15,280
- Financing, advances and other financing/loans	**310**	2,334
- Net accretion of discount less amortisation of premium	**22,705**	20,833
Total finance income and hibah	**976,824**	1,014,534
Other operating income		
Net gain/(loss) from financial assets at fair value through profit or loss:		
- realised	**1,273**	7,811
- unrealised	**(2,303)**	953
Net gain from sale of investment in debt instruments at fair value through other comprehensive income	**11,281**	23,346
Net unrealised gain/(loss) arising from financing, advances and other financings at fair value through profit or loss	**1,228**	(631)
Net (loss)/gain from foreign exchange transactions	**(20,404)**	17,500
	(8,925)	48,979
Fees and commission income		
- Guarantee fee	**2,827**	2,451
	970,726	1,065,964

**Unwinding income is income earned on impaired financial assets*

32 Income derived from investment of investment account

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Financing, advances and other financing/loans:		
- Profit income	**378,431**	359,324
- Unwinding income*	**3**	-
Debt instrument at amortised cost	**8,372**	-
Money at call and deposit with financial institutions	**3,548**	5,963
	390,354	365,287
Accretion of discount less amortisation of premium	**5,598**	-
	395,952	365,287
Other operating income		
Net gain from foreign exchange transactions	**1**	-
	1	-
Fees and commission income		
- Service charge and fee	**248**	5
	396,201	365,292

**Unwinding income is income earned on impaired financial assets*

33 Income derived from investment of shareholder's fund

	The Group		The Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	**31 December 2021 RM'000**	31 December 2020 RM'000
Financing, advances and other financing/loans:				
- Profit income	**189,830**	187,226	**189,830**	187,226
- Unwinding income*	**2,136**	2,395	**2,136**	2,395
Debt instruments at fair value through other comprehensive income	**10,099**	8,786	**10,099**	8,786
Debt instruments at amortised cost	**22,641**	20,624	**22,641**	20,624
Money at call and deposits with financial institutions	**14,472**	13,693	**14,472**	13,693
Reverse Collateralised Commodity Murabahah	**1**	-	**1**	-
	239,179	232,724	**239,179**	232,724
Accretion of discount less amortisation of premium	**(2,282)**	(1,493)	**(2,282)**	(1,493)
Other finance income for financial assets at fair value through profit or loss				
- Financial assets at fair value through profit or loss	**3,854**	3,653	**3,854**	3,653
- Financing, advances and other financing/loans	**81**	554	**81**	554
- Net accretion of discount less amortisation of premium	**5,759**	4,964	**5,759**	4,964
Total finance income and hibah	**246,591**	240,402	**246,591**	240,402
Other operating income				
Net gain/(loss) from financial assets at fair value through profit or loss:				
- realised	**337**	1,832	**337**	1,832
- unrealised	**(614)**	226	**(614)**	226
Net gain from sale of investment in debt instruments at fair value through other comprehensive income	**2,922**	5,604	**2,922**	5,604
Net unrealised gain/(loss) arising from financing, advances and other financings	**323**	(144)	**323**	(144)
Net (loss)/gain from foreign exchange transactions	**(5,289)**	4,092	**(5,289)**	4,092
Net gain from hedging activities	**327**	565	**327**	565
Net gain/(loss) from derivative financial instruments:				
- realised	**107,285**	(770)	**107,285**	(770)
- unrealised	**(11,973)**	(33,249)	**(11,973)**	(33,249)
Net (loss)/gain arising from financial liabilities designated at fair value through profit or loss				
- realised	**(4,218)**	(923)	**(4,218)**	(923)
- unrealised	**39,343**	(2,426)	**39,343**	(2,426)
	128,443	(25,193)	**128,443**	(25,193)
Fees and commission income				
- Guarantee fee	**716**	581	**716**	581
- Service charge and fee	**69,497**	51,663	**69,997**	52,486
- Commission fee	**153,331**	122,599	**153,331**	122,599
Total fee and commission income	**223,544**	174,843	**224,044**	175,666
Less : Fee and commission expense	**(26,310)**	(22,137)	**(26,310)**	(22,137)
Net fees and commision income	**197,234**	152,706	**197,734**	153,529
Other income	**1,088**	1,018	**1,088**	1,018
	573,356	368,933	**573,856**	369,756

**Unwinding income is income earned on impaired financial assets*

34 Modification loss

		The Group and the Bank	
		31 December 2021 RM'000	31 December 2020 RM'000
Loss on modification of cash flows	(i)	**95,749**	341,954
Benefits recognised under the various Government scheme	(ii)	**-**	(156,150)
Net loss on modification of cash flows		**95,749**	185,804

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.

(i) During the financial year ended 31 December 2020 and 31 December 2021, the Group and the Bank granted various payment moratorium, repayment assistance, restructuring and rescheduling programmes to the customers affected by COVID-19. As a result, the Group and the Bank have recognised a loss arising from the modification of contractual cash flows of the financing, advances and other financing/loans.

(ii) The Group also received financing facility from the Government for the purpose of on-lending to SMEs at below market or concession rates. The financing by the Group is to provide support for SMEs in sustaining business operations, safeguard jobs and encourage domestic investments during the COVID-19 pandemic. The benefits under the government financing facility that are recognised in the profit or loss of the Group and the Bank, are applied to address the financial and accounting impact incurred by the Group and the Bank for COVID-19 related relief measures.

35 Expected credit losses on financing, advances and other financing/loans

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
Expected credit losses on financing, advances and other financing/loans at amortised cost	**367,539**	626,411
Impaired financing, advances and other financing/loans:		
- recovered	**(57,307)**	(48,812)
- written off	**1,590**	2,863
	311,822	580,462

36 Other expected credit losses made/(written back)

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
Expected credit losses made/(written back) on:		
- Debt instruments at fair value through other comprehensive income	**1,226**	66
- Debt instruments at amortised cost	**496**	(211)
- Other assets	**(2)**	(16)
	1,720	(161)

37 Income attributable to depositors and others

	The Group		The Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	**31 December 2021 RM'000**	31 December 2020 RM'000
Deposits from customers:				
- Mudharabah	**1,924**	2,515	**1,924**	2,515
- Non-Mudharabah	**1,568,938**	1,944,888	**1,568,938**	1,944,888
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah	**21,949**	28,086	**21,949**	28,086
Others				
- Financial liabilities designated at fair value through profit or loss	**8,293**	2,000	**8,293**	2,000
- Subordinated Sukuk	**44,428**	44,678	**44,428**	44,678
- Recourse obligation on loans and financing sold to Cagamas	**-**	47,369	**-**	47,369
- Sukuk	**2,678**	7,782	**-**	-
- Structured deposits	**189**	652	**189**	652
- Lease liabilities	**65**	102	**65**	**102**
- Collateralised Commodity Murabahah	**6,574**	292	**6,574**	**292**
- Others	**-**	-	**4,531**	8,538
	1,655,038	2,078,364	**1,656,891**	2,079,120

38 Profit distributed to investment account holder

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
- Restricted	**105,895**	128,629
- Unrestricted	**102,594**	90,722
	208,489	219,351

39 Personnel costs

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Salaries, allowances and bonuses[2]	**17,528**	17,917
Pension costs (defined contribution plan)	**2,188**	1,895
Staff incentives and other staff payments	**879**	492
Medical expenses	**215**	242
Share-based expense[1]	**944**	-
Others	**619**	395
	22,373	20,941

[1] The long term incentive plan ("LTIP") was implemented by CIMB Group Holdings Bhd ("CIMBGH") in June 2021. The LTIP awards ordinary shares and share options of CIMBGH 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 44(h).

[2] Included in salaries, allowances and bonuses is shared-based payment expense (EOP) of RM692,658 (2020: RM1,336,465). Refer note 44(g).

40 Other overheads and expenditures

	The Group		The Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	**31 December 2021 RM'000**	31 December 2020 RM'000
Establishment costs				
Depreciation of property, plant and equipment	**417**	1,454	**417**	1,454
Amortisation of intangible assets	**37,447**	8,549	**37,447**	8,549
Depreciation of rights-of-use assets	**546**	555	**546**	555
Rental	**397**	179	**397**	179
Repairs and maintenance	**1,130**	922	**1,130**	922
Utility expenses	**16**	25	**16**	25
Others	**2,056**	1,129	**2,056**	1,129
Marketing expenses				
Advertisement and publicity	**3,780**	2,898	**3,780**	2,898
Others	**84**	2,113	**84**	2,113
Administration and general expenses				
Consultancy and professional fees	**1,661**	1,109	**1,661**	1,109
Legal expenses	**941**	155	**941**	155
Stationery	**369**	285	**369**	285
Postages	**330**	4,422	**330**	4,422
Donation	**2,666**	1,795	**2,666**	1,795
Incidental expenses on banking operations	**3,848**	4,728	**3,848**	4,728
Takaful	**13,995**	6,068	**13,995**	6,068
Group service expense	**1,009,650**	841,851	**1,009,650**	841,851
Others	**9,063**	11,944	**9,007**	11,802
	1,088,396	890,181	**1,088,340**	890,039

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40 Other overheads and expenditures (Continued)

The personnel expenses and other overhead and expenditures include the following statutory disclosures:

	The Group		The Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	**31 December 2021 RM'000**	31 December 2020 RM'000
Directors remuneration (Note 41)	**4,380**	3,216	**4,380**	3,216
Auditors' remuneration :				
PricewaterhouseCoopers PLT (audit)				
- statutory audit	**458**	454	**452**	448
- limited review	**124**	77	**124**	77
- other audit related	**3**	50	**3**	50
PricewaterhouseCoopers Malaysia (non audit)				
- tax services	**33**	32	**33**	32

41 Directors and Shariah Committee Members remuneration

The Directors of the Bank in office during the financial year were as follows:

<u>Executive Director</u>
Ahmad Shahriman bin Mohd Shariff

<u>Non-Executive Directors</u>
Dato' Mohamed Ross bin Mohd Din
Ahmed Baqar Rehman
Ho Yuet Mee
Jalalullail Othman
Dr Azura Othman (appointed on 1 July 2021)

The Directors and Shariah Committee members of the Group and the Bank and their total remuneration during the financial year are analysed below:

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Executive Director		
- Salary and other remuneration	**2,954**	1,407
- Benefits-in-kind	**7**	7
Non-Executive Directors		
- Fees	**568**	745
- Other remuneration	**805**	1,011
- Benefits-in-kind	**46**	46
Shariah Committee members		
- Fees	**704**	736
- Other remuneration	**183**	206
	5,267	4,158

41 Directors and Shariah Committee Members remuneration (Continued)

	The Group and the Bank			
	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-in-kind RM'000	Total RM'000
2021				
Executive Directors				
Ahmad Shahriman bin Mohd Shariff	-	2,954	7	2,961
Non-Executive Directors				
Dato' Mohamed Ross bin Mohd Din	125	257	46	428
Rosnah binti Dato' Kamarul Zaman	6	4	-	10
Ho Yuet Mee	125	72	-	197
Ahmed Baqar Rehman	125	208	-	333
Jalalullail Othman	125	220	-	345
Dr. Azura Othman	62	44	-	106
	568	805	46	1,419
Shariah Committee members				
Dr. Shafaai bin Musa	135	20	-	155
Associate Professor Dr. Aishath Muneeza	90	20	-	110
Ahmed Baqar Rehman	90	20	-	110
Professor Dr. Yousef Abdullah Al Shubaily	209	83	-	292
Dr Ahmad Sufian Che Abdullah	90	20	-	110
Associate Prof Dr Mohamed Fairooz Abdul Khir	90	20	-	110
	704	183	-	887
	1,272	3,942	53	5,267

Note: The Directors and officers of the Group and of the Bank 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 Bank amounted to RM272,805 (2020: RM196,912) respectively.

41 Directors and Shariah Committee Members remuneration (Continued)

	The Group and the Bank			
	Fees RM'000	Salary and/or other remuneration RM'000	Benefits-in-kind RM'000	Total RM'000
2020				
Executive Directors				
Ahmad Shahriman bin Mohd Shariff	-	1,407	7	1,414
Non-Executive Directors				
Dato' Mohamed Ross bin Mohd Din	131	274	46	451
Rosnah binti Dato' Kamarul Zaman	131	176	-	307
Ho Yuet Mee	131	193	-	324 *
Ahmed Baqar Rehman	221	238	-	459
Jalalullail Othman	131	130	-	261
	745	1,011	46	1,802
Shariah Committee members				
Dr. Shafaai bin Musa	135	23	-	158
Associate Professor Dr. Aishath Muneeza	82	23	-	105
Ahmed Baqar Rehman	90	23	-	113
Professor Dr. Yousef Abdullah Al Shubaily	201	80	-	281
Dr. Nedham Yaqoobi	100	30	-	130
Dr Ahmad Sufian Che Abdullah	90	23	-	113
Associate Prof Dr Mohamed Fairooz Abdul Khir	38	4	-	42
	736	206	-	942
	1,481	2,624	53	4,158

** includes amount receivable from a related company.*

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Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)

42 Taxation and zakat

	The Group	
	31 December 2021	31 December 2020
	RM'000	RM'000
Taxation based on profit for the financial year:		
- Malaysian income tax	**345,390**	197,440
Deferred taxation (Note 9)	**(49,459)**	(60,914)
Over provision in prior years	**(1,007)**	(235)
	294,924	136,291
Zakat	**5,060**	2,900
	299,984	139,191
Reconciliation between tax expense and the Malaysian tax rate		
Profit before taxation and zakat	**1,171,764**	632,651
Tax calculated at a rate of 24% (2020: 24%)	**281,223**	151,836
Tax effects:		
- income not subject to tax	**(1,166)**	(18,727)
- expenses not deductible for tax purposes	**17,467**	3,417
- difference due to Cukai Makmur	**(1,593)**	-
Over provision in prior years	**(1,007)**	(235)
Tax expense	**294,924**	136,291

	The Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
Taxation based on profit for the financial year:		
- Malaysian income tax	**345,390**	197,440
Deferred taxation (Note 9)	**(49,459)**	(60,914)
Over provision in prior years	**(1,007)**	(235)
	294,924	136,291
Zakat	**5,060**	2,900
	299,984	139,191
Reconciliation between tax expense and the Malaysian tax rate		
Profit before taxation and zakat	**1,170,467**	632,860
Tax calculated at a rate of 24% (2020: 24%)	**280,912**	151,886
Tax effects:		
- income not subject to tax	**(1,167)**	(18,727)
- expenses not deductible for tax purposes	**17,779**	3,367
- difference due to Cukai Makmur	**(1,593)**	-
Over provision in prior years	**(1,007)**	(235)
Tax expense	**294,924**	136,291

43 Earnings per share

(a) Basic earnings per share

The basic earnings per ordinary share for the Group and the Bank are calculated based on the net profit for the financial year of RM871,780,000 (2020: RM493,460,000) and RM870,483,000 (2020: RM493,669,000) respectively divided by the weighted average number of ordinary shares of 1,000,000,000 (2020: 1,000,000,000) in issue during the financial year respectively.

(b) Diluted earnings per share

The Group has no dilution in its earnings per ordinary share in the current and previous financial year as there are no dilutive potential ordinary shares.

44 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 Bank 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 Bank and the party are subject to common control or common significant influence.

The Group and the Bank have related party relationships with their holding companies, subsidiaries, associates and joint ventures of holding companies and key management personnel.

44 Significant related party transactions and balances (Continued)

(a) Related parties and relationship

The related parties of, and their relationship with the Bank, are as follows:

Related parties	Relationship
CIMB Group Holdings Berhad	Ultimate holding company
CIMB Group Sdn. Bhd.	Penultimate holding company
CIMB Bank Berhad	Immediate holding company
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Subsidiary
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Subsidiary
Ziya Capital Berhad	Subsidiary
Subsidiaries of CIMB Group Holdings Berhad as disclosed in its financial statements	Subsidiaries of ultimate holding company
Subsidiaries of CIMB Group Sdn. Bhd. as disclosed in its financial statements	Subsidiaries of penultimate holding company
Subsidiaries of CIMB Bank Berhad as disclosed in its financial statements	Subsidiaries of immediate holding company
Associates and joint venture of CIMB Group Holdings Berhad as disclosed in its financial statements	Associates and joint venture of ultimate holding company
Associates and joint venture of CIMB Group Sdn. Bhd. as disclosed in its financial statements	Associates and joint venture of penultimate holding company
Joint venture of CIMB Bank Berhad as disclosed in its financial statements	Joint venture of immediate holding company
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 Bank either directly or indirectly. The key management personnel of the Bank include all the Directors of the Bank and its employees who make certain critical decisions in relation to the strategic direction of the Bank.

44 Significant related party transactions and balances (Continued)

(b) Related party transactions and balances of the Group and the Bank

A number of banking transactions are entered into with related parties in the normal course of business. These include financing, advances and other financing/loans, deposits, derivative transactions and other financial instruments. These transactions were carried out on agreed terms with the related party.

The Group and the Bank	Immediate and ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2021			
Income			
Fee income	-	500	-
Profit income on deposits and placement with banks and other financial institutions	214	-	-
Profit income on financing, advances and other financing/loans	-	-	2,131
Service charges and fees	36	8	
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	4,931	1,319	7
Profit expense on deposits from customers	-	572	-
Profit expense on Investment accounts due to designated financial institutions	92,561	-	-
Profit expense on subordinated sukuk	44,428	-	-
Profit expense on sukuk	-	2,678	-
Group services expense	1,005,094	4,556	-
Security expenses	-	(3)	-
Professional Fees	-	-	-

44 Significant related party transactions and balances (Continued)

(b) Related party transactions and balances of the Group and the Bank (Continued)

A number of banking transactions are entered into with related parties in the normal course of business. These include financing, advances and other financing/loans, deposits, derivative transactions and other financial instruments. These transactions were carried out on agreed terms with the related party. (Continued)

The Group and the Bank	Immediate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2020			
Income			
Fee income	-	926	-
Profit income on deposits and placement with banks and other financial institutions	2,758	-	-
Profit income on financing, advances and other financing/loans	-	-	2,131
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	10,028	1,527	4
Profit expense on deposits from customers	-	823	-
Profit expense on Investment accounts due to designated financial institutions	128,629	-	-
Profit expense on subordinated sukuk	44,678	-	-
Profit expense on sukuk	-	7,782	-
Group services expense	831,966	9,885	-
Security expenses	-	18	-
Professional Fees	-	178	-

44 Significant related party transactions and balances (Continued)

(b) Related party transactions and balances of the Group and the Bank (Continued)

A number of banking transactions are entered into with related parties in the normal course of business. These include financing, advances and other financing/loans, deposits, derivative transactions and other financial instruments. These transactions were carried out on agreed terms with the related party. (Continued)

The Group and the Bank	Immediate and ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
2021			
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions and other financial institutions	157,986	548	-
Financing, advances and other financing/loans	-	-	2,313
Derivatives	146,456	-	-
Others	69,095	-	-
Amounts due to			
Deposit from customers	-	31,313	3,501
Deposits and placements of banks and other financial institutions	1,661,714	87,024	-
Investment accounts due to designated financial institutions	3,919,753	-	-
Subordinated sukuk	1,108,045	-	-
Derivatives	140,110	-	-
Others	111,141	-	-
Commitment and contingencies			
Foreign exchange related contracts	9,919,718	-	-
Equity related contracts	9,757	-	-
Profit rate related contracts	3,272,427	-	-
Commodity related contracts	35,139	-	-
Credit related contract	20,500	-	-

44 Significant related party transactions and balances (Continued)

(b) Related party transactions and balances of the Group and the Bank (Continued)

A number of banking transactions are entered into with related parties in the normal course of business. These include financing, advances and other financing/loans, deposits, derivative transactions and other financial instruments. These transactions were carried out on agreed terms with the related party. (Continued)

	Immediate and ultimate holding company	Other related companies	Key management personnel
The Group and the Bank	RM'000	RM'000	RM'000
2020			
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	135,793	2,076	-
Financing, advances and other financing/loans	-	-	2,348
Derivatives	329,622	-	-
Others	25,250	-	-
Amounts due to			
Deposit from customers	-	405,138	1,232
Deposits and placements of banks and other	1,854,075	1,050	
financial institutions		-	-
Investment accounts due to designated financial institutions	4,751,241	-	-
Subordinated sukuk	1,118,336		
Derivatives	199,253	-	-
Others	64,820	186,155	-
Commitment and contingencies			
Foreign exchange related contracts	10,573,577	-	-
Equity related contracts	18,597	-	-
Profit rate related contracts	5,250,443	-	-
Commodity related contracts	3,786		
Credit related contract	20,750	-	-

Other related party balances are unsecured, non-profit bearing and repayable on demand.

Pursuant to the service level agreement ("SLA") entered by the Bank with its immediate holding company, CIMB Bank Berhad ("CIMB Bank"), the Bank has the right to seek indemnity from CIMB Bank against all claims, demands, fines, penalties, payment, losses, costs, damages, charges and expenses as a results of the Bank breach of the terms of the SLA, except in the case of any gross negligence or willful default on the part of the Bank or its directors, officers, employees or agents.

44 Significant related party transactions and balances (Continued)

(c) Related party expenses transaction by geographical

	31 December 2021 The Group and the Bank		
	Profit Expense RM'000	Group services expense RM'000	Others RM'000
Malaysia	**146,496**	**1,009,650**	**(3)**

	31 December 2020 The Group and the Bank		
	Profit Expense RM'000	Group services expense RM'000	Others RM'000
Malaysia	193,471	841,851	196

(d) Key management personnel

Key management compensation

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Salaries and other employee benefits #	**31,694**	22,553
Shares of the ultimate holding company awarded from EOP (units)	**110,717**	661,375
Shares of the ultimate holding company awarded from LTIP (units)		
- ESOS	**5,941,000**	-
- SGP	**430,000**	-

 # includes compensation paid by holding and other related companies

During the financial year, share based payment expenses to key management personnel of the Group and the Bank amounted to RM1,568,000.

Financing to Directors of the Bank amounting to RM2,312,571 (2020: RM2,081,719). Financing made to other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees within the Group.

44 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 and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Outstanding credit exposures with connected parties	**1,006,177**	943,065
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**0.7%**	0.7%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	**0.0%**	0.0%

(f) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 25.7% of the issued capital of the ultimate holding company (2020: 27.2%). KNB is an entity controlled by the Malaysian Government. The Group and the Bank consider 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 Bank.

The Group and the Bank 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
- Financing 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 and the Bank's business on agreed terms.

44 Significant related party transactions and balances (Continued)

(g) Equity Ownership Plan ("EOP")

The EOP was introduced on 1 April 2011 by CIMB Group where CIMB Group will grant ordinary shares of CIMB Group Holdings Berhad to selected employees of the Bank. Under the EOP, earmarked portions of variable remuneration of selected employees of the Bank will be utilised to purchase ordinary shares of CIMB Group Holdings Berhad from the market. The purchased shares will be released progressively to the eligible employees at various dates after the purchase date, subject to continued employment. A related company will act on behalf of CIMB Group to administer the EOP and to hold the shares in trust up to the pre-determined transfer dates. The eligibility of participation in the EOP shall be at the discretion of the Group Compensation Review Committee of CIMB 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 expense recognised in statement of income for the Group and the Bank during the financial year amounted to RM692,658 (2020: RM1,336,465).

The weighted average fair value of shares awarded under EOP was RM4.21 per ordinary share (2020: RM3.54), based on market price during the period in which they were purchased.

Movements in the number of CIMB Group's ordinary shares awarded are as follows:

	The Group and the Bank	
	2021	2020
	Unit	Unit
	'000	'000
Shares :		
At 1 January	**907**	741
Awarded	**41**	610
Released	**(577)**	(444)
At 31 December	**371**	907

44 Significant related party transactions and balances (Continued)

(h) Long Term Incentive Plan ("LTIP")

The CIMB 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 of CIMB Group.

The LTIP is awarded to employees who hold senior management positions and key roles within the CIMB Group and its subsidiary companies, and who fulfill 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, where vesting is subject to service conditions. 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 service and performance conditions (based on return on equity targets and individual performance). 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.

(i) Details of ESOS shares awarded:

Award Date	Fair Value RM	Awarded (Units'000)	Vesting Dates
9 June 2021	0.45	216,758	31 March 2024 31 March 2025

44 Significant related party transactions and balances (Continued)

(h) Long Term Incentive Plan ("LTIP") (Continued)

(i) Details of ESOS shares awarded: (Continued)

The following table indicates the number and movement of ESOS shares during the financial year ended 31 December 2021:

	Outstanding as at	Movement during the year		Outstanding as at	Exerciseable as at
	1 January 2021	Awarded	Expired/ Forfeited	31 December 2021	31 December 2021
Award Date	(Units'000)	(Units'000)	(Units'000)	(Units'000)	(Units'000)
9 June 2021	-	6,376	(435)	5,941	-

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
Fair value of ESOS shares (RM)	0.45
Exercise Price (RM)	4.96
Closing share price at award date (RM)	4.65
Option term	From award date until 8 June 2028
Expected volatility (%)	23.6
Risk-free rate (%)	2.87
Discounted dividend flow	2.05

(ii) Details of SGP shares awarded

Award Date	Fair Value RM	Awarded (Units'000)	Vesting Dates
9 June 2021	4.65	15,748	31 March 2024 31 March 2025 *subject to performance conditions*

44 Significant related party transactions and balances (Continued)

(h) Long Term Incentive Plan ("LTIP") (Continued)

(ii) Details of SGP shares awarded (Continued)

The following table indicates the number and movement of SGP shares during the financial year ended 31 December 2021:

	Outstanding as at	Movement during the year		Outstanding as at	Exerciseable as at
	1 January 2021	Awarded	Expired/ Forfeited	31 December 2021	31 December 2021
Award Date	(Units'000)	(Units'000)	(Units'000)	(Units'000)	(Units'000)
9 June 2021	-	461	(31)	430	-

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
Fair value of SGP Shares (RM)	4.65
Closing share price at award date (RM)	4.65

45 Capital commitments

Capital expenditure approved by Directors but not provided for in the Financial Statements are as follows:

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Capital expenditure:		
- authorised and contracted for	**2,379**	740
- authorised but not contracted for	**7,329**	14,786
	9,708	15,526

Analysed as follows:

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Property, plant and equipment	**2,740**	5,596
Computer software	**6,968**	9,930
	9,708	15,526

46 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. The Group's operations are principally conducted in Malaysia and accordingly no analysis in respect of geographical segments has been presented.

The business segment results are prepared based on the Group's internal management reporting, which reflect the organisation's management reporting structure.

(i) Business segment reporting

Definition of segments

The Group has five major operation divisions that form the basis on which the Group reports its segment information.

Consumer Banking

Consumer Banking provides everyday banking solutions to individual customers covering Islamic financial products and services such as residential property financing, non-residential property financing, personal financing, hire purchase financing, credit cards, wealth management, bancatakaful, remittance and foreign exchange, deposits and internet banking services.

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.

46 Segment reporting (Continued)

(i) Business segment reporting (Continued)

Wholesale Banking

Wholesale Banking comprises comprises Investment Banking, Corporate Banking, Treasury and Markets, Transaction Banking, 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 debt restructuring, initial public offerings, secondary offerings and general corporate advisory.

- Corporate Banking offers a broad spectrum of 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 financings, to derivatives, structured products and debt capital market.

- Treasury and Markets 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.

46 Segment reporting (Continued)

(i) Business segment reporting (Continued)

Wholesale Banking (Continued)

Wholesale Banking comprises comprises Investment Banking, Corporate Banking, Treasury and Markets, Transaction Banking, and Private Banking (Continued)

- Transaction Banking comprises Trade Finance and Cash Management which provide various trade facilities and cash management solutions.

- 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.

Group Funding

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.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

46 Segment reporting (Continued)

(i) Business segment reporting (Continued)

31 December 2021 The Group	Commercial Banking RM'000	Consumer Banking RM'000	Wholesale Banking RM'000	Group Funding RM'000	Total RM'000
Net financing income after modification loss:					
- external	499,375	1,752,067	(524,860)	594,841	2,321,423
- inter-segment	30,827	(597,492)	928,096	(361,431)	-
	530,202	1,154,575	403,236	233,410	2,321,423
Other operating income	73,294	181,041	7,483	41,617	303,435
Total income	603,496	1,335,616	410,719	275,027	2,624,858
Overhead expenses	(113,853)	(580,338)	(144,057)	(272,521)	(1,110,769)
Consist of :					
Depreciation of property, plant and equipment	-	-	(45)	(372)	(417)
Amortisation of intangible assets	-	(112)	(1,508)	(35,827)	(37,447)
Profit before expected credit losses	489,643	755,278	266,662	2,506	1,514,089
Expected credit losses (made)/written back on financing, advances and other financing/loans	(105,157)	(230,454)	23,800	(11)	(311,822)
Expected credit losses (made) for commitments and contingencies	(1,225)	(8,113)	(19,445)	-	(28,783)
Other expected credit losses written back/(made)	-	4	(1,581)	(143)	(1,720)
Segment results	383,261	516,715	269,436	2,352	1,171,764
Taxation and zakat					(299,984)
Net profit for the financial year					871,780
Segment assets	15,782,389	64,846,731	31,339,707	10,631,691	122,600,518
Unallocated assets					802,477
Total assets					123,402,995
Segment liabilities	14,150,821	39,566,853	55,668,496	5,782,036	115,168,206
Unallocated liabilities					448,348
Total liabilities					115,616,554
Other segment items					
Capital expenditure	-	2	41	847	890

Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

46 Segment reporting (Continued)

(i) Business segment reporting (Continued)

31 December 2020 The Group	Commercial Banking RM'000	Consumer Banking RM'000	Wholesale Banking RM'000	Group Funding RM'000	Total RM'000
Net financing income:					
- external	463,592	1,381,601	(494,353)	488,445	1,839,285
- inter-segment	2,541	(554,953)	950,800	(398,388)	-
	466,133	826,648	456,447	90,057	1,839,285
Other operating income	65,973	144,160	39,119	66,469	315,721
Total income	532,106	970,808	495,566	156,526	2,155,006
Overhead expenses	(89,883)	(483,670)	(133,559)	(204,010)	(911,122)
Consist of :					
Depreciation of property, plant and equipment	-	(949)	(47)	(458)	(1,454)
Amortisation of intangible assets	(11)	(80)	(1,994)	(6,464)	(8,549)
Profit/(loss) before allowances	442,223	487,138	362,007	(47,484)	1,243,884
Expected credit losses made on financing, advances and other financing/loans	(52,230)	(519,576)	(8,634)	(22)	(580,462)
Expected credit losses written back/(made) for commitments and contingencies	551	(31,078)	(405)	-	(30,932)
Other expected credit losses and impairment allowances (made)/written back	-	(4)	(42)	207	161
Segment results	390,544	(63,520)	352,926	(47,299)	632,651
Taxation					(139,191)
Net profit for the financial year					493,460
Segment assets	14,457,243	57,236,022	32,600,783	11,116,109	115,410,157
Unallocated assets					872,246
Total assets					116,282,403
Segment liabilities	12,246,536	31,780,767	57,926,268	6,814,012	108,767,583
Unallocated liabilities					482,048
Total liabilities					109,249,631
Other segment items					
Capital expenditure	-	1,157	103	709	1,969

46 Segment reporting (Continued)

(i) Business segment reporting (Continued)

Basis of pricing for inter-segment transfers:

Intersegmental charges are computed on the profit-bearing assets and liabilities of each business segment with rates applied based on the profit yield curve according to the term structure of maturity.

(ii) Geographic segment reporting

	31 December 2021			
	Net financing income RM'000	**Total non-current assets RM'000**	**Total assets RM'000**	**Total liabilities RM'000**
Malaysia	**2,321,423**	**158,096**	**123,402,995**	**115,616,554**

	31 December 2020			
	Net financing income RM'000	Total non-current assets RM'000	Total assets RM'000	Total liabilities RM'000
Malaysia	1,839,285	195,680	116,282,403	109,249,631

47 Capital adequacy

The key driving principles of the Group's and the Bank'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 and the Bank, 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 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 and the Bank are also provided to the Board of Directors.

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") 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.

The risk-weighted assets of the Bank Group and the Bank are computed in accordance with the CAFIB (Basel II - Risk-Weighted Assets), of which the latest revision was issued on 3 May 2019.

The Internal Ratings Based ("IRB") Approach adopted by 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.

47 Capital adequacy (Continued)

Capital Structure and Adequacy

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group and the Bank as at 31 December 2021. The Group and the Bank issued various capital instruments pursuant to the respective regulatory guidelines that qualify as capital pursuant to the CAFIB (Capital Components) issued by BNM.

(a) The capital adequacy ratios of Group and the Bank are as follows:

	The Group		The Bank	
	31 December 2021	31 December 2020	**31 December 2021**	31 December 2020
Common equity tier 1 ratio	**15.109%**	13.304%	**15.109%**	13.307%
Tier 1 ratio	**15.875%**	14.097%	**15.875%**	14.100%
Total capital ratio	**18.853%**	16.757%	**18.853%**	16.760%

(b) The breakdown of risk-weighted assets ("RWA") by each major risk category is as follows:

	The Group		The Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	**31 December 2021 RM'000**	31 December 2020 RM'000
Credit risk	**41,619,100**	41,382,111	**41,619,215**	41,382,225
Market risk	**802,478**	869,519	**802,478**	869,519
Operational risk	**4,159,336**	3,633,392	**4,158,559**	3,633,429
Total risk-weighted assets	**46,580,914**	45,885,022	**46,580,252**	45,885,173

47 Capital adequacy (Continued)

(c) Components of Common Equity Tier 1, Additional Tier 1 and Tier 2 capitals are as follows:

	The Group		The Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	**31 December 2021 RM'000**	31 December 2020 RM'000
Common Equity Tier 1 capital				
Ordinary shares capital	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Other reserves	**6,366,441**	5,612,772	**6,366,406**	5,614,034
Common Equity Tier 1 capital before regulatory adjustments	**7,366,441**	6,612,772	**7,366,406**	6,614,034
Less: Regulatory adjustments				
Goodwill	**(136,000)**	(136,000)	**(136,000)**	(136,000)
Intangible assets	**(19,104)**	(55,420)	**(19,104)**	(55,420)
Deferred tax assets	**(173,602)**	(86,469)	**(173,602)**	(86,469)
Regulatory reserve	**-**	(213,032)	**-**	(213,032)
Others	**4**	(17,221)	**4**	(17,222)
Common Equity Tier 1 capital after regulatory adjustments	**7,037,739**	6,104,630	**7,037,704**	6,105,891
Additional Tier 1 capital				
Perpetual preference shares	**357,000**	364,000	**357,000**	364,000
Additional Tier 1 capital before regulatory adjustments	**357,000**	364,000	**357,000**	364,000
Less: Regulatory adjustments	**-**	-	**-**	-
Additional Tier 1 capital after regulatory adjustments	**357,000**	364,000	**357,000**	364,000
Total Tier 1 capital	**7,394,739**	6,468,630	**7,394,704**	6,469,891
Tier 2 capital				
Subordinated Sukuk	**1,100,000**	1,110,000	**1,100,000**	1,110,000
Surplus eligible provisions over expected loss	**215,326**	40,649	**215,326**	40,647
General provisions ^	**71,643**	69,727	**71,644**	69,729
Total Tier 2 capital	**1,386,969**	1,220,376	**1,386,970**	1,220,376
Total capital	**8,781,708**	7,689,006	**8,781,674**	7,690,267

47 Capital adequacy (Continued)

^ Total capital of the Group and the Bank as at 31 December 2021 have excluded general provision restricted from Tier 2 capital of RM36.1 million (2020: RM49.5 million) respectively.

In accordance with BNM's guidelines on the recognition and Measurement of Profit Sharing Investment Account ("PSIA") as Risk Absorbent, the credit and market risks on the assets funded by the PSIA are excluded from Total Capital Ratio calculation.

As at 31 December 2021, RPSIA assets excluded from the Total Capital Ratio calculation amounted to RM3,844,040,000 (2020: RM4,703,553,000).

48 Significant events

48.1 Significant event during the financial year

i) On 23 July 2021, Ziya Capital Bhd ("Ziya") undertook a full redemption of its Sukuk balance amounting to RM186 million as disclosed in Note 25.

ii) On 21 September 2021, the Bank redeemed its existing RM10 million Tier 2 Junior Sukuk issued from the RM5 billion Tier 2 Junior Sukuk Programme as disclosed in Note 26(a).

48.2 Significant events subsequent to the financial year

On 14 January 2022, the Bank has redeemed RM70 million Basel II Additional Tier 1 Perpetual Preference Shares from CIMB Bank Berhad. The redemption was approved by BNM on 25 October 2021.

49 Critical accounting estimates and judgements in applying accounting policies

The Group and the Bank 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 Bank'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.

The resurgence of COVID-19 cases at the start of 2021 led to several countries implementing lockdown measures and as a consequence, disrupted economic activity across the region. Through the past 12 months, financial institutions have had to activate stimulus and financing repayment programs, while central banks implemented various fiscal measures to address market disruptions. As COVID-19 cases eased in line with higher vaccination rates, regional economies have progressively opened. Nevertheless, economic headwinds have not fully abated, as emergence of COVID-19 variants will ensure that regional and global economic recovery will be patchy and uneven. The Group has supported its customers impacted by the economic downturn over the past year and continues to provide targeted assistance programs, as well as continuously monitor the extent of the impact of the COVID-19 pandemic as the potential disruption and speed of recovery remain uncertain.

49 Critical accounting estimates and judgements in applying accounting policies (Continued)

(a) Expected credit loss allowance on financial assets at amortised cost and FVOCI (Continued)

In determining ECL, management judgement and overlay is applied to reflect the expectation of credit risk. Forward looking macroeconomic information and assumptions relating to COVID-19 have been considered in these estimation, includingthe uncertainty in relation to resurgence of COVID-19 cases which led to movement control orders 2.0 and the anticipated impact of government stimulus and development of vaccines.

Consistent with industry practices, customer support payment deferrals as part of COVID-19 support packages in isolation will not necessarily trigger a stage movement if the customer is assessed to be viable or the deferral packages increase the survival possibility or prevent further credit deterioration. Where there is an indicator of SICR, a lifetime expected credit losses will be considered. Nevertheless, the Group will continue to monitor the ECL impact on an on-going basis throughout the COVID-19 period to ensure sufficient level of provisions are made for the targeted portfolios based on the best available information.

Refer to Section 50.1 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.

(b) Goodwill impairment

The Group and the Bank test annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note L(a) of the Summary of Significant 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. This allocation is reviewed following business reorganisation.

49 Critical accounting estimates and judgements in applying accounting policies (Continued)

(b) Goodwill impairment (Continued)

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 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 16 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 and the Bank'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, payment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 50.4.

49 Critical accounting estimates and judgements in applying accounting policies (Continued)

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.

50 Financial Risk Management

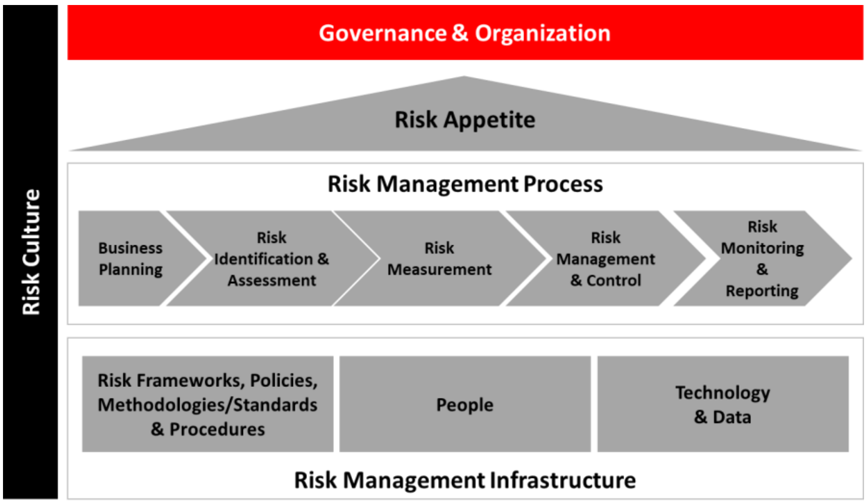
(a) Financial risk management objectives and policies

The Group embraces risk management as an integral part of the Group's, business, operations and decision-making process. 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 and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward of their propositions, thus enabling risk to be priced appropriately in relation to the return.

(b) Enterprise Wide Risk Management Framework ("EWRM")

The Group employs a Group Enterprise-Wide Risk Management ("EWRM") framework as a standardised approach to effectively manage its risk 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:



50 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (EWRM) (Continued)

The design of the Group EWRM framework involves a complementary 'top-down strategic' and 'bottom-up tactical' risk management approach.

The key features of the Group EWRM 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 activity. 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.

50 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (EWRM) (Continued)

d) **Risk Management Process: (Continued)**

- 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 a portfolio basis are regularly monitored and reported to ensure they remain within the Group's risk appetite.

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 skill is key to ensuring a well-functioning Group EWRM Framework. The organization 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.

50 Financial Risk Management (Continued)

(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. Each BRCC also oversees the implementation of the Group EWRM framework, provides strategic guidance and reviews the decisions of the Group Risk and Compliance Committee ("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 directly to the BRCC. The GRCC, comprised of 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 ("GCC"), Group Market Risk Committee("GMRC"), Group Operational & Resiliency Risk Committee, Group Asset Liability Management Committee and Group Asset Quality Committee, each addressing one or more of the following:

- 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;
- Market risk, defined as any fluctuations in the value of financial instruments due to changes in market risk factors such as profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;
- 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;
- 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 profit rates;

50 Financial Risk Management (Continued)

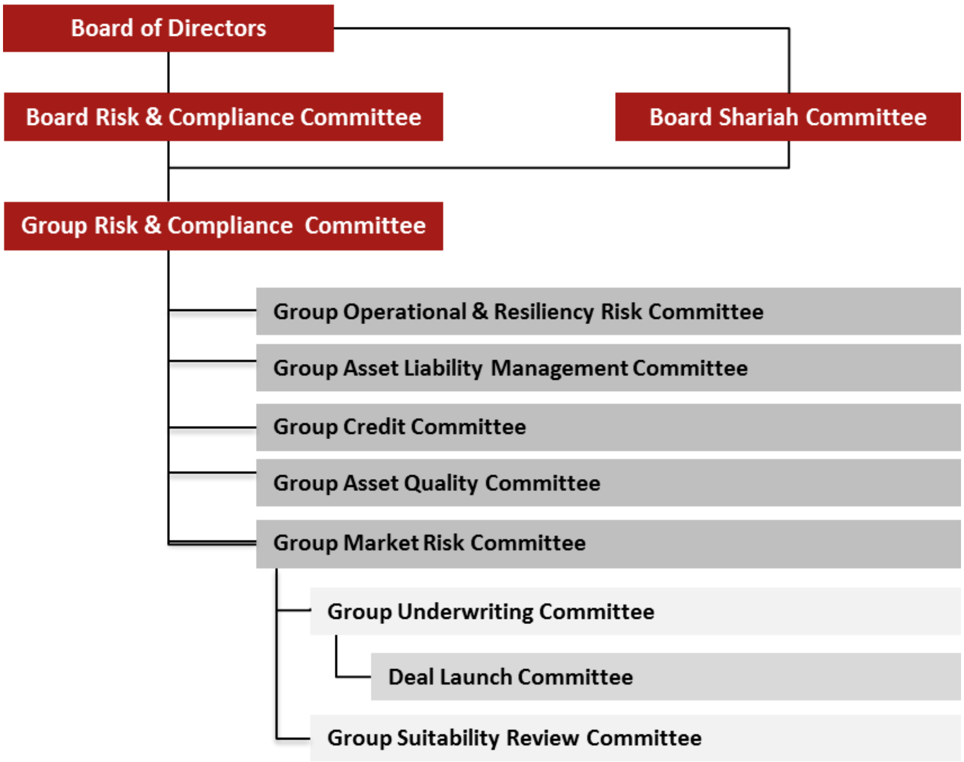
(c) Risk Governance (Continued)

- Operational risk, defined as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. It includes legal risk but excludes strategic and Shariah non-compliance risks;
- 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;
- 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;
- 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;
- 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; and
- 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 possible 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 by Board Shariah Committee ("BSC") of CIMB Islamic Bank; or other Shariah regulatory authorities of the jurisdictions where the Group operates;
- 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.

50 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, regarding technical knowledge. 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.

50 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 initially from the onset of risk-taking activities. This is to ensure clear accountability of risks across the Group and risk management 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.

The Roles of Group Chief Risk Officer ("CRO") and Group Risk ("GRD") Division

Within the second line-of-defence is GRD, 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.

GRD 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 Chief Risk Officer 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.

50 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The Roles of Group Chief Risk Officer ("CRO") and Group Risk Divsion ("GRD") (Continued)

The organisational structure of GRD is made up of two major components, namely the CRO and the Risk Centres of Excellence ("CoE")

a) CRO

- The Group 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.

b) 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.

i. Asset Liability Management CoE

The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement and monitoring and reporting of liquidity risk and profit rate/rate of return risk in the banking book. It conducts regular stress testing on the Group's liquidity and profit 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.

50 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The Roles of Group Chief Risk Officer (CRO) and Group Risk Division (GRD) (Continued)

b) Risk Centres of Excellence (Continued)

ii. 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 non-traditional/alternate data for some of our Retail portfolios).

iii. 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, performing mark-to-market valuation, calculating Value-at-Risk and market risk capital as well as performing stress testing.

iv. 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.

50 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The Roles of Group Chief Risk Officer (CRO) and Group Risk Division (GRD) (Continued)

b) Risk Centres of Excellence (Continued)

iv. Non-Financial Risk Management CoE (Continued)

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.

v. Risk Analytics CoE

The Risk AnaIytics (RA) CoE ensures the Group's compliance to regulatory requirements prescribed for IRB Approach and facilitates other Risk CoEs in their respective risk management through Internal Capital Adequacy Assessment Process ("ICAAP"), Risk Appetite and Stress Testing. RA CoE also validates credit risk models and performs non-retail credit risk analytics, asset quality reporting and Single Counterparty Exposure Limit ("SCEL") regulatory reporting.

vi. Credit Risk Infrastructure CoE

The Credit Risk Infrastructure ("CRI") CoE implements risk infrastructure of financing decision engine and rating system which encompass credit risk models and lending criteria. The CoE also manages a Risk Data Mart that facilitates Credit Risk, Risk Weighted Asset ("RWA") and SCEL reporting and analytics.

50 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The Roles of Group Chief Risk Officer (CRO) and Group Risk Division (GRD) (Continued)

b) Risk Centres of Excellence (Continued)

In ensuring a standardised approach to risk management across the Group, all risk management teams within the Group are required to conform to the Group EWRM framework, subject to necessary adjustments required for local regulations. For branches and subsidiaries without risk management department, all risk management activities are centralised at relevant Risk CoEs. Otherwise, the risk management activities are performed by the local risk management team with matrix reporting line to relevant Risk CoEs.

Strategies and Processes for Various Risk Management

These information are available in later sections for each Credit Risk, Market Risk and Liquidity Risk.

50.1 Credit Risk

Credit 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 financing facilities, trade finance as well as commitments to support client’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.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

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 Framework promotes clarity of risk accountability whereby the business unit, being the first line-of-defence, manages risk in a proactive manner and Group Risk as a function independent from the business units 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 outlining 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 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 financings, credit applications are independently evaluated by 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. For retail 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 and 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 exposure. This, amongst others, includes reviewing and analysing portfolio trends, asset quality, watch-list reporting and policy reviews. The committee is also responsible for articulating key credit risks and its mitigating controls.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Management (Continued)

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.

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 pay their obligations, 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 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.

In addition to the above, the Group also employs Value-at-Risk (“VaR”) to measure credit concentration risk. The Group adopted the Monte Carlo simulation approach in the generation of possible portfolio scenarios to obtain the standalone and portfolio VaR. This approach takes into account the credit concentration risk and the correlation between obligors/counterparties and industries.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

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, should 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 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 sukuk/securities, while physical collateral includes land, buildings and vehicles. Guarantors accepted are in line with BNM’s 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.

50 Financial Risk Management (Continued)

52.1 Credit Risk (Continued)

Credit Risk Mitigation (Continued)

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

CIMB Group avoids unwanted credit or market risk concentrations by diversifying the 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 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 in 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 that does 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).

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

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 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.

<u>Retail</u>
A retail financing, advances and other financing/loans 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;

<u>Non-retail</u>
The stage allocation will be performed at customer level. A customer is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:
- Significant downgrade of internal rating;
- Customer 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.

<u>Treasury</u>
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;
- Customer 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).

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(i) Significant increase in credit risk (SICR) (Continued)

The Group has not used the low credit risk exemption for any financial instruments for the financial year ended 31 December 2021 and 31 December 2020. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the management.

(ii) Definition of credit impaired

Financing, advances and other financing/loans

The Group classified a financing, advances and other financing/loans as impaired when it meets one or more of the following criteria:

(a) Where the principal or 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. cashline 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 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.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(ii) Definition of credit impaired (Continued)

Financing, advances and other financing/loans (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.

Sukuk 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:

- Sukuk 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).
- Sukuk which are force impaired and approved by Group Asset Quality Committee will be subject to individual impairment assessment.
- When an obligor/counterparty has multiple financing, advances and other financing/loans/sukuk 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 financing, advances and other financing/loans/sukuk level instead of consolidated obligor/counterparty level.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(iii) Definition of default

Financing, advances and other financing/loans

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 financings only);
- Force disposed accounts (applicable for non-voluntary ASB 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 financing, advances and other financing/loans.

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.

Sukuk 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 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.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(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 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 customer.

Probability of Default

The PD represents the likelihood of a customer 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 application of survival probabilities up to maturity of the financing facility.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(iv) Measuring ECL - inputs, assumptions and estimation techniques (continued)

Exposure at Default

EAD is the total amount that the Group is exposed to at the time the customer 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 financings, this is based on the contractual repayments owed by the customer over a 12 month or remaining maturity.
- For revolving products the exposure at default is predicted by taking current disbursed balance and adding a "credit conversion factor" which allows for the expected disbursement of the remaining limit by the time of default.

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 customers. 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.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(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 judgment has also been applied in this process. Forecasts of these economic variables are sourced from Group's Economics team.

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 Bank have also identified the key economic variables and carried out sensitivity assessment of ECL for financing, advances and other financing/loans (including undisbursed financing, advances and other financing/loans) and treasury sukuk in relation to the changes in these key economic variables while all other variables remain constant. The sensitivity factors used are derived based on expected standard deviation determined for each key economic variables to assess the impact on the ECL of the Group and the Bank.

50.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(v) Forward-looking information incorporated into the ECL models (Continued)

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.

The key economic variables used for the ECL sensitivity assessment:

Key variables:	Changes (+/- bps)
GDP growth	100
Equity market index	50
Housing Price Index (HPI)	150
Overnight policy rate (OPR)	50

	The Group and the Bank (Writeback)/made 31 December 2021		The Group and the Bank (Writeback)/made 31 December 2020	
	RM'000	RM'000	RM'000	RM'000
	+	-	+	-
Impact on expected credit losses	**(23,366)**	**19,447**	(21,511)	21,928

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 Modelling team.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Measurement (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 financing, advances and other financing/loans or debt instrument is deemed uncollectible, it is written off against the related allowance for impairment. Such financing, advances and other financing/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 and the Bank may write-off financing, advances and other financing/loans or debt instrument that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the financial year ended 31 December 2021 was RM160 million (2020: RM90 million) for the Group and the Bank.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

Modification of financing, advances and other financing/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 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 financing, advances and other financing/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 financing, advances and other financing/loans. The Group monitors the subsequent performance of modified assets. The Group 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.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undisbursed commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM's guidelines on 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 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 CSA and exposure as at 31 December 2021 and 31 December 2020, 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.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.1 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 Bank 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 and the Bank 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 and the Bank	
	31 December 2021	**31 December 2020**
	RM'000	**RM'000**
Financial guarantees	**245,940**	277,100
Credit related commitments and contingencies	**15,015,485**	13,959,133
	15,261,425	14,236,233

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net financing, advances and other financing/loans for the Group and the Bank is 68.8% (2020: 64.5%) while the financial effect of collateral for derivatives for the Group and the Bank is 84.3% (2020: 67.6%). The financial effects 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 financing, advances and other financing/loans that are credit impaired as at 31 December 2021 for the Group and the Bank is 90.0% (2020: 35.3%).

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.2 Offsetting financial assets and financial liabilities

(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements - by type

	Gross amounts of recognised financial assets in the statement of financial position RM'000	Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position Financial instruments RM'000	Financial collaterals RM'000	Net amount RM'000
The Group and the Bank						
31 December 2021						
Financial assets						
Derivative assets	**241,287**	-	**241,287**	**(191,064)**	**(12,245)**	**37,978**
Total	**241,287**	-	**241,287**	**(191,064)**	**(12,245)**	**37,978**
31 December 2020						
Financial assets						
Derivative assets	522,847	-	522,847	(267,583)	(86,100)	169,164
Total	522,847	-	522,847	(267,583)	(86,100)	169,164

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.2 Offsetting financial assets and financial liabilities (Continued)

(b) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements - by type

				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 set off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000	Financial instruments RM'000	Financial collaterals RM'000	Net amount RM'000
The Group and the Bank						
31 December 2021						
Financial liabilities						
Derivative liabilities	**271,954**	**-**	**271,954**	**(191,064)**	**(978)**	**79,912**
Collateralised Commodity Murabahah	**328,821**	**-**	**328,821**	**(328,821)**	**-**	**-**
Total	**600,775**	**-**	**600,775**	**(519,885)**	**(978)**	**79,912**
31 December 2020						
Financial liabilities						
Derivative liabilities	557,847	-	557,847	(267,530)	-	290,317
Collateralised Commodity Murabahah	299,236	-	299,236	(299,236)	-	-
Total	857,083	-	857,083	(566,766)	-	290,317

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.3 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 2021 and 31 December 2020 are as follows:

	The Group 31 December 2021						
	Malaysia	Indonesia	Singapore	United States	United Kingdom	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	12,181,600	742	1,819	15,397	14,524	80,129	12,294,211
Deposits and placements with banks and other financial institutions	179,331	-	-	-	-	-	179,331
Financial assets at fair value through profit or loss	5,200,091	-	-	-	-	22,299	5,222,390
Debt instruments at fair value through other comprehensive income	5,029,784	-	-	-	-	35,598	5,065,382
Debt instruments at amortised cost	8,852,502	-	-	-	-	-	8,852,502
Islamic derivative financial instruments	224,283	-	-	-	-	17,004	241,287
Financing, advances and other financing/loans	90,609,415	-	-	-	-	-	90,609,415
Other assets	273,734	178	16,610	-	-	344	290,866
Amount due from holding company	283,487	-	-	-	-	-	283,487
Amount due from related companies	320	-	-	-	-	-	320
Financial guarantees	245,940	-	-	-	-	-	245,940
Credit related commitments and contingencies	14,953,810	20,990	7,272	-	1,850	31,563	15,015,485
Total credit exposures	138,034,297	21,910	25,701	15,397	16,374	186,937	138,300,616

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.3 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 2021 and 31 December 2020 are as follows: (Continued)

	The Group 31 December 2020						
	Malaysia	Indonesia	Singapore	United States	United Kingdom	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	12,403,464	2,160	10,508	56,196	6,345	98,793	12,577,466
Deposits and placements with banks and other financial institutions	50,046	-	-	-	-	-	50,046
Financial assets at fair value through profit or loss	5,034,429	-	-	-	-	-	5,034,429
Debt instruments at fair value through other comprehensive income	3,624,506	-	5,131	-	-	41,262	3,670,899
Debt instruments at amortised cost	8,501,654	-	-	-	-	-	8,501,654
Islamic derivative financial instruments	488,111	-	-	-	-	34,736	522,847
Financing, advances and other financing/loans	84,916,816	-	-	-	-	-	84,916,816
Other assets	294,623	759	-	-	-	1,453	296,835
Amount due from holding company	311,109	-	-	-	-	-	311,109
Amount due from related companies	114	-	53	-	-	-	167
Financial guarantees	277,100	-	-	-	-	-	277,100
Credit related commitments and contingencies	13,933,734	950	10,914	-	692	12,843	13,959,133
Total credit exposures	129,835,706	3,869	26,606	56,196	7,037	189,087	130,118,501

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50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.3 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 2021 and 31 December 2020 are as follows: (Continued)

	The Bank 31 December 2021						
	Malaysia	Indonesia	Singapore	United States	United Kingdom	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	12,181,554	742	1,819	15,397	14,524	80,129	12,294,165
Deposits and placements with banks and other financial institutions	179,331	-	-	-	-	-	179,331
Financial assets at fair value through profit or loss	5,200,091	-	-	-	-	22,299	5,222,390
Debt instruments at fair value through other comprehensive income	5,029,784	-	-	-	-	35,598	5,065,382
Debt instruments at amortised cost	8,852,502	-	-	-	-	-	8,852,502
Islamic derivative financial instruments	224,283	-	-	-	-	17,004	241,287
Financing, advances and other financing/loans	90,609,415	-	-	-	-	-	90,609,415
Other assets	273,734	178	16,610	-	-	344	290,866
Amount due from holding company	283,487	-	-	-	-	-	283,487
Amount due from related companies	320	-	-	-	-	-	320
Financial guarantees	245,940	-	-	-	-	-	245,940
Credit related commitments and contingencies	14,953,810	20,990	7,272	-	1,850	31,563	15,015,485
Total credit exposures	138,034,251	21,910	25,701	15,397	16,374	186,937	138,300,570

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.3 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 2021 and 31 December 2020 are as follows: (Continued)

	The Bank						
	31 December 2020						
	Malaysia	Indonesia	Singapore	United States	United Kingdom	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	12,403,418	2,160	10,508	56,196	6,345	98,793	12,577,420
Deposits and placements with banks and other financial institutions	50,046	-	-	-	-	-	50,046
Financial assets at fair value through profit or loss	5,034,429	-	-	-	-	-	5,034,429
Debt instruments at fair value through other comprehensive income	3,624,506	-	5,131	-	-	41,262	3,670,899
Debt instruments at amortised cost	8,501,654	-	-	-	-	-	8,501,654
Islamic derivative financial instruments	488,111	-	-	-	-	34,736	522,847
Financing, advances and other financing/loans	84,916,816	-	-	-	-	-	84,916,816
Other assets	455,303	759	-	-	-	1,453	457,515
Amount due from holding company	311,109	-	-	-	-	-	311,109
Amount due from related companies	114	-	53	-	-	-	167
Financial guarantees	277,100	-	-	-	-	-	277,100
Credit related commitments and contingencies	13,933,734	950	10,914	-	692	12,843	13,959,133
Total credit exposures	129,996,340	3,869	26,606	56,196	7,037	189,087	130,279,135

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.3 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 items recognised in the statements of financial position as at 31 December 2021 and 31 December 2020 based on the industry sectors of the counterparty are as follows:

The Group
31 December 2021

	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets 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	Islamic derivative financial instruments RM'000	Other financial assets * RM'000	Financing, advances and other financing/ loans RM'000	Total RM'000
Primary agriculture	-	-	-	125,994	-	75	-	2,816,772	2,942,841
Mining and quarrying	-	-	5,403	70,557	462,399	-	-	633,442	1,171,801
Manufacturing	-	-	14,984	146,419	-	4,323	-	3,326,612	3,492,338
Electricity, gas and water supply	-	-	-	339,210	358,387	-	-	364,975	1,062,572
Construction	-	-	112,056	228,404	96,062	34	-	1,679,356	2,115,912
Transport, storage and communications	-	-	5,289	86,592	682,437	36	-	2,060,143	2,834,497
Education, health and others	-	-	-	-	-	-	-	2,230,895	2,230,895
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	3,802,072	3,802,072
Finance, takaful, real estate and business activities	12,294,211	179,331	4,239,115	1,729,727	2,032,397	181,571	574,673	8,662,728	29,893,753
Others									
Household	-	-	-	-	-	-	-	64,968,546	64,968,546
Others	-	-	845,543	2,338,479	5,220,820	55,248	-	63,874	8,523,964
	12,294,211	179,331	5,222,390	5,065,382	8,852,502	241,287	574,673	90,609,415	123,039,191

*Other financial assets include amount due from holding company, related companies and other financial assets.

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.3 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 items recognised in the statements of financial position as at 31 December 2021 and 31 December 2020 based on the industry sectors of the counterparty are as follows: (Continued)

The Group
31 December 2020

	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets 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	Islamic derivative financial instruments RM'000	Other financial assets* RM'000	Financing, advances and other financing/ loans RM'000	Total RM'000
Primary agriculture	-	-	-	130,283	-	212	-	3,122,781	3,253,276
Mining and quarrying	-	-	-	56,032	-	-	-	666,539	722,571
Manufacturing	-	-	20,564	40,745	-	8,930	-	3,067,314	3,137,553
Electricity, gas and water supply	-	-	37,343	549,432	394,295	9,050	-	282,678	1,272,798
Construction	-	-	110,014	243,751	131,075	28	-	1,639,534	2,124,402
Transport, storage and communications	-	-	20,478	308,587	632,484	190	-	2,333,720	3,295,459
Education, health and others	-	-	-	-	-	-	-	4,206,573	4,206,573
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	3,509,842	3,509,842
Finance, takaful, real estate and business activities	12,577,466	50,046	4,160,785	1,297,944	1,989,569	439,949	608,111	8,679,972	29,803,842
Others									
Household	-	-	-	-	-	-	-	57,326,682	57,326,682
Others	-	-	685,245	1,044,125	5,354,231	64,488	-	81,181	7,229,270
	12,577,466	50,046	5,034,429	3,670,899	8,501,654	522,847	608,111	84,916,816	115,882,268

*Other financial assets include amount due from holding company, related companies and other financial assets.

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.3 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 items recognised in the statements of financial position as at 31 December 2021 and 31 December 2020 based on the industry sectors of the counterparty are as follows: (Continued)

The Bank 31 December 2021	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets 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	Islamic derivative financial instruments RM'000	Other financial assets * RM'000	Financing, advances and other financing/ loans RM'000	Total RM'000
Primary agriculture	-	-	-	125,994	-	75	-	2,816,772	2,942,841
Mining and quarrying	-	-	5,403	70,557	462,399	-	-	633,442	1,171,801
Manufacturing	-	-	14,984	146,419	-	4,323	-	3,326,612	3,492,338
Electricity, gas and water supply	-	-	-	339,210	358,387	-	-	364,975	1,062,572
Construction	-	-	112,056	228,404	96,062	34	-	1,679,356	2,115,912
Transport, storage and communications	-	-	5,289	86,592	682,437	36	-	2,060,143	2,834,497
Education, health and others	-	-	-	-	-	-	-	2,230,895	2,230,895
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	3,802,072	3,802,072
Finance, takaful, real estate and business activities	12,294,165	179,331	4,239,115	1,729,727	2,032,397	181,571	574,673	8,662,728	29,893,707
Others									
Household	-	-	-	-	-	-	-	64,968,546	64,968,546
Others	-	-	845,543	2,338,479	5,220,820	55,248	-	63,874	8,523,964
	12,294,165	179,331	5,222,390	5,065,382	8,852,502	241,287	574,673	90,609,415	123,039,145

* Other financial assets include amount due from holding company, related companies and other financial assets.

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50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.3 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 items recognised in the statements of financial position as at 31 December 2021 and 31 December 2020 based on the industry sectors of the counterparty are as follows: (Continued)

The Bank
31 December 2020

	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets 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	Islamic derivative financial instruments RM'000	Other financial assets* RM'000	Financing, advances and other financing/ loans RM'000	Total RM'000
Primary agriculture	-	-	-	130,283	-	212	-	3,122,781	3,253,276
Mining and quarrying	-	-	-	56,032	-	-	-	666,539	722,571
Manufacturing	-	-	20,564	40,745	-	8,930	-	3,067,314	3,137,553
Electricity, gas and water supply	-	-	37,343	549,432	394,295	9,050	-	282,678	1,272,798
Construction	-	-	110,014	243,751	131,075	28	-	1,639,534	2,124,402
Transport, storage and communications	-	-	20,478	308,587	632,484	190	-	2,333,720	3,295,459
Education, health and others	-	-	-	-	-	-	-	4,206,573	4,206,573
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	3,509,842	3,509,842
Finance, takaful, real estate and business activities	12,577,420	50,046	4,160,785	1,297,944	1,989,569	439,949	768,791	8,679,972	29,964,476
Others									
Household	-	-	-	-	-	-	-	57,326,682	57,326,682
Others	-	-	685,245	1,044,125	5,354,231	64,488	-	81,181	7,229,270
	12,577,420	50,046	5,034,429	3,670,899	8,501,654	522,847	768,791	84,916,816	116,042,902

* Other financial assets include amount due from holding company, related companies and other financial assets.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.3 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 financial guarantees and credit related commitments and contingencies, based on the industry sectors of the counterparty are as follows:

	The Group and the Bank			
	31 December 2021		31 December 2020	
	Financial guarantees RM'000	Credit related commitments and contingencies RM'000	Financial guarantees RM'000	Credit related commitments and contingencies RM'000
Primary agriculture	**1,423**	**284,148**	3,966	467,759
Mining and quarrying	**2,737**	**130,448**	2,202	84,896
Manufacturing	**71,475**	**532,928**	72,405	483,354
Electricity, gas and water supply	**33,073**	**73,407**	31,028	79,210
Construction	**24,727**	**1,817,065**	32,561	1,990,401
Transport, storage and communications	**33,709**	**547,666**	34,145	653,357
Education, health and others	**4,043**	**864,078**	1,740	952,839
Wholesale and retail trade, and restaurants and hotels	**60,942**	**390,833**	83,291	595,729
Finance, takaful, real estate and business activities	**13,656**	**893,743**	15,681	1,094,874
Others				
Household	**155**	**9,478,839**	-	7,551,559
Others	**-**	**2,330**	81	5,155
	245,940	**15,015,485**	277,100	13,959,133

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.4 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 internal rating system adopted by the Group and the Bank, as summarised below:

Financing, advances and other financing/loans and financing commitment and financial guarantees

Rating classification	New internal rating label *	Previous internal rating label
Good	1 to 17	1-10b
Satisfactory	18 to 25	11a-13e
Impaired	26 and above	14 and above

Other financial instruments

Rating classification	New internal rating label*	Previous internal rating label
Investment grade (IG)	1 to 10	1-6
Non-investment grade	11 to 25	7a-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, collateralised commodity Murabahah, debt instruments at fair value through other comprehensive income, debt instruments at amortised cost, amount due from intercompany balances 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.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

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 Bank.

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 profit.

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

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50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.4 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 ("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	Total RM'000
Cash and short-term fund and deposits and placement with banks and other financial institutions				
2021				
Sovereign	**11,753,823**	-	-	**11,753,823**
Investment grade	**671,639**	-	-	**671,639**
Non-investment grade	**1,997**	-	-	**1,997**
No rating	**46,083**	-	-	**46,083**
Gross carrying amount	**12,473,542**	-	-	**12,473,542**
Total ECL	-	-	-	-
Net carrying amount	**12,473,542**	-	-	**12,473,542**
2020				
Sovereign	12,276,136	-	-	12,276,136
Investment grade	258,346	-	-	258,346
Non-investment grade	2,622	-	-	2,622
No rating	90,408	-	-	90,408
Gross carrying amount	12,627,512	-	-	12,627,512
Total ECL	-	-	-	-
Net carrying amount	12,627,512	-	-	12,627,512

Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.4 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 ("ECL") is recognised. (Continued)

The Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Cash and short-term fund and deposits and placement with banks and other financial institutions				
2021				
Sovereign	**11,753,823**	-	-	**11,753,823**
Investment grade	**671,639**	-	-	**671,639**
Non-investment grade	**1,997**	-	-	**1,997**
No rating	**46,037**	-	-	**46,037**
Gross carrying amount	**12,473,496**	-	-	**12,473,496**
Total ECL	-	-	-	-
Net carrying amount	**12,473,496**	-	-	**12,473,496**
2020				
Sovereign	12,276,136	-	-	12,276,136
Investment grade	258,346	-	-	258,346
Non-investment grade	2,622	-	-	2,622
No rating	90,362	-	-	90,362
Gross carrying amount	12,627,466	-	-	12,627,466
Total ECL	-	-	-	-
Net carrying amount	12,627,466	-	-	12,627,466

Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.4 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 ("ECL") is recognised. (Continued)

The Group and the Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Debt instruments at fair value through other comprehensive income				
2021				
Sovereign	**2,577,237**	-	-	**2,577,237**
Investment grade	**1,109,583**	-	-	**1,109,583**
Non-investment grade	**1,318,095**	-	-	**1,318,095**
No rating	**60,467**	-	-	**60,467**
Gross carrying amount*	**5,065,382**	-	-	**5,065,382**
Total ECL ^^	**(3,140)**	-	-	**(3,140)**
Net carrying amount	**5,062,242**	-	-	**5,062,242**
2020				
Sovereign	1,363,241	-	-	1,363,241
Investment grade	1,290,777	-	-	1,290,777
Non-investment grade	925,229	-	-	925,229
No rating	91,652	-	-	91,652
Gross carrying amount*	3,670,899	-	-	3,670,899
Total ECL ^^	(1,914)	-	-	(1,914)
Net carrying amount	3,668,985	-	-	3,668,985
Debt instruments at amortised cost				
2021				
Sovereign	**7,435,638**	-	-	**7,435,638**
Investment grade	**869,391**	-	-	**869,391**
Non-investment grade	**35,754**	-	-	**35,754**
Impaired	-	-	**462,399**	**462,399**
No rating	**50,000**	-	-	**50,000**
Gross carrying amount	**8,390,783**	-	**462,399**	**8,853,182**
Total ECL	**(680)**	-	-	**(680)**
Net carrying amount	**8,390,103**	-	**462,399**	**8,852,502**
2020				
Sovereign	7,504,743	-	-	7,504,743
Investment grade	902,518	-	-	902,518
Non-investment grade	94,577	-	-	94,577
Gross carrying amount	8,501,838	-	-	8,501,838
Total ECL	(184)	-	-	(184)
Net carrying amount	8,501,654	-	-	8,501,654

* This represents the fair value of the securities

^^ The ECL is recognised in other comprehensive income reserves as the carrying amount of debt instruments at fair value through other comprehensive income are equivalent to their fair value.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.4 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 ("ECL") is recognised. (Continued)

The Group and the Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Financing, advances and other financing/loans at amortised cost				
2021				
Good	**43,570,261**	**12,344,780**	**-**	**55,915,041**
Satisfactory	**19,174,604**	**4,924,967**	**-**	**24,099,571**
Impaired	**-**	**-**	**639,499**	**639,499**
No rating	**10,362,152**	**800,348**	**-**	**11,162,500**
Gross carrying amount	**73,107,017**	**18,070,095**	**639,499**	**91,816,611**
Total ECL	**(248,701)**	**(727,401)**	**(231,094)**	**(1,207,196)**
Net carrying amount	**72,858,316**	**17,342,694**	**408,405**	**90,609,415**
2020				
Good	46,604,518	5,207,860	-	51,812,378
Satisfactory	17,022,714	4,107,049	-	21,129,763
Impaired	-	-	1,497,242	1,497,242
No rating	10,839,032	416,483	-	11,255,515
Gross carrying amount	74,466,264	9,731,392	1,497,242	85,694,898
Total ECL	(254,404)	(381,846)	(339,153)	(975,403)
Net carrying amount	74,211,860	9,349,546	1,158,089	84,719,495
Other assets				
2021				
Sovereign	**137,800**	**-**	**-**	**137,800**
Investment grade	**69,095**	**-**	**-**	**69,095**
No rating	**10,190**	**-**	**-**	**10,190**
Gross carrying amount	**217,085**	**-**	**-**	**217,085**
Total ECL	**-**	**-**	**-**	**-**
Net carrying amount	**217,085**	**-**	**-**	**217,085**
2020				
Investment grade	25,250	-	-	25,250
Gross carrying amount	25,250	-	-	25,250
Total ECL	-	-	-	-
Net carrying amount	25,250	-	-	25,250

Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.4 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 ("ECL") is recognised. (Continued)

The Group and the Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Intercompany balances				
2021				
Investment grade	**283,685**	**-**	**-**	**283,685**
No rating	**122**	**-**	**-**	**122**
Gross carrying amount	**283,807**	**-**	**-**	**283,807**
Total ECL	**-**	**-**	**-**	**-**
Net carrying amount	**283,807**	**-**	**-**	**283,807**
2020				
Investment grade	311,162	-	-	311,162
No rating	114	-	-	114
Gross carrying amount	311,276	-	-	311,276
Total ECL	-	-	-	-
Net carrying amount	311,276	-	-	311,276

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.4 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 ("ECL") is recognised. (Continued)

The Group and the Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Financing commitments and financial guarantee contracts				
2021				
Good	**8,429,602**	**325,406**	**-**	**8,755,008**
Satisfactory	**1,869,138**	**2,172,823**	**-**	**4,041,961**
Impaired	**-**	**-**	**15,517**	**15,517**
No rating	**2,539,852**	**14,343**	**-**	**2,554,195**
Gross carrying amount	**12,838,592**	**2,512,572**	**15,517**	**15,366,681**
Total ECL	**(62,268)**	**(39,180)**	**(3,808)**	**(105,256)**
Net carrying amount	**12,776,324**	**2,473,392**	**11,709**	**15,261,425**
	(62,268)	(39,180)	(3,808)	(105,256)
	(0)	0	(0)	(0)
2020				
Good	10,038,592	331,606	-	10,370,198
Satisfactory	1,519,304	238,851	-	1,758,155
Impaired	-	-	40,036	40,036
No rating	2,132,258	12,036	-	2,144,294
Gross carrying amount	13,690,154	582,493	40,036	14,312,683
Total ECL	(46,852)	(23,066)	(6,532)	(76,450)
Net carrying amount	13,643,302	559,427	33,504	14,236,233

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

(i) Analysis of credit quality of financing, advances and other financing/loans by product

The Group and the Bank
2021

	Financing, advances and other financing/loans at amortised cost								
	Cashline RM'000	Term financing RM'000	Bill receivable RM'000	Islamic trust receipts RM'000	Claims on customers under acceptance credits RM'000	Staff financing RM'000	Credit card receivables RM'000	Revolving credits RM'000	Total gross amount RM'000
12-month ECL (Stage 1)	911,823	66,367,036	580,325	30,202	591,583	205,665	137,994	4,282,389	73,107,017
- Good	454,149	38,542,536	312,708	10,848	291,677	204,938	84,718	3,668,687	43,570,261
- Satisfactory	106,966	18,965,825	13,056	618	35,571	669	51,899	-	19,174,604
- No rating	350,708	8,858,675	254,561	18,736	264,335	58	1,377	613,702	10,362,152
Lifetime ECL not credit-impaired (Stage 2)	178,127	17,535,446	64,465	1,425	152,782	19,518	6,251	112,081	18,070,095
- Good	64,769	12,025,001	30,196	1,020	135,895	19,305	21	68,573	12,344,780
- Satisfactory	103,035	4,720,420	34,269	405	16,887	213	6,230	43,508	4,924,967
- No rating	10,323	790,025	-	-	-	-	-	-	800,348
Lifetime ECL credit-impaired (Stage 3)	38,376	568,304	14,555	855	15,290	-	1,342	777	639,499
- Impaired	38,376	568,304	14,555	855	15,290	-	1,342	777	639,499
Total	1,128,326	84,470,786	659,345	32,482	759,655	225,183	145,587	4,395,247	91,816,611

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

(a) Financial assets using General 3-stage approach (Continued)

(i) Analysis of credit quality of financing, advances and other financing/loans by product. (Continued)

The Group and the Bank
2020

	Financing, advances and other financing/loans at amortised cost								
	Cashline RM'000	Term financing RM'000	Bill receivable RM'000	Islamic trust receipts RM'000	Claims on customers under acceptance credits RM'000	Staff financing RM'000	Credit card receivables RM'000	Revolving credits RM'000	Total gross amount RM'000
12-month ECL (Stage 1)	811,426	67,866,156	346,310	93,214	564,665	167,199	129,324	4,487,970	74,466,264
- Good	406,850	42,854,616	217,841	74,526	279,122	166,232	74,251	2,531,080	46,604,518
- Satisfactory	114,274	16,792,190	3,823	4,798	49,712	894	54,016	3,007	17,022,714
- No rating	290,302	8,219,350	124,646	13,890	235,831	73	1,057	1,953,883	10,839,032
Lifetime ECL not credit-impaired (Stage 2)	208,418	9,334,325	3,472	302	62,555	4,517	4,077	113,726	9,731,392
- Good	68,164	5,019,394	-	286	38,483	4,288	21	77,224	5,207,860
- Satisfactory	130,199	3,908,531	3,472	-	24,072	229	4,044	36,502	4,107,049
- No rating	10,055	406,400	-	16	-	-	12	-	416,483
Lifetime ECL credit-impaired (Stage 3)	26,371	1,299,350	16,220	2,976	149,593	-	988	1,744	1,497,242
- Impaired	26,371	1,299,350	16,220	2,976	149,593	-	988	1,744	1,497,242
Total	1,046,215	78,499,831	366,002	96,492	776,813	171,716	134,389	4,603,440	85,694,898

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.4 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 that are assessed by reference to internal rating system adopted by the Group and the Bank. 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 Bank

Rating classification	New internal rating label*	Previous internal rating label	External credit rating
Investment grade (IG)	1 to 10	1 - 6	AAA to BBB-
Non-investment grade	11 to 28	7a – 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 Obligor Risk Rating (“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

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.4 Credit quality of financial assets (Continued)

(b) Financial assets using simplified approach (Continued)

Analysis of other assets by credit rating (Continued)

The following tables are analysis of the credit risk exposure of other assets using simplified approach:

The Group

	Investment grade (AAA to BBB-) RM'000	No rating RM'000	Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000
2021					
Other assets	-	**74,052**	**74,052**	**(271)**	**73,781**
Total	-	**74,052**	**74,052**	**(271)**	**73,781**
2020					
Other assets	2,700	269,158	271,858	(273)	271,585
Total	2,700	269,158	271,858	(273)	271,585

The Bank

	Investment grade (AAA to BBB-) RM'000	No rating RM'000	Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000
2021					
Other assets	-	**74,052**	**74,052**	**(271)**	**73,781**
Total	-	**74,052**	**74,052**	**(271)**	**73,781**
2020					
Other assets	2,700	429,838	432,538	(273)	432,265
Total	2,700	429,838	432,538	(273)	432,265

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.5 Repossessed collateral

The Group and the Bank has not taken possession of any collateral held as security.

50.1.6 Modification of financing, advances and other financing/loans

The following table provides information on financial assets that were modified while they had a loss allowance measured at an amount equal to lifetime ECL – not credit impaired (Stage 2):

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
Amortised cost before modification	8,584,249	2,219,540
Modification loss	(47,491)	(18,569)
Amortised cost after modification	8,536,758	2,200,971

Gross carrying amounts of financing, advances and other financing/loans of the Group and the Bank as at 31 December 2021, for which loss allowance has changed to 12-month measurement during the financial year amounting to RM1,067,349,000 (31 December 2020: RM199,352,000) respectively.

50 Financial Risk Management (Continued)

50.1 Credit Risk (Continued)

50.1.7 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 2021.

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 relief and support measures are expiring in 2021.

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 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 for retail customers 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 RM278.5 million (2020: RM155.7 million) of the both Group’s and the Bank’s ECL on financing, advances and other financing/loans (including undisbursed financing, advances and other financing/loans) as at 31 December 2021.

50 Financial Risk Management (Continued)

50.2 Market Risk

Market risk is defined as any fluctuation in the value of financial instruments due to changes in market risk factors such as 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 the risk management process. The GRCC with the assistance of GMRC 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 and the Bank's trading exposures as at 31 December 2021 is shown in Note 50.2.1.

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

Market Risk Management (MRM) (Continued)

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 Capital Adequacy Framework for Islamic Banks (CAFIB) (Risk-Weighted Assets).

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.1 VaR

The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures are set out below:

	The Group		The Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
VaR				
Foreign exchange risk	**357**	611	**357**	611
Profit rate risk	**2,849**	4,068	**2,849**	4,068
Total	**3,206**	4,679	**3,206**	4,679
Total shareholder's funds	**7,786,441**	7,032,772	**7,786,406**	7,034,034
Percentage over shareholder's funds	**0.04%**	0.07%	**0.04%**	0.07%

50.2.2 Profit rate risk

Profit rate risk relates to the potential adverse impact on the net profit income arising from the changes in profit rates. One of the primary sources of profit rate risk is the repricing mismatches between profit earning assets and profit bearing liabilities. Profit rate risk is measured and reported at various levels through various techniques including Earnings-at-Risk (EaR).

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates:

The Group 31 December 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-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	**12,217,731**	**-**	**-**	**-**	**-**	**-**	**76,480**	**-**	**12,294,211**
Deposits and placements with banks and other financial institutions	**-**	**33,356**	**145,932**	**-**	**-**	**-**	**43**	**-**	**179,331**
Financial assets at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,222,390**	**5,222,390**
Debt instruments at fair value through other comprehensive income	**-**	**45,108**	**65,461**	**137,173**	**1,485,614**	**3,285,587**	**46,439**	**-**	**5,065,382**
Debt instruments at amortised cost	**-**	**630,257**	**265,657**	**200,342**	**4,216,221**	**3,446,900**	**93,125**	**-**	**8,852,502**
Islamic derivative financial instruments	**-**	**-**	**-**	**126**	**1,922**	**490**	**-**	**238,749**	**241,287**
Financing, advances and other financing/loans	**72,728,127**	**1,796,469**	**481,502**	**269,870**	**2,535,096**	**12,798,351**	**-**	**-**	**90,609,415**
Other assets	**11**	**-**	**-**	**16**	**8,158**	**21,740**	**260,941**	**-**	**290,866**
Amount due from holding company	**-**	**-**	**-**	**-**	**-**	**-**	**283,487**	**-**	**283,487**
Amount due from related companies	**-**	**-**	**-**	**-**	**-**	**-**	**320**	**-**	**320**
Total financial assets	**84,945,869**	**2,505,190**	**958,552**	**607,527**	**8,247,011**	**19,553,068**	**760,835**	**5,461,139**	**123,039,191**

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50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates: (Continued)

The Group **31 December 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-profit sensitive** **RM'000**	**Trading book** **RM'000**	**Total** **RM'000**
Financial liabilities									
Deposits from customers	50,994,633	21,598,733	13,498,589	9,385,944	135,238	23,548	365,051	-	96,001,736
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	1,765,822	273,349	110,000	-	158,287	-	1,811	-	2,309,269
Collateralised Commodity Murabahah	-	328,189	-	-	-	-	632	-	328,821
Investment accounts due to designated financial institutions	3,917,268	-	-	-	-	-	2,485	-	3,919,753
Financial liabilities designated at fair value through profit or loss	-	-	-	-	837,511	-	2,164	(39,989)	799,686
Islamic derivative financial instruments	-	-	-	-	3,326	451	-	268,177	271,954
Amount due to related companies	-	-	-	-	-	-	455	-	455
Other liabilities	75	7,686	494	-	21,092	115,786	106,010	-	251,143
Lease liabilities					1,775				1,775
Subordinated sukuk	-	-	-	300,000	800,000	-	8,045	-	1,108,045
Total financial liabilities	58,310,665	23,725,131	16,864,629	13,038,060	2,100,033	600,848	552,250	228,188	115,419,804
Net profit sensitivity gap	26,635,204	(21,219,941)	(15,906,077)	(12,430,533)	6,146,978	18,952,220		5,232,951	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	245,940	-	245,940
Credit related commitments and contingencies	-	-	-	-	-	-	15,015,485	-	15,015,485
Treasury related commitments and contingencies (hedging)	-	-	-	140,000	375,613	125,000	-	-	640,613
Net profit sensitivity gap	-	-	-	140,000	375,613	125,000	15,261,425	-	15,902,038

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates: (Continued)

The Group 31 December 2020	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-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	12,510,805	-	-	-	-	-	66,661	-	12,577,466
Deposits and placements with banks and other financial institutions	-	50,000	-	-	-	-	46	-	50,046
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	5,034,429	5,034,429
Debt instruments at fair value through other comprehensive income	-	-	155,387	117,198	1,640,504	1,723,172	34,638	-	3,670,899
Debt instruments at amortised cost	-	20,044	134,210	697,624	4,483,987	3,072,770	93,019	-	8,501,654
Islamic derivative financial instruments	-	-	-	-	-	-	-	522,847	522,847
Financing, advances and other financing/loans	66,049,975	5,631,826	516,000	690,433	2,369,333	9,659,249	-	-	84,916,816
Other assets	372	130	-	-	10,806	25,140	260,387	-	296,835
Amount due from holding company	-	-	-	-	-	-	311,109	-	311,109
Amount due from related companies	-	-	-	-	-	-	167	-	167
Total financial assets	78,561,152	5,702,000	805,597	1,505,255	8,504,630	14,480,331	766,027	5,557,276	115,882,268

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates: (Continued)

The Group **31 December 2020**	**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-profit sensitive** **RM'000**	**Trading book** **RM'000**	**Total** **RM'000**
Financial liabilities									
Deposits from customers	48,076,771	20,773,106	18,216,756	8,723,651	80,766	23,019	408,840	-	96,302,909
Investment accounts of customers	1,284,991	454,947	508,606	416,091	-	-	14,235	-	2,678,870
Deposits and placements of banks and other financial institutions	2,235,312	300,000	110,000	-	153,170	-	532	-	2,799,014
Collateralised Commodity Murabahah	-	299,088	-	-	-	-	148	-	299,236
Investment accounts due to designated financial institutions	3,717,239	1,030,851	-	-	-	-	3,151	-	4,751,241
Financial liabilities designated at fair value	-	-	-	-	72,133	-	127	(650)	71,610
Islamic derivative financial instruments	-	-	-	-	3,939	-	-	553,908	557,847
Amount due to related companies	-	-	-	-	-	-	8,643	-	8,643
Other liabilities	4,051	14,177	494	-	3,400	31,310	167,497	-	220,929
Lease liabilities					2,365				2,365
Sukuk	-	-	-	186,000	-	-	155	-	186,155
Subordinated sukuk	-	-	9,999	-	1,100,000	-	8,337	-	1,118,336
Total financial liabilities	55,318,364	22,872,169	18,845,855	9,325,742	1,415,773	54,329	611,665	553,258	108,997,155
Net profit sensitivity gap	23,242,788	(17,170,169)	(18,040,258)	(7,820,487)	7,088,857	14,426,002		5,004,018	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	277,100	-	277,100
Credit related commitments and contingencies	-	-	-	-	-	-	13,959,133	-	13,959,133
Treasury related commitments and contingencies (hedging)	-	-	-	-	78,008	-	-	-	78,008
Net profit sensitivity gap	-	-	-	-	78,008	-	14,236,233	-	14,314,241

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

52.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates: (Continued)

The Bank **31 December 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-profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
Financial assets									
Cash and short-term funds	12,217,731	-	-	-	-	-	76,434	-	12,294,165
Deposits and placements with banks and other financial institutions	-	33,356	145,932	-	-	-	43	-	179,331
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	5,222,390	5,222,390
Debt instruments at fair value through other comprehensive income	-	45,108	65,461	137,173	1,485,614	3,285,587	46,439	-	5,065,382
Debt instruments at amortised cost	-	630,257	265,657	200,342	4,216,221	3,446,900	93,125	-	8,852,502
Islamic derivative financial instruments	-	-	-	126	1,922	490	-	238,749	241,287
Financing, advances and other financing/loans	72,728,127	1,796,469	481,502	269,870	2,535,096	12,798,351	-	-	90,609,415
Other assets	11	-	-	16	8,158	21,740	260,941	-	290,866
Amount due from holding company	-	-	-	-	-	-	283,487	-	283,487
Amount due from related companies	-	-	-	-	-	-	320	-	320
Total financial assets	84,945,869	2,505,190	958,552	607,527	8,247,011	19,553,068	760,789	5,461,139	123,039,145

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates: (Continued)

The Bank 31 December 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-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities									
Deposits from customers	50,994,633	21,598,733	13,498,589	9,385,944	135,238	23,548	365,051	-	96,001,736
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	1,765,822	273,349	110,000	-	158,287	-	1,811	-	2,309,269
Collateralised Commodity Murabahah	-	328,189	-	-	-	-	632	-	328,821
Investment accounts due to designated financial institutions	3,917,268	-	-	-	-	-	2,485	-	3,919,753
Financial liabilities designated at fair value through profit or loss	-	-	-	-	837,511	-	2,164	(39,989)	799,686
Islamic derivative financial instruments	-	-	-	-	3,326	451	-	268,177	271,954
Amount due to related company	-	-	-	-	-	-	455	-	455
Other liabilities	75	7,686	494	-	21,092	115,786	106,010	-	251,143
Lease liabilities					1,775				1,775
Subordinated sukuk	-	-	-	300,000	800,000	-	8,045	-	1,108,045
Total financial liabilities	58,310,665	23,725,131	16,864,629	13,038,060	2,100,033	600,848	552,250	228,188	115,419,804
Net profit sensitivity gap	26,635,204	(21,219,941)	(15,906,077)	(12,430,533)	6,146,978	18,952,220		5,232,951	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	245,940	-	245,940
Credit related commitments and contingencies	-	-	-	-	-	-	15,015,485	-	15,015,485
Treasury related commitments and contingencies (hedging)	-	-	-	140,000	375,613	125,000	-	-	640,613
Net profit sensitivity gap	-	-	-	140,000	375,613	125,000	15,261,425	-	15,902,038

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates: (Continued)

The Bank	Non-trading book								
31 December 2020	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-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	12,510,805	-	-	-	-	-	66,615	-	12,577,420
Deposits and placements with banks and other financial institutions	-	50,000	-	-	-	-	46	-	50,046
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	5,034,429	5,034,429
Debt instruments at fair value through other comprehensive income	-	-	155,387	117,198	1,640,504	1,723,172	34,638	-	3,670,899
Debt instruments at amortised cost	-	20,044	134,210	697,624	4,483,987	3,072,770	93,019	-	8,501,654
Islamic derivative financial instruments	-	-	-	-	-	-	-	522,847	522,847
Financing, advances and other financing/loans	66,049,975	5,631,826	516,000	690,433	2,369,333	9,659,249	-	-	84,916,816
Other assets	77	130	-	-	10,806	25,140	421,362	-	457,515
Amount due from holding company	-	-	-	-	-	-	311,109	-	311,109
Amount due from related companies	-	-	-	-	-	-	167	-	167
Total financial assets	78,560,857	5,702,000	805,597	1,505,255	8,504,630	14,480,331	926,956	5,557,276	116,042,902

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.2 Profit rate risk (Continued)

(a) The tables below summarise the Group's and Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates: (Continued)

The Bank	Non-trading book								
31 December 2020	**Up to 1 month**	**> 1 – 3 months**	**> 3 – 6 months**	**> 6 – 12 months**	**> 1 – 5 years**	**Over 5 years**	**Non-profit sensitive**	**Trading book**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial liabilities									
Deposits from customers	48,423,224	20,773,106	18,216,756	8,723,651	80,766	23,019	409,013	-	96,649,535
Investment accounts of customers	1,284,991	454,947	508,606	416,091	-	-	14,235	-	2,678,870
Deposits and placements of banks and other financial institutions	2,235,312	300,000	110,000	-	153,170	-	532	-	2,799,014
Collateralised Commodity Murabahah	-	299,088	-	-	-	-	148	-	299,236
Investment accounts due to designated financial institutions	3,717,239	1,030,851	-	-	-	-	3,151	-	4,751,241
Financial liabilities designated at fair value through profit or loss	-	-	-	-	72,133	-	127	(650)	71,610
Islamic derivative financial instruments	-	-	-	-	3,939	-	-	553,908	557,847
Amount due to related company	-	-	-	-	-	-	8,643	-	8,643
Other liabilities	2,963	14,177	494	-	3,400	31,310	167,497	-	219,841
Lease liabilities					2,365				2,365
Subordinated sukuk	-	-	9,999	-	1,100,000	-	8,337	-	1,118,336
Total financial liabilities	55,663,729	22,872,169	18,845,855	9,139,742	1,415,773	54,329	611,683	553,258	109,156,538
Net profit sensitivity gap	22,897,128	(17,170,169)	(18,040,258)	(7,634,487)	7,088,857	14,426,002		5,004,018	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	277,100	-	277,100
Credit related commitments and contingencies	-	-	-	-	-	-	13,959,133	-	13,959,133
Treasury related commitments and contingencies (hedging)	-	-	-	-	78,008	-	-	-	78,008
Net profit sensitivity gap	-	-	-	-	78,008	-	14,236,233	-	14,314,241

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.2 Profit rate risk (Continued)

(b) Sensitivity of profit and reserves

(i) Sensitivity of profit

The table below shows the sensitivity of the Group's and the Bank's banking book to movement in profit rates:

	The Group			
	31 December 2021		31 December 2020	
	Increase/(Decrease)		Increase/(Decrease)	
	+ 100 basis points RM'000	- 100 basis points RM'000	+ 100 basis points RM'000	- 100 basis points RM'000
Impact to profit (after tax)	**(38,963)**	**38,963**	(41,303)	41,303

	The Bank			
	31 December 2020		31 December 2019	
	Increase/(Decrease)		Increase/(Decrease)	
	+ 100 basis points RM'000	- 100 basis points RM'000	+ 100 basis points RM'000	- 100 basis points RM'000
Impact to profit (after tax)	**(38,948)**	**38,948**	(43,541)	43,541

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 profit 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.

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.2 Profit rate risk (Continued)

(b) Sensitivity of profit and reserves (Continued)

(ii) Sensitivity of reserves

The table below shows the sensitivity of the Group's and the Bank's banking book to movement in profit rates:

	The Group and the Bank			
	31 December 2021		31 December 2020	
	Increase/(Decrease)		Increase/(Decrease)	
	+ 100 basis points	- 100 basis points	+ 100 basis points	- 100 basis points
	RM'000	RM'000	RM'000	RM'000
Impact to revaluation reserve - debt instruments at fair value through other comprehensive income	**(3,196)**	**3,196**	(1,917)	1,917

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 and the Bank would take to mitigate the impact of this profit rate risk. In practice, the Group and the Bank proactively seeks to mitigate the effect of prospective profit movements.

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.3 Foreign exchange risk

The Group and the Bank 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 Bank 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 Bank:

	The Group 31 December 2021					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	11,802,427	394,569	1,819	95,396	491,784	12,294,211
Deposits and placements with banks and other financial institutions	-	179,331	-	-	179,331	179,331
Financial assets at fair value through profit or loss	4,924,931	297,459	-	-	297,459	5,222,390
Debt instruments at fair value through other comprehensive income	5,065,382	-	-	-	-	5,065,382
Debt instruments at amortised cost	8,390,103	462,399	-	-	462,399	8,852,502
Islamic derivative financial instruments	347,621	(1,141,515)	1,059,718	(24,537)	(106,334)	241,287
Financing, advances and other financing/loans	89,907,416	647,767	-	54,232	701,999	90,609,415
Other assets	286,997	2,349	614	906	3,869	290,866
Amount due from holding company	282,980	507	-	-	507	283,487
Amount due from related companies	320	-	-	-	-	320
	121,008,177	842,866	1,062,151	125,997	2,031,014	123,039,191

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.3 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 Bank: (Continued)

	The Group 31 December 2021					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	94,558,744	1,361,145	3,940	77,907	1,442,992	96,001,736
Investment accounts of customers	9,964,836	462,331	-	-	462,331	10,427,167
Deposits and placements of banks and other financial institutions	740,794	1,563,887	-	4,588	1,568,475	2,309,269
Collateralised Commodity Murabahah	328,821	-	-	-	-	328,821
Investment accounts due to designated financial institutions	3,919,753	-	-	-	-	3,919,753
Financial liabilities designated at fair value through profit or loss	799,686	-	-	-	-	799,686
Islamic derivative financial instruments	1,816,702	(2,592,890)	1,061,521	(13,379)	(1,544,748)	271,954
Amount due to related companies	455	-	-	-	-	455
Other liabilities	250,197	557	280	109	946	251,143
Lease liabilities	1,775				-	1,775
Subordinated sukuk	1,108,045	-	-	-	-	1,108,045
	113,489,808	795,030	1,065,741	69,225	1,929,996	115,419,804
Financial guarantees	228,644	8,000	-	9,296	17,296	245,940
Credit related commitments and contingencies	14,726,053	244,403	3,217	41,812	289,432	15,015,485
	14,954,697	252,403	3,217	51,108	306,728	15,261,425

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.3 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 Bank: (Continued)

	The Group 31 December 2020					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	12,327,875	172,478	10,004	67,109	249,591	12,577,466
Deposits and placements with banks and other financial institutions	50,046	-	-	-	-	50,046
Financial assets at fair value through profit or loss	4,881,984	152,445	-	-	152,445	5,034,429
Debt instruments at fair value through other comprehensive income	3,670,899	-	-	-	-	3,670,899
Debt instruments at amortised cost	8,501,654	-	-	-	-	8,501,654
Islamic derivative financial instruments	5,426,294	(6,724,513)	2,052,286	(231,220)	(4,903,447)	522,847
Financing, advances and other financing/loans	84,160,894	705,594	200	50,128	755,922	84,916,816
Other assets	293,547	1,071	-	2,217	3,288	296,835
Amount due from holding company	309,210	1,899	-	-	1,899	311,109
Amount due from related companies	19	23	125	-	148	167
	119,622,422	(5,691,003)	2,062,615	(111,766)	(3,740,154)	115,882,268

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.3 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 Bank: (Continued)

	The Group 31 December 2020					
Financial liabilities	**MYR RM'000**	**USD RM'000**	**SGD RM'000**	**Others RM'000**	**Total non-MYR RM'000**	**Grand total RM'000**
Deposits from customers	95,272,335	954,275	6,244	70,055	1,030,574	96,302,909
Investment accounts of customers	2,678,870	-	-	-	-	2,678,870
Deposits and placements of banks and other financial institutions	1,353,189	1,406,323	3,041	36,461	1,445,825	2,799,014
Collateralised Commodity Murabahah	299,236	-	-	-	-	299,236
Investment accounts due to designated financial institutions	4,751,241	-	-	-	-	4,751,241
Financial liabilities designated at fair value through profit or loss	71,610	-	-	-	-	71,610
Islamic derivative financial instruments	6,833,634	(8,059,452)	2,045,036	(261,371)	(6,275,787)	557,847
Amount due to related companies	8,643	-	-	-	-	8,643
Other liabilities	219,082	1,574	-	273	1,847	220,929
Lease liabilities	2,365				-	2,365
Sukuk	186,155	-	-	-	-	186,155
Subordinated sukuk	1,118,336	-	-	-	-	1,118,336
	112,794,696	(5,697,280)	2,054,321	(154,582)	(3,797,541)	108,997,155
Financial guarantees	253,786	6,844	6,728	9,742	23,314	277,100
Credit related commitments and contingencies	13,742,036	178,384	6,844	31,869	217,097	13,959,133
	13,995,822	185,228	13,572	41,611	240,411	14,236,233

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.3 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 Bank: (Continued)

The Bank 31 December 2021	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	11,802,381	394,569	1,819	95,396	491,784	12,294,165
Deposits and placements with banks and other financial institutions	-	179,331	-	-	179,331	179,331
Financial assets at fair value through profit or loss	4,924,931	297,459	-	-	297,459	5,222,390
Debt instruments at fair value through other comprehensive income	5,065,382	-	-	-	-	5,065,382
Debt instruments at amortised cost	8,390,103	462,399	-	-	462,399	8,852,502
Islamic derivative financial instruments	347,621	(1,141,515)	1,059,718	(24,537)	(106,334)	241,287
Financing, advances and other financing/loans	89,907,416	647,767	-	54,232	701,999	90,609,415
Other assets	286,997	2,349	614	906	3,869	290,866
Amount due from holding company	282,980	507	-	-	507	283,487
Amount due from related companies	320	-	-	-	-	320
	121,008,131	842,866	1,062,151	125,997	2,031,014	123,039,145

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50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.3 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 Bank: (Continued)

	The Bank 31 December 2021					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	94,558,744	1,361,145	3,940	77,907	1,442,992	96,001,736
Investment accounts of customers	9,964,836	462,331	-	-	462,331	10,427,167
Deposits and placements of banks and other financial institutions	740,794	1,563,887	-	4,588	1,568,475	2,309,269
Collateralised Commodity Murabahah	328,821	-	-	-	-	328,821
Investment accounts due to designated financial institutions	3,919,753	-	-	-	-	3,919,753
Financial liabilities designated at fair value through profit or loss	799,686	-	-	-	-	799,686
Islamic derivative financial instruments	1,816,702	(2,592,890)	1,061,521	(13,379)	(1,544,748)	271,954
Amount due to related companies	455	-	-	-	-	455
Other liabilities	250,197	557	280	109	946	251,143
Lease liabilities	1,775	-	-	-	-	1,775
Subordinated sukuk	1,108,045	-	-	-	-	1,108,045
	113,489,808	795,030	1,065,741	69,225	1,929,996	115,419,804
Financial guarantees	228,644	8,000	-	9,296	17,296	245,940
Credit related commitments and contingencies	14,726,053	244,403	3,217	41,812	289,432	15,015,485
	14,954,697	252,403	3,217	51,108	306,728	15,261,425

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.3 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 Bank: (Continued)

	The Bank 31 December 2020					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	12,327,829	172,478	10,004	67,109	249,591	12,577,420
Deposits and placements with banks and other financial institutions	50,046	-	-	-	-	50,046
Financial assets at fair value through profit or loss	4,881,984	152,445	-	-	152,445	5,034,429
Debt instruments at fair value through other comprehensive income	3,670,899	-	-	-	-	3,670,899
Debt instruments at amortised cost	8,501,654	-	-	-	-	8,501,654
Islamic derivative financial instruments	5,426,294	(6,724,513)	2,052,286	(231,220)	(4,903,447)	522,847
Financing, advances and other financing/loans	84,160,894	705,594	200	50,128	755,922	84,916,816
Other assets	454,227	1,071	-	2,217	3,288	457,515
Amount due from holding company	309,210	1,899	-	-	1,899	311,109
Amount due from related companies	19	23	125	-	148	167
	119,783,056	(5,691,003)	2,062,615	(111,766)	(3,740,154)	116,042,902

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.3 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 Bank: (Continued)

	The Bank 31 December 2020					
	MYR RM'000	**USD RM'000**	**SGD RM'000**	**Others RM'000**	**Total non-MYR RM'000**	**Grand total RM'000**
Financial liabilities						
Deposits from customers	95,618,961	954,275	6,244	70,055	1,030,574	96,649,535
Investment accounts of customers	2,678,870	-	-	-	-	2,678,870
Deposits and placements of banks and other financial institutions	1,353,189	1,406,323	3,041	36,461	1,445,825	2,799,014
Collateralised Commodity Murabahah	299,236	-	-	-	-	299,236
Investment accounts due to designated financial institutions	4,751,241	-	-	-	-	4,751,241
Financial liabilities designated at fair value through profit or loss	71,610	-	-	-	-	71,610
Islamic derivative financial instruments	6,833,634	(8,059,452)	2,045,036	(261,371)	(6,275,787)	557,847
Amount due to related companies	8,643	-	-	-	-	8,643
Other liabilities	217,994	1,574	-	273	1,847	219,841
Lease liabilities	2,365	-	-	-	-	2,365
Subordinated sukuk	1,118,336	-	-	-	-	1,118,336
	112,954,079	(5,697,280)	2,054,321	(154,582)	(3,797,541)	109,156,538
Financial guarantees	253,786	6,844	6,728	9,742	23,314	277,100
Credit related commitments and contingencies	13,742,036	178,384	6,844	31,869	217,097	13,959,133
	13,995,822	185,228	13,572	41,611	240,411	14,236,233

50 Financial Risk Management (Continued)

50.2 Market Risk (Continued)

50.2.3 Foreign exchange risk (Continued)

(b) Sensitivity of profit

The table below shows the sensitivity of the Group's and the Bank's profit to movement in foreign exchange rates:

	The Group and the Bank			
	31 December 2021		31 December 2020	
	1% appreciation in foreign currency	1% depreciation in foreign currency	1% appreciation in foreign currency	1% depreciation in foreign currency
	Increase/(decrease)		Increase/(decrease)	
	RM'000	RM'000	RM'000	RM'000
Impact to profit (after tax)	**540**	**(540)**	559	(559)

The impact on profit arises from transactional exposures 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 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.

50 Financial Risk Management (Continued)

50.3 Liquidity Risk

Liquidity 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 or regulatory obligations when they are 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 and stress conditions. Due to its large delivery network and strategic marketing focus, the Group is able to maintain a diversified core deposit base comprising retail transactions accounts, savings, demand and term deposits, thus providing the Group with a stable large funding base. 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, which subsequently reports to Group Asset Liability Management Committee. The Group Asset Liability Management Committee 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. As part of its ordinary course of business, the Bank 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.

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. The 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.

50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

The Asset-Liability Management function, which is responsible for the independent monitoring of our Group's 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 only acts as a global provider of funds on a needs 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 senior management to act effectively and efficiently during a liquidity or funding crisis and under adverse market conditions. The CFP is subjected to regular testing and review.

50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.1 Contractual maturity of assets and liabilities

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines:

	The Group 31 December 2021							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	12,294,211	-	-	-	-	-	-	12,294,211
Deposits and placements with banks and other financial institutions	-	33,376	145,955	-	-	-	-	179,331
Financial assets at fair value through profit or loss	1,438,264	835,656	1,658,918	731,555	324,232	233,765	-	5,222,390
Debt instruments at fair value through other comprehensive income	8,111	70,352	78,546	137,173	1,485,614	3,285,586	-	5,065,382
Debt instruments at amortised cost	19,317	677,425	292,297	200,342	4,216,221	3,446,900	-	8,852,502
Islamic derivative financial instruments	29,633	26,879	18,458	11,236	75,780	79,301	-	241,287
Financing , advances and other financing/loans	3,196,718	1,549,855	530,497	1,828,047	6,244,169	77,260,129	-	90,609,415
Other assets	293,297	130	-	-	8,392	21,522	-	323,341
Deferred taxation	-	-	-	-	-	-	173,233	173,233
Amount due from holding company	283,487	-	-	-	-	-	-	283,487
Amount due from related companies	320	-	-	-	-	-	-	320
Goodwill	-	-	-	-	-	-	136,000	136,000
Right-of-use assets	-	-	-	-	-	-	1,613	1,613
Intangible assets	-	-	-	-	-	-	19,473	19,473
Property, plant and equipment	-	-	-	-	-	-	1,010	1,010
Total assets	17,563,358	3,193,673	2,724,671	2,908,353	12,354,408	84,327,203	331,329	123,402,995

50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines: (Continued)

	The Group 31 December 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	51,246,115	21,664,178	13,533,859	9,398,798	135,238	23,548	-	96,001,736
Investment accounts of customers	1,697,196	1,518,442	3,255,546	3,352,116	142,804	461,063	-	10,427,167
Deposits and placements of banks and other financial institutions	1,766,383	273,978	110,621	-	158,287	-	-	2,309,269
Collateralised Commodity Murabahah	-	328,821	-	-	-	-	-	328,821
Investment accounts due to designated financial institutions	3,919,753	-	-	-	-	-	-	3,919,753
Financial liabilities designated at fair value through profit or loss	1,131	1,033	-	-	797,522	-	-	799,686
Islamic derivative financial instruments	32,034	28,200	18,144	10,847	111,790	70,939	-	271,954
Amount due to related companies	455	-	-	-	-	-	-	455
Other liabilities	251,372	7,762	496	-	21,092	115,784	-	396,506
Lease liabilities	-	-	-	-	1,775	-	-	1,775
Provision for taxation	51,387	-	-	-	-	-	-	51,387
Subordinated sukuk	-	7,890	155	300,000	800,000	-	-	1,108,045
Total liabilities	58,965,826	23,830,304	16,918,821	13,061,761	2,168,508	671,334	-	115,616,554
Net liquidity gap	(41,402,468)	(20,636,631)	(14,194,150)	(10,153,408)	10,185,900	83,655,869	331,329	

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50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines: (Continued)

	The Group 31 December 2020							
	Up to 1 month	**> 1 – 3 months**	**> 3 – 6 months**	**> 6 – 12 months**	**> 1 – 5 years**	**Over 5 years**	**No-specific maturity**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Assets								
Cash and short-term funds	12,577,466	-	-	-	-	-	-	12,577,466
Deposits and placements with banks and other financial institutions	-	50,046	-	-	-	-	-	50,046
Financial assets at fair value through profit or loss	626,437	45,854	2,809,256	1,110,236	96,166	346,480	-	5,034,429
Debt instruments at fair value through other comprehensive income	8,092	17,352	164,580	117,198	1,640,504	1,723,173	-	3,670,899
Debt instruments at amortised cost	17,564	70,359	159,350	697,624	4,483,987	3,072,770	-	8,501,654
Islamic derivative financial instruments	83,260	95,469	67,493	65,253	117,663	93,709	-	522,847
Financing , advances and other financing/loans	3,168,641	757,318	3,488,015	1,784,803	5,282,791	70,435,248	-	84,916,816
Other assets	376,430	130	-	-	10,806	25,140	-	412,506
Deferred taxation	-	-	-	-	-	-	85,777	85,777
Tax recoverable	-	-	-	-	-	-	3,007	3,007
Amount due from holding company	311,109	-	-	-	-	-	-	311,109
Amount due from related companies	167	-	-	-	-	-	-	167
Goodwill	-	-	-	-	-	-	136,000	136,000
Right-of-use assets	-	-	-	-	-	-	2,220	2,220
Intangible assets	-	-	-	-	-	-	56,112	56,112
Property, plant and equipment	-	-	-	-	-	-	1,348	1,348
Total assets	17,169,166	1,036,528	6,688,694	3,775,114	11,631,917	75,696,520	284,464	116,282,403

50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines: (Continued)

	The Group 31 December 2020							
	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	48,374,576	20,842,946	18,251,767	8,729,835	80,766	23,019	-	96,302,909
Investment accounts of customers	1,299,226	454,947	508,606	416,091	-	-	-	2,678,870
Deposits and placements of banks and other financial institutions	2,235,370	300,062	110,412	-	153,170	-	-	2,799,014
Collateralised Commodity Murabahah	-	299,236	-	-	-	-	-	299,236
Investment accounts due to designated financial institutions	3,719,773	1,031,468	-	-	-	-	-	4,751,241
Financial liabilities designated at fair value through profit or loss	106	21	-	-	71,483	-	-	71,610
Islamic derivative financial instruments	90,206	131,691	67,356	65,024	120,537	83,033	-	557,847
Amount due to related companies	8,643	-	-	-	-	-	-	8,643
Other liabilities	420,992	14,208	495	-	3,400	31,310	-	470,405
Lease liabilities	-	-	-	-	2,365	-	-	2,365
Provision for taxation	3,000	-	-	-	-	-	-	3,000
Sukuk	155	-	-	186,000	-	-	-	186,155
Subordinated sukuk	-	8,182	10,154	-	1,100,000	-	-	1,118,336
Total liabilities	56,152,047	23,082,761	18,948,790	9,396,950	1,531,721	137,362	-	109,249,631
Net liquidity gap	(38,982,881)	(22,046,233)	(12,260,096)	(5,621,836)	10,100,196	75,559,158	284,464	

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50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines: (Continued)

	The Bank 31 December 2021							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	12,294,165	-	-	-	-	-	-	12,294,165
Deposits and placements with banks and other financial institutions	-	33,376	145,955	-	-	-	-	179,331
Financial assets at fair value through profit or loss	1,438,264	835,656	1,658,918	731,555	324,232	233,765	-	5,222,390
Debt instruments at fair value through other comprehensive income	8,111	70,352	78,546	137,173	1,485,614	3,285,586	-	5,065,382
Debt instruments at amortised cost	19,317	677,425	292,297	200,342	4,216,221	3,446,900	-	8,852,502
Islamic derivative financial instruments	29,633	26,879	18,458	11,236	75,780	79,301	-	241,287
Financing , advances and other financing/loans	3,196,718	1,549,855	530,497	1,828,047	6,244,169	77,260,129	-	90,609,415
Other assets	293,297	130	-	-	8,392	21,522	-	323,341
Deferred taxation	-	-	-	-	-	-	173,233	173,233
Investment in subsidiaries	-	-	-	-	-	-	11	11
Amount due from holding company	283,487	-	-	-	-	-	-	283,487
Amount due from related companies	320	-	-	-	-	-	-	320
Goodwill	-	-	-	-	-	-	136,000	136,000
Right-of-use assets	-	-	-	-	-	-	1,613	1,613
Intangible assets	-	-	-	-	-	-	19,473	19,473
Property, plant and equipment	-	-	-	-	-	-	1,010	1,010
Total assets	17,563,312	3,193,673	2,724,671	2,908,353	12,354,408	84,327,203	331,340	123,402,960

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50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines: (Continued)

	The Bank 31 December 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	51,246,115	21,664,178	13,533,859	9,398,798	135,238	23,548	-	96,001,736
Investment accounts of customers	1,697,196	1,518,442	3,255,546	3,352,116	142,804	461,063	-	10,427,167
Deposits and placements of banks and other financial institutions	1,766,383	273,978	110,621	-	158,287	-	-	2,309,269
Collateralised Commodity Murabahah	-	328,821	-	-	-	-	-	328,821
Investment accounts due to designated financial institutions	3,919,753	-	-	-	-	-	-	3,919,753
Financial liabilities designated at fair value through profit or loss	1,131	1,033	-	-	797,522	-	-	799,686
Islamic derivative financial instruments	32,034	28,200	18,144	10,847	111,790	70,939	-	271,954
Amount due to related companies	455	-	-	-	-	-	-	455
Other liabilities	251,372	7,762	496	-	21,092	115,784	-	396,506
Lease liabilities	-	-	-	-	1,775	-	-	1,775
Provision for taxation	51,387	-	-	-	-	-	-	51,387
Subordinated sukuk	-	7,890	155	300,000	800,000	-	-	1,108,045
Total liabilities	58,965,826	23,830,304	16,918,821	13,061,761	2,168,508	671,334	-	115,616,554
Net liquidity gap	(41,402,514)	(20,636,631)	(14,194,150)	(10,153,408)	10,185,900	83,655,869	331,340	

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Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines: (Continued)

The Bank
31 December 2020

	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	12,577,420	-	-	-	-	-	-	12,577,420
Deposits and placements with banks and other financial institutions	-	50,046	-	-	-	-	-	50,046
Financial assets at fair value through profit or loss	626,437	45,854	2,809,256	1,110,236	96,166	346,480	-	5,034,429
Debt instruments at fair value through other comprehensive income	8,092	17,352	164,580	117,198	1,640,504	1,723,173	-	3,670,899
Debt instruments at amortised cost	17,564	70,359	159,350	697,624	4,483,987	3,072,770	-	8,501,654
Islamic derivative financial instruments	83,260	95,469	67,493	65,253	117,663	93,709	-	522,847
Financing , advances and other financing/loans	3,168,641	757,318	3,488,015	1,784,803	5,282,791	70,435,248	-	84,916,816
Other assets	537,110	130	-	-	10,806	25,140	-	573,186
Deferred taxation	-	-	-	-	-	-	85,777	85,777
Tax recoverable	-	-	-	-	-	-	3,007	3,007
Investment in subsidiaries	-	-	-	-	-	-	11	11
Amount due from holding company	311,109	-	-	-	-	-	-	311,109
Amount due from related companies	167	-	-	-	-	-	-	167
Goodwill	-	-	-	-	-	-	136,000	136,000
Right-of-use assets	-	-	-	-	-	-	2,220	2,220
Intangible assets	-	-	-	-	-	-	56,112	56,112
Property, plant and equipment	-	-	-	-	-	-	1,348	1,348
Total assets	17,329,800	1,036,528	6,688,694	3,775,114	11,631,917	75,696,520	284,475	116,443,048

50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.1 Contractual maturity of assets and liabilities (Continued)

The table below analyses the assets and liabilities of the Group and the Bank based on the remaining period to the contractual maturity dates in accordance with the BNM Guidelines: (Continued)

	The Bank 31 December 2020							
	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	48,721,202	20,842,946	18,251,767	8,729,835	80,766	23,019	-	96,649,535
Investment accounts of customers	1,299,226	454,947	508,606	416,091	-	-	-	2,678,870
Deposits and placements of banks and other financial institutions	2,235,370	300,062	110,412	-	153,170	-	-	2,799,014
Collateralised Commodity Murabahah	-	299,236	-	-	-	-	-	299,236
Investment accounts due to designated financial institutions	3,719,773	1,031,468	-	-	-	-	-	4,751,241
Financial liabilities designated at fair value through profit or loss	106	21	-	-	71,483	-	-	71,610
Islamic derivative financial instruments	90,206	131,691	67,356	65,024	120,537	83,033	-	557,847
Amount due to related companies	8,643	-	-	-	-	-	-	8,643
Other liabilities	419,904	14,208	495	-	3,400	31,310	-	469,317
Lease liabilities	-	-	-	-	2,365	-	-	2,365
Provision for taxation	3,000	-	-	-	-	-	-	3,000
Subordinated sukuk	-	8,182	10,154	-	1,100,000	-	-	1,118,336
Total liabilities	56,497,430	23,082,761	18,948,790	9,210,950	1,531,721	137,362	-	109,409,014
Net liquidity gap	(39,167,630)	(22,046,233)	(12,260,096)	(5,435,836)	10,100,196	75,559,158	284,475	

50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis

Non-derivative financial liabilities

The tables below present the cash flows payable by the Group and the Bank 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 31 December 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	51,262,929	21,740,692	13,641,168	9,556,373	141,178	30,775	-	96,373,115
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	1,766,512	274,607	111,103	-	158,287	-	-	2,310,509
Collateralised Commodity Murabahah	-	328,821	-	-	-	-	-	328,821
Investment accounts due to designated financial institutions	3,924,034	-	-	-	-	-	-	3,924,034
Financial liabilities designated at fair value through profit or loss	1,171	3,678	5,024	10,746	934,246	-	-	954,865
Amount due to related companies	455	-	-	-	-	-	-	455
Other liabilities	106,006	7,783	497	-	21,093	115,784	-	251,163
Lease liabilities	-	152	152	305	1,220	-	-	1,829
Subordinated sukuk	-	14,795	7,069	322,193	860,082	-	-	1,204,139
	58,759,043	23,895,164	17,050,089	13,306,509	2,262,569	680,985	-	115,954,359
Financial guarantees	245,940	-	-	-	-	-	-	245,940
Credit related commitments and contingencies	2,438,516	1,790,622	99,603	839,168	377,383	9,470,193	-	15,015,485
	2,684,456	1,790,622	99,603	839,168	377,383	9,470,193	-	15,261,425

50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Group and the Bank 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 31 December 2020	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	48,394,757	20,920,164	18,408,232	8,875,455	91,538	33,444	-	96,723,590
Investment accounts of customers	1,299,739	456,474	513,276	422,617	-	-	-	2,692,106
Deposits and placements of banks and other financial institutions	2,235,600	301,025	110,894	-	153,170	-	-	2,800,689
Collateralised Commodity Murabahah	-	299,236	-	-	-	-	-	299,236
Investment accounts due to designated financial institutions	3,723,748	1,036,638	-	-	-	-	-	4,760,386
Financial liabilities designated at fair value through profit or loss	3,579	407	546	918	77,343	-	-	82,793
Amount due to related companies	8,643	-	-	-	-	-	-	8,643
Other liabilities	171,489	14,280	500	-	3,400	31,311	-	220,980
Lease liabilities	-	149	149	297	1,962	-	-	2,557
Sukuk	586	982	1,585	186,517	-	-	-	189,670
Subordinated sukuk	-	15,187	17,069	22,421	1,204,182	-	-	1,258,859
	55,838,141	23,044,542	19,052,251	9,508,225	1,531,595	64,755	-	109,039,509
Financial guarantees	277,100	-	-	-	-	-	-	277,100
Credit related commitments and contingencies	2,659,085	132,528	28,388	382,713	2,441,114	8,315,305	-	13,959,133
	2,936,185	132,528	28,388	382,713	2,441,114	8,315,305	-	14,236,233

50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Group and the Bank 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 Bank 31 December 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	51,262,929	21,740,692	13,641,168	9,556,373	141,178	30,775	-	96,373,115
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	1,766,512	274,607	111,103	-	158,287	-	-	2,310,509
Collateralised Commodity Murabahah	-	328,821	-	-	-	-	-	328,821
Investment accounts due to designated financial institutions	3,924,034	-	-	-	-	-	-	3,924,034
Financial liabilities designated at fair value through profit or loss	1,171	3,678	5,024	10,746	934,246	-	-	954,865
Amount due to related companies	455	-	-	-	-	-	-	455
Other liabilities	106,006	7,783	497	-	21,093	115,784	-	251,163
Lease liabilities	-	152	152	305	1,220	-	-	1,829
Subordinated sukuk	-	14,795	7,069	322,193	860,082	-	-	1,204,139
	58,759,043	23,895,164	17,050,089	13,306,509	2,262,569	680,985	-	115,954,359
Financial guarantees	245,940	-	-	-	-	-	-	245,940
Credit related commitments and contingencies	2,438,516	1,790,622	99,603	839,168	377,383	9,470,193	-	15,015,485
	2,684,456	1,790,622	99,603	839,168	377,383	9,470,193	-	15,261,425

50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Non-derivative financial liabilities (Continued)

The tables below present the cash flows payable by the Group and the Bank 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 Bank 31 December 2020							
	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	48,741,667	20,920,164	18,408,232	8,875,455	91,538	33,444	-	97,070,500
Investment accounts of customers	1,299,739	456,474	513,276	422,617	-	-	-	2,692,106
Deposits and placements of banks and other financial institutions	2,235,600	301,025	110,894	-	153,170	-	-	2,800,689
Collateralised Commodity Murabahah	-	299,236	-	-	-	-	-	299,236
Investment accounts due to designated financial institutions	3,723,748	1,036,638	-	-	-	-	-	4,760,386
Financial liabilities designated at fair value through profit or loss	3,579	407	546	918	77,343	-	-	82,793
Amount due to related companies	8,643	-	-	-	-	-	-	8,643
Other liabilities	170,402	14,280	500	-	3,400	31,311	-	219,893
Lease liabilities	-	149	149	297	1,962	-	-	2,557
Subordinated sukuk	-	15,187	17,069	22,421	1,204,182	-	-	1,258,859
	56,183,378	23,043,560	19,050,666	9,321,708	1,531,595	64,755	-	109,195,662
Financial guarantees	277,100	-	-	-	-	-	-	277,100
Credit related commitments and contingencies	2,659,085	132,528	28,388	382,713	2,441,114	8,315,305	-	13,959,133
	2,936,185	132,528	28,388	382,713	2,441,114	8,315,305	-	14,236,233

50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging 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.

50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis:

	The Group and the Bank 31 December 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	**(1,214)**	-	-	-	-	-	-	**(1,214)**
- Profit rate derivatives	**(80,345)**	-	-	-	-	-	-	**(80,345)**
- Equity related derivatives	**(219)**	-	-	-	-	-	-	**(219)**
- Commodity related derivatives	**(1,043)**	-	-	-	-	-	-	**(1,043)**
- Credit related contracts	**(1,248)**	-	-	-	-	-	-	**(1,248)**
Hedging derivatives:								
- Profit rate derivatives	**(609)**	**(631)**	**(688)**	**(1,542)**	**(1,254)**	**1,124**	-	**(3,600)**
	(84,678)	**(631)**	**(688)**	**(1,542)**	**(1,254)**	**1,124**	-	**(87,669)**

50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis: (Continued)

	The Group and the Bank 31 December 2020							
	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	(939)	-	-	-	-	-	-	(939)
- Profit rate derivatives	(122,309)	-	-	-	-	-	-	(122,309)
- Equity related derivatives	(1,717)	-	-	-	-	-	-	(1,717)
- Commodity related derivatives	(1,340)	-	-	-	-	-	-	(1,340)
- Credit related contracts	(2,024)	-	-	-	-	-	-	(2,024)
Hedging derivatives:								
- Profit rate derivatives	-	(374)	(391)	(699)	(2,490)	-	-	(3,954)
	(128,329)	(374)	(391)	(699)	(2,490)	-	-	(132,283)

50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

The Group's and the Bank's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, and cross currency profit rate swaps.

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow:

	The Group and the Bank 31 December 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	(184,108)	-	-	-	-	-	-	(184,108)
	(184,108)	-	-	-	-	-	-	(184,108)

50 Financial Risk Management (Continued)

50.3 Liquidity Risk (Continued)

50.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

Derivative financial liabilities (Continued)

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow: (Continued)

	The Group and the Bank 31 December 2020							
	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	(425,579)	-	-	-	-	-	-	(425,579)
	(425,579)	-	-	-	-	-	-	(425,579)

50 Financial Risk Management (Continued)

50.4 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.

50.4.1 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.

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.1 Determination of fair value and fair value hierarchy (Continued)

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.

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 Group Market Risk Committee (GMRC) 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 GMRC;

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.1 Determination of fair value and fair value hierarchy (Continued)

Valuation Model Review and Approval (Continued)

- 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 and liabilities are recorded at fair value.

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy:

	The Group and the Bank Fair Value	
	Level 2 RM'000	Carrying amount RM'000
31 December 2021		
Recurring fair value measurements		
Financial assets		
Financial assets at fair value through profit or loss		
-Money market instruments	**4,496,545**	**4,496,545**
-Unquoted securities	**725,845**	**725,845**
Debt instruments at fair value through other comprehensive income		
-Money market instruments	**1,252,406**	**1,252,406**
-Unquoted securities	**3,812,976**	**3,812,976**
Derivative financial instruments:		
-Trading derivatives	**238,748**	**238,748**
-Hedging derivatives	**2,539**	**2,539**
Total	**10,529,059**	**10,529,059**
Recurring fair value measurements		
Financial liabilities		
Derivative financial instruments:		
-Trading derivatives	**268,177**	**268,177**
-Hedging derivatives	**3,777**	**3,777**
Financial liabilities designated at fair value through profit or loss	**799,686**	**799,686**
Total	**1,071,640**	**1,071,640**

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50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.1 Determination of fair value and fair value hierarchy (Continued)

The following table represents assets and liabilities measured at fair value and classified by level with the following fair value hierarchy: (Continued)

	The Group and the Bank Fair Value	
	Level 2 RM'000	Carrying amount RM'000
31 December 2020		
Recurring fair value measurements		
Financial assets		
Financial assets at fair value through profit or loss		
-Money market instruments	4,697,651	4,697,651
-Unquoted securities	336,778	336,778
Debt instruments at fair value through other comprehensive income		
-Money market instruments	731,102	731,102
-Unquoted securities	2,939,797	2,939,797
Derivative financial instruments:		
-Trading derivatives	522,847	522,847
Financing, advances and other financing/loans at fair value through profit or loss	197,321	197,321
Total	9,425,496	9,425,496
Recurring fair value measurements		
Financial liabilities		
Derivative financial instruments:		
-Trading derivatives	553,908	553,908
-Hedging derivatives	3,939	3,939
Financial liabilities designated at fair value through profit or loss	71,610	71,610
Total	629,457	629,457

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.2 Fair value of financial assets and liabilities measured at amortised cost

The following table analyse within the fair value hierarchy the Group's assets and liabilities' fair value as at 31 December 2021 and 31 December 2020 where the fair value does not approximate to carrying amount in the statement of financial position:

	The Group		
		Fair Value	
	Carrying amount RM'000	Level 2 RM'000	Total RM'000
31 December 2021			
Assets			
Debt instruments at amortised cost	**8,852,502**	**9,080,748**	**9,080,748**
Financing, advances and other financing/loans	**90,609,415**	**91,013,443**	**91,013,443**
Total	**99,461,917**	**100,094,191**	**100,094,191**
Liabilities			
Deposits from customers	**96,001,736**	**95,994,626**	**95,994,626**
Investment accounts of customers	**10,427,167**	**10,489,097**	**10,489,097**
Deposits and placements of banks and other financial institutions	**2,309,269**	**2,296,806**	**2,296,806**
Subordinated Sukuk	**1,108,045**	**1,123,359**	**1,123,359**
Total	**109,846,217**	**109,903,888**	**109,903,888**

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

The following table analyse within the fair value hierarchy the Group's assets and liabilities' fair value as at 31 December 2021 and 31 December 2020 where the fair value does not approximate to carrying amount in the statement of financial position: (Continued)

	The Group		
		Fair Value	
	Carrying amount RM'000	Level 2 RM'000	Total RM'000
31 December 2020			
Assets			
Debt instruments at amortised cost	8,501,654	9,013,911	9,013,911
Financing, advances and other financing/loans	84,719,495	85,178,842	85,178,842
Total	93,221,149	94,192,753	94,192,753
Liabilities			
Deposits from customers	96,302,909	96,302,094	96,302,094
Investment accounts of customers	2,678,870	2,498,513	2,498,513
Deposits and placements of banks and other financial institutions	2,799,014	2,782,656	2,782,656
Sukuk	186,155	187,291	187,291
Subordinated Sukuk	1,118,336	1,159,153	1,159,153
Total	103,085,284	102,929,707	102,929,707

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

The following table analyse within the fair value hierarchy the Bank's assets and liabilities' fair value as at 31 December 2021 and 31 December 2020 where the fair value does not approximate to carrying amount in the statement of financial position:

	The Bank		
		Fair Value	
	Carrying amount RM'000	Level 2 RM'000	Total RM'000
31 December 2021			
Assets			
Debt instruments at amortised cost	**8,852,502**	**9,080,748**	**9,080,748**
Financing, advances and other financing/loans	**90,609,415**	**91,013,443**	**91,013,443**
Total	**99,461,917**	**100,094,191**	**100,094,191**
Liabilities			
Deposits from customers	**96,001,736**	**95,994,626**	**95,994,626**
Investment accounts of customers	**10,427,167**	**10,489,097**	**10,489,097**
Deposits and placements of banks and other financial institutions	**2,309,269**	**2,296,806**	**2,296,806**
Subordinated Sukuk	**1,108,045**	**1,123,359**	**1,123,359**
Total	**109,846,217**	**109,903,888**	**109,903,888**

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

The following table analyse within the fair value hierarchy the Bank's assets and liabilities' fair value as at 31 December 2021 and 31 December 2020 where the fair value does not approximate to carrying amount in the statement of financial position: (Continued)

	The Bank		
		Fair Value	
	Carrying amount RM'000	Level 2 RM'000	Total RM'000
31 December 2020			
Assets			
Debt instruments at amortised cost	8,501,654	9,013,911	9,013,911
Financing, advances and other financing/loans	84,719,495	85,178,842	85,178,842
Total	93,221,149	94,192,753	94,192,753
Liabilities			
Deposits from customers	96,649,535	96,648,720	96,648,720
Investment accounts of customers	2,678,870	2,498,513	2,498,513
Deposits and placements of banks and other financial institutions	2,799,014	2,782,656	2,782,656
Subordinated Sukuk	1,118,336	1,159,153	1,159,153
Total	103,245,755	103,089,042	103,089,042

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.2 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

For short-term funds and placements with financial institutions 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 Islamic money market profit 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 Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Other assets

The fair value of other assets approximates the carrying value less impairment allowance at the statement of financial position date.

Financing, advances and other financing/loans

For variable rate financing, the carrying value is generally a reasonable estimate of fair value.

For fixed rate financing 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 financing with similar credit risks and maturities.

The fair values of impaired variable and fixed rate financing are represented by their carrying value, net of individual impairment allowance being the expected recoverable amount.

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

Amount due (to)/from subsidiaries and related companies and amount due (to)/from holding company and ultimate holding company

The estimated fair values of the amount due (to)/from subsidiaries and related companies and amount due (to)/from ultimate holding company approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar financing.

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 and investment accounts due to designated financial institutions

The estimated fair values of investment accounts of customers and investment accounts due to designated financial institutions 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 profit rates for deposits and placements with similar remaining period to maturities.

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

Collateralised Commodity Murabahah

The estimated fair values of Collateralised Commodity Murabahah with maturities of less than six months approximate the carrying values. For Collateralised Commodity Murabahah with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market rates 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.

Lease liabilities

The estimated 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.

Sukuk

The estimated fair values of Sukuk with maturities of less than six months approximate the carrying values. For Sukuk with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for Sukuk with similar risk profile.

Subordinated Sukuk

The fair values for the quoted subordinated Sukuk are obtained from quoted market prices while the fair values for unquoted subordinated Sukuk are estimated based on discounted cash flow models.

50 Financial Risk Management (Continued)

50.4 Fair value estimation (Continued)

50.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

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.

51 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 on 14 March 2022.