Company No: 200401032872 (671380-H)

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2022

Company No: 200401032872 (671380-H)

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2022

Contents

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2022

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and CIMB Islamic Bank Berhad ("CIMB Islamic" or "the Bank") for the financial year ended 31 December 2022.

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 14 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 and the Bank RM'000
Profit after taxation and zakat	**1,002,033**

Dividend

No dividends have been paid or declared by the Group and the Bank since the financial year ended 31 December 2021.

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

Reserves, provisions and allowances

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

Share-based employee benefit plan

The Group's and the Bank's employee benefit schemes are explained in Note 45 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 49 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.

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
Jalalullail Othman
Ahmad Shahriman bin Mohd Shariff
Dr Azura Othman
Zuhaida Zulkifli (appointed on 1 March 2023)
Ho Yuet Mee (resigned on 9 August 2022)

In accordance with Article 75, 80 (a), 88, 89 and 90 of the Bank's Constitution, Puan Zuhaida Zulkifli, Encik Ahmad Shahriman Mohd Shariff and Dato' Mohamed Ross Mohd Din shall retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election

The names of the Directors of the Bank's subsidiaries in office since the beginning of the financial year to the date of this report are disclosed in Note 52 to the financial statements.

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 2022	**Acquired/ Granted**	**Disposed/ Vested**	**As at 31 December 2022**
Ultimate holding company				
CIMB Group Holdings Berhad				
Direct interest				
Ahmad Shahriman bin Mohd Shariff	10,447	4,015 (a)	(3,715)	10,747

(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 2022 (Continued)

Directors' interests in shares and share options (Continued)

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.

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 45 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
31 March 2022	0.75	8,991	31 March 2024 31 March 2025
8 September 2022	0.74	3,430	31 March 2024 31 March 2025
8 December 2022	0.81	660	31 March 2024 31 March 2025

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2022 (Continued)

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 2022:

	Outstanding as at	Movement during the year		Outstanding as at	Exerciseable as at
	1 January 2022	Awarded	Expired/ Forfeited	31 December 2022	31 December 2022
Award Date	(Units'000)	(Units'000)	(Units'000)	(Units'000)	(Units'000)
9 June 2021	5941	-	(337)	5,604	-
31 March 2022	-	101	-	101	-
8 September 2022	-	68	-	68	-
8 December 2022	-	-	-	-	-

(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	*Subject to performance conditions*
			31 March 2025	
31 March 2022	5.33	1,965	31 March 2024	
			31 March 2025	
8 September 2022	5.40	736	31 March 2024	
			31 March 2025	
8 December 2022	5.61	142	31 March 2024	
			31 March 2025	

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

	Outstanding as at	Movement during the year		Outstanding as at	Exerciseable as at
	1 January 2022	Awarded	Expired/ Forfeited	31 December 2022	31 December 2022
Award Date	(Units'000)	(Units'000)	(Units'000)	(Units'000)	(Units'000)
9 June 2021	430	-	(24)	406	-
31 March 2022	-	22	-	22	-
8 September 2022	-	14	-	14	-
8 December 2022	-	-	-	-	-

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

	2022	
	No of ESOS Awarded	No of SGP Awarded
Name	(Units'000)	(Units'000)
Ahmad Shariman bin Mohd Shariff	-	-
Key management personnel	169	36

Directors' remuneration

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

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Executive Director		
- Salary and other remuneration	**3,049**	2,954
- Benefits-in-kind	**7**	7
Non-Executive Directors		
- Fees	**645**	568
- Other remuneration	**1,300**	805
- Benefits-in-kind	**47**	46
Shariah Committee members		
- Fees	**664**	704
- Other remuneration	**295**	183
	6,007	5,267

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 RM303,990 (2021: RM272,805) respectively.

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 42 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 45 to the Financial Statements).

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2022 (Continued)

Subsidiaries

(a) Details of subsidiaries

Details of subsidiaries are as set out in Note 14 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 14 to the Financial Statements.

Auditors' Remuneration

Auditors' remuneration of the Group and the Bank are RM606,000 and RM599,000 respectively. Details of auditors' remuneration are as set out in Note 41 to the Financial Statements.

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2022 (Continued)

2022 Business Plan and Strategy

2022 was a year of gradual economic recovery with progressive easing of pandemic restrictions, continued opening of economies and sustained stimulus measures, and establishment of a new government in Malaysia. 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 impacted segments, while driving greener and more sustainable financing solutions and through the relaunch of EcoSave-i, GreenBizReady, and through the launch of the Low Carbon Transition Facility.

The year saw issuances of several milestone Sukuk including Republic of Indonesia USD 3.25b Global Sukuk, and several Sustainability Sukuk such as TNB RM10b Sukuk and Ecoworld Capital RM1.2b Sukuk. Cost discipline remained an integral focal point as the Bank emphasised cost optimisation with various initiatives across segments and divisions.

Outlook for 2023

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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2022 (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 2022	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")	August 2022	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")	November 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 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 (BSC) of CIMB Group as established under the Bank.

The main responsibility of the BSC is to assist the Board in the oversight and management of all Shariah matters relating to the Islamic banking and finance business of the Bank and its subsidiaries that it has management control. The BSC operates on the authority as delegated and empowered to it by the Board and as attributed to it under relevant financial regulations and legislations.

All decisions by the Board on Shariah matters relating to its business shall be made based on the decisions, views, and opinions of the BSC.

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

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

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

The BSC members are as follows:

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

The Board hereby affirms based on advice of the BSC that the 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 BSC in a separate BSC Report made herein.

Board Shariah Committee (Continued)

Meetings and Attendance

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

Board Engagement and Trainings Attended

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

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

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

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

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

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

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

Board Shariah Committee (Continued)

BSC Assessment

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

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 49 to the Financial Statements.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Directors' Report
for the financial year ended 31 December 2022 (Continued)

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 2022 and financial performance of the Group and the Bank for the financial year ended 31 December 2022.

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 16 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.

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 8 March 2023.

Signed on behalf of the Board of Directors

Ahmed Baqar Rehman
Director

Ahmad Shahriman bin Mohd Shariff
Director
8 March 2023

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, Ahmed Baqar Rehman 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 26 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 2022 and financial performance of the Group and of the Bank for the financial year ended 31 December 2022, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia.

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

Ahmed Baqar Rehman
Director

Ahmad Shahriman bin Mohd Shariff
Director
8 March 2023

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 26 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 8 March 2023.

Commissioner for Oaths

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

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

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

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.

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 by Management and the communication of Shariah policies and guidelines of business conduct to all staff.

Board Shariah Committee's Report (Continued)

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

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

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

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 conducted in accordance with the requirement of Shariah. It is our responsibility to form an independent opinion of the state of Shariah compliancy of the business and its operations and advise the Board accordingly. Based on the internal controls that have been put in place by the Management, in our opinion, to the best of our knowledge, the 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 2022 that were presented to us were done in compliance with Shariah;

2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah;

3. There were no earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes; and

4. The zakat calculation is in compliance with Shariah principles.

We have 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.

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

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 2022 were conducted in conformity with Shariah.

On behalf of the Board Shariah Committee.

Associate Professor Dr. Mohamed Fairooz Abdul Khir
Chairman

Dr. Ahmad Sufian Che Abdullah
Member

Kuala Lumpur
8 March 2023

pwc

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 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2022 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 26 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.

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.

pwc

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.

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
03032/01/2025 J
Chartered Accountant

Kuala Lumpur
8 March 2023

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Statements of Financial Position
as at 31 December 2022

	Note	The Group 2022 RM'000	The Group 2021 RM'000	The Bank 2022 RM'000	The Bank 2021 RM'000
Assets					
Cash and short-term funds	2	**15,308,885**	12,294,211	**15,308,885**	12,294,165
Reverse Collateralised Commodity Murabahah		**503,206**	-	**503,206**	-
Deposits and placements with banks and other financial institutions	3	**-**	179,331	**-**	179,331
Financial investments at fair value through profit or loss	4	**2,042,226**	5,222,390	**2,042,226**	5,222,390
Debt instruments at fair value through other comprehensive income	5	**5,000,384**	5,065,382	**5,000,384**	5,065,382
Debt instruments at amortised cost	6	**9,361,464**	8,852,502	**9,361,464**	8,852,502
Islamic derivative financial instruments	24(a)	**466,895**	241,287	**466,895**	241,287
Financing, advances and other financing/loans	7	**107,592,751**	90,609,415	**107,592,751**	90,609,415
Other assets	8	**489,064**	323,341	**489,064**	323,341
Tax recoverable		**4,409**	-	**4,409**	-
Deferred taxation	9	**188,883**	173,233	**188,883**	173,233
Amount due from holding company and ultimate holding company	10	**433,749**	283,487	**433,749**	283,487
Amounts due from related companies	11	**20**	320	**20**	320
Statutory deposits with Bank Negara Malaysia	13	**1,696,000**	-	**1,696,000**	-
Investment in subsidiaries	14	**-**	-	**11**	11
Property, plant and equipment	15	**778**	1,010	**778**	1,010
Right-of-use assets	16	**1,004**	1,613	**1,004**	1,613
Intangible assets	17	**1,499**	19,473	**1,499**	19,473
Goodwill	18	**136,000**	136,000	**136,000**	136,000
Total assets		**143,227,217**	123,402,995	**143,227,228**	123,402,960
Liabilities					
Deposits from customers	19	**102,825,976**	96,001,736	**102,825,976**	96,001,736
Investment accounts of customers	20	**13,684,632**	10,427,167	**13,684,632**	10,427,167
Deposits and placements of banks and other financial institutions	21	**7,408,739**	2,309,269	**7,408,739**	2,309,269
Collateralised Commodity Murabahah		**1,927,726**	328,821	**1,927,726**	328,821
Investment accounts due to designated financial institutions	22	**3,576,590**	3,919,753	**3,576,590**	3,919,753
Financial liabilities designated at fair value through profit or loss	23	**2,857,004**	799,686	**2,857,004**	799,686
Islamic derivative financial instruments	24(a)	**732,724**	271,954	**732,724**	271,954
Amount due to subsidiaries	12	**-**	-	**46**	-
Amounts due to related companies	11	**755**	455	**755**	455
Other liabilities	25	**446,240**	396,506	**446,240**	396,506
Lease liabilities	26	**1,198**	1,775	**1,198**	1,775
Provision for taxation		**-**	51,387	**-**	51,387
Subordinated Sukuk	27	**1,109,342**	1,108,045	**1,109,342**	1,108,045
Total liabilities		**134,570,926**	115,616,554	**134,570,972**	115,616,554

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2022 (Continued)

	Note	The Group 2022 RM'000	The Group 2021 RM'000	The Bank 2022 RM'000	The Bank 2021 RM'000
Capital and reserves attributable to equity holder of the Bank					
Perpetual preference shares	28	**350,000**	420,000	**350,000**	420,000
Ordinary share capital	29	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Reserves	30	**7,306,291**	6,366,441	**7,306,256**	6,366,406
Total equity		**8,656,291**	7,786,441	**8,656,256**	7,786,406
Total equity and liabilities		**143,227,217**	123,402,995	**143,227,228**	123,402,960
Restricted Agency Investment Account (*)	31	**14,280,429**	12,748,755	**14,280,429**	12,748,755
Total Islamic Banking asset		**157,507,646**	136,151,750	**157,507,657**	136,151,715
Commitments and contingencies	24(b)	**61,371,059**	45,338,343	**61,371,059**	45,338,343
Net assets per ordinary share attributable to owners of the Parent (RM)		**8.31**	7.37	**8.31**	7.37

* 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 2022

	Note	The Group 2022 RM'000	The Group 2021 RM'000	The Bank 2022 RM'000	The Bank 2021 RM'000
Income derived from investment of depositors' funds and others	32	**4,087,643**	3,614,577	**4,087,643**	3,614,577
Income derived from investment of investment account	33	**738,920**	396,201	**738,920**	396,201
Income derived from investment of shareholder's funds	34	**632,671**	573,356	**632,671**	573,856
Modification loss	35	**(2,845)**	(95,749)	**(2,845)**	(95,749)
Expected credit losses on financing, advances and other financing/loans	36	**(361,105)**	(311,822)	**(361,105)**	(311,822)
Expected credit losses written back/(made) for commitments and contingencies	25	**60,385**	(28,783)	**60,385**	(28,783)
Other expected credit losses (made)/written back	37	**(13,709)**	(1,720)	**(13,709)**	(1,720)
Total distributable income		**5,141,960**	4,146,060	**5,141,960**	4,146,560
Income attributable to depositors and others	38	**(2,079,729)**	(1,655,038)	**(2,079,729)**	(1,656,891)
Profit distributed to investment account holder	39	**(379,556)**	(208,489)	**(379,556)**	(208,489)
Total net income		**2,682,675**	2,282,533	**2,682,675**	2,281,180
Personnel costs	40	**(32,291)**	(22,373)	**(32,291)**	(22,373)
Other overheads and expenditures	41	**(1,148,748)**	(1,088,396)	**(1,148,748)**	(1,088,340)
Profit before taxation and zakat		**1,501,636**	1,171,764	**1,501,636**	1,170,467
Taxation and zakat	43	**(499,603)**	(299,984)	**(499,603)**	(299,984)
Profit after taxation and zakat		**1,002,033**	871,780	**1,002,033**	870,483
Earnings per share (sen)					
- Basic / Diluted	44	**100.20**	87.18	**100.20**	87.05

Statements of Comprehensive Income for the financial year ended 31 December 2022

	The Group 2022 RM'000	The Group 2021 RM'000	The Bank 2022 RM'000	The Bank 2021 RM'000
Profit for the financial year	**1,002,033**	871,780	**1,002,033**	870,483
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	**116**	(4)	**116**	(4)
Items that may be reclassified subsequently to profit or loss				
Debt instruments at fair value through other comprehensive income	**(63,304)**	(118,413)	**(63,304)**	(118,413)
- Net loss from change in fair value	**(95,959)**	(111,151)	**(95,959)**	(111,151)
- Realised loss/(gain) transferred to statement of income on disposal	**15,483**	(46,269)	**15,483**	(46,269)
- Changes in expected credit losses	**(2,142)**	1,226	**(2,142)**	1,226
- Income tax effects	**19,314**	37,781	**19,314**	37,781
Total comprehensive income for the financial year	**938,845**	753,363	**938,845**	752,066

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2022

The Group

		← Attributable to owners of the Parents →											
	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 2022		1,000,000	(87,101)	(2,457)	458	-	(4)	587	944	6,454,014	7,366,441	420,000	7,786,441
Profit for the financial year		-	-	-	-	-	-	-		1,002,033	1,002,033	-	1,002,033
Other comprehensive expense (net of tax)		-	(63,304)	-	-	-	116	-	-	-	(63,188)	-	(63,188)
- debt instruments at fair value through other comprehensive income		-	(63,304)	-	-	-	-	-	-	-	(63,304)	-	(63,304)
- fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve		-	-	-	-	-	116	-	-	-	116	-	116
Total comprehensive income/(expense) for the financial year		-	(63,304)	-	-	-	116	-	-	1,002,033	938,845	-	938,845
Redemption during the financial year		-	-	-	-	-	-	-	-	-	-	(70,000)	(70,000)
Share-based payment expense	40	-	-	-	-	-	-	199	1,570	-	1,769	-	1,769
Shares released under Equity Ownership Plan		-	-	-	-	-	-	(764)	-	-	(764)	-	(764)
Total transactions with owners recognised directly in equity		-	-	-	-	-	-	(565)	1,570	-	1,005	(70,000)	(68,995)
Transfer to regulatory reserve		-	-	-	-	184,715	-	-	-	(184,715)	-	-	-
As at 31 December 2022		1,000,000	(150,405)	(2,457)	458	184,715	112	22	2,514	7,271,332	8,306,291	350,000	8,656,291

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity
for the financial year ended 31 December 2022 (Continued)

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 income (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/(expenses) for the financial year		-	(118,413)	-	-	-	(4)	-	-	871,780	753,363	-	753,363
Share-based payment expense	40	-	-	-	-	-	-	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 2022 (Continued)

The Bank

	Note	Non-distributable								Distributable			
		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 2022		1,000,000	(87,101)	(2,457)	458	-	(4)	587	944	6,453,979	7,366,406	420,000	7,786,406
Profit for the financial year		-	-	-	-	-	-	-		1,002,033	1,002,033	-	1,002,033
Other comprehensive expense (net of tax)		-	(63,304)	-	-	-	116	-	-	-	(63,188)	-	(63,188)
- debt instruments at fair value through other comprehensive income		-	(63,304)	-	-	-	-	-	-	-	(63,304)	-	(63,304)
- fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve		-	-	-	-	-	116	-	-	-	116	-	116
Total comprehensive income/(expense) for the financial year		-	(63,304)	-	-	-	116	-	-	1,002,033	938,845	-	938,845
Redemption during the financial year		-	-	-	-	-	-	-	-	-	-	(70,000)	(70,000)
Share-based payment expense	40	-	-	-	-	-	-	199	1,570	-	1,769	-	1,769
Shares released under Equity Ownership Plan		-	-	-	-	-	-	(764)	-	-	(764)	-	(764)
Total transactions with owners recognised directly in equity		-	-	-	-	-	-	(565)	1,570	-	1,005	(70,000)	(68,995)
Transfer to regulatory reserve		-	-	-	-	184,715	-	-	-	(184,715)	-	-	-
As at 31 December 2022		1,000,000	(150,405)	(2,457)	458	184,715	112	22	2,514	7,271,297	8,306,256	350,000	8,656,256

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity for the financial year ended 31 December 2022 (Continued)

The Bank

	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
		← Non-distributable							→	Distributable			
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 income (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/(expenses) for the financial year		-	(118,413)	-	-	-	(4)	-	-	870,483	752,066	-	752,066
Share-based payment expense	40	-	-	-	-	-	-	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

Company No: 200401032872 (671380-H)

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Cash Flows
for the financial year ended 31 December 2022

	The Group		The Bank	
	2022	2021	**2022**	2021
	RM'000	RM'000	**RM'000**	RM'000
Cash flows from operating activities				
Profit before taxation and zakat	**1,501,636**	1,171,764	**1,501,636**	1,170,467
Adjustments for:				
Depreciation of property, plant and equipment	**386**	417	**386**	417
Depreciation of right-of-use assets	**578**	546	**578**	546
Amortisation of intangible assets	**19,929**	37,447	**19,929**	37,447
Profit income from debt instruments at fair value through other comprehensive income	**(195,899)**	(158,775)	**(195,899)**	(158,775)
Profit income from debt instruments at amortised cost	**(364,582)**	(364,770)	**(364,582)**	(364,770)
Profit expense on lease liabilities	**72**	65	**72**	65
Profit expense on Sukuk	**-**	2,678	**-**	-
Profit expense on subordinated Sukuk	**45,315**	44,428	**45,315**	44,428
Loss/(gain) from disposal of debt instruments at fair value through other comprehensive income	**15,483**	(46,269)	**15,483**	(46,269)
Property, plant and equipment written off	**-**	3	**-**	3
Net gain from hedging derivatives	**(554)**	(327)	**(554)**	(327)
Unrealised loss/(gain) on foreign exchange	**19,480**	(83,484)	**19,480**	(83,484)
Unrealised (gain)/loss from revaluation of financial assets designated at fair value through profit or loss	**(723)**	9,714	**(723)**	9,714
Unrealised (gain) arising from financial liabilities designated at fair value through profit and loss	**(182,574)**	(39,343)	**(182,574)**	(39,343)
Unrealised loss from revaluation of Islamic derivative financial instruments	**288,143**	11,973	**288,143**	11,973
Accretion of discount less amortisation of premium	**(26,973)**	(60,439)	**(26,973)**	(60,439)
Expected credit losses on financing, advances and other financing/loans	**433,045**	369,129	**433,045**	369,129
Other expected credit lossess and impairment allowances made	**13,709**	1,720	**13,709**	1,720
Expected credit losses (written back)/made for commitments and contingencies	**(60,385)**	28,783	**(60,385)**	28,783
Share-based payment expense	**1,769**	1,637	**1,769**	1,637
Modification loss	**2,845**	95,749	**2,845**	95,749
	1,510,700	1,022,646	**1,510,700**	1,018,671
(Increase)/Decrease in operating assets				
Financing, advances and other financing/loans	**(17,422,623)**	(6,159,748)	**(17,422,623)**	(6,159,748)
Reverse repurchase agreements	**(503,206)**	-	**(503,206)**	-
Other assets	**(182,599)**	87,836	**(182,599)**	248,516
Statutory deposits with Bank Negara Malaysia	**(1,696,000)**	-	**(1,696,000)**	-
Deposits and placements with banks and other financial institutions	**145,954**	(145,955)	**145,954**	(145,955)
Financial assets at fair value through profit or loss	**3,236,351**	(106,933)	**3,236,351**	(106,933)
Amounts due from holding company	**(150,262)**	27,622	**(150,262)**	27,622
Amounts due from related companies	**300**	(153)	**300**	(153)
Increase/(Decrease) in operating liabilities				
Deposits from customers	**6,824,240**	(301,173)	**6,824,240**	(647,799)
Investment accounts of customers	**3,257,465**	7,748,297	**3,257,465**	7,748,297
Deposits and placements from banks and other financial institutions	**5,099,470**	(489,745)	**5,099,470**	(489,745)
Collateralised Commodity Murabahah	**1,598,905**	29,585	**1,598,905**	29,585
Investment accounts due to designated financial institutions	**(343,163)**	(831,488)	**(343,163)**	(831,488)
Financial liabilities designated at fair value through profit and loss	**2,240,008**	767,415	**2,240,008**	767,415
Islamic derivative financial instruments	**(36,141)**	(11,537)	**(36,141)**	(11,537)
Amount due to subsidiaries	**-**	-	**46**	-
Amount due to related companies	**300**	(8,188)	**300**	(8,188)
Other liabilities	**73,548**	(25,698)	**73,548**	(24,610)
	3,653,247	1,602,783	**3,653,293**	1,413,950
Taxation and zakat paid	**(551,735)**	(298,265)	**(551,735)**	(298,265)
Net cash flows generated from operating activities	**3,101,512**	1,304,518	**3,101,558**	1,115,685

Statements of Cash Flows
for the financial year ended 31 December 2022 (Continued)

	Note	The Group		The Bank	
		2022	2021	**2022**	2021
		RM'000	RM'000	**RM'000**	RM'000
Cash flows from investing activities					
Net purchase of debt instruments at amortised cost		**(408,849)**	(360,098)	**(408,849)**	(360,098)
Net purchase of debt instruments at fair value through other comprehensive income		**(16,156)**	(1,517,447)	**(16,156)**	(1,517,447)
Profit income received from purchase of debt instruments at fair value through other comprehensive income		**145,132**	146,973	**145,132**	146,973
Profit income received from debt instruments at amortised cost		**259,312**	364,664	**259,312**	364,664
Purchase of property, plant and equipment		**(154)**	(82)	**(154)**	(82)
Purchase of intangible assets		**(1,955)**	(808)	**(1,955)**	(808)
Net addition of right-of-use assets		**(98)**	(446)	**(98)**	(446)
Net cash flows used in investing activities		**(22,768)**	(1,367,244)	**(22,768)**	(1,367,244)
Cash flows from financing activities					
Profit expense paid on subordinated Sukuk		**(44,018)**	(44,719)	**(44,018)**	(44,719)
Proceeds from issuance of subordinated Sukuk		**300,000**	-	**300,000**	-
Redemption of subordinated Sukuk		**(300,000)**	(10,000)	**(300,000)**	(10,000)
Profit expense paid on Sukuk		**-**	(2,833)	**-**	-
Redemption of Sukuk		**-**	(186,000)	**-**	-
Redemption of preference shares		**(70,000)**	-	**(70,000)**	-
Repayment of lease liabilities		**(519)**	(148)	**(519)**	(148)
Net cash flows used in financing activities		**(114,537)**	(243,700)	**(114,537)**	(54,867)
Net increase/(decrease) in cash and cash equivalents		**2,964,207**	(306,426)	**2,964,253**	(306,426)
Effects of exchange rate differences		**17,091**	6,501	**17,091**	6,501
Cash and cash equivalents at beginning of the financial year		**12,327,587**	12,627,512	**12,327,541**	12,627,466
Cash and cash equivalents at end of the financial year		**15,308,885**	12,327,587	**15,308,885**	12,327,541
Cash and cash equivalents comprise :					
Cash and short-term funds	2	**15,308,885**	12,294,211	**15,308,885**	12,294,165
Deposits and placements with banks and other financial institutions	3	**-**	179,331	**-**	179,331
		15,308,885	12,473,542	**15,308,885**	12,473,496
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		**15,308,885**	12,327,587	**15,308,885**	12,327,541

Statements of Cash Flows
for the financial year ended 31 December 2022 (Continued)

An analysis of changes in liabilities arising from financing activities for the financial year ended 31 December 2022 and 31 December 2021 are as follows:

The Group	**Sukuk RM'000**	**Subordinated Sukuk RM'000**	**Lease Liabilities RM'000**	**Total RM'000**
At 1 January 2022	**-**	**1,108,045**	**1,775**	**1,109,820**
Payment and redemption	**-**	**-**	**(519)**	**(519)**
Profit paid	**-**	**(44,018)**	**-**	**(44,018)**
Other non cash movement	**-**	**45,315**	**(58)**	**45,257**
At 31 December 2022	**-**	**1,109,342**	**1,198**	**1,110,540**

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

Company No: 200401032872 (671380-H)

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Cash Flows for the financial year ended 31 December 2022 (Continued)

An analysis of changes in liabilities arising from financing activities for the financial year ended 31 December 2022 and 31 December 2021 are as follows: (Continued)

The Bank	Subordinated Sukuk RM'000	Lease Liabilities RM'000	Total RM'000
At 1 January 2022	**1,108,045**	**1,775**	**1,109,820**
Payment and redemption	**-**	**(519)**	**(519)**
Profit paid	**(44,018)**	**-**	**(44,018)**
Other non cash movement	**45,315**	**(58)**	**45,257**
At 31 December 2022	**1,109,342**	**1,198**	**1,110,540**

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2022

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

A Basis of preparation

The Financial Statements of the Group and the 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 50.

Summary of Significant Accounting Policies for the financial year ended 31 December 2022 (Continued)

A Basis of preparation (Continued)

(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 2022 are as follows:

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

The adoption of 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.

(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 January 2023

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

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2022 (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)

(i) Financial year beginning on/after 1 January 2023 (Continued)

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

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

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

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

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

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2022 (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 2024

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

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

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

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

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

The amendments shall be applied retrospectively.

Summary of Significant Accounting Policies for the financial year ended 31 December 2022 (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 2024 (Continued)

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

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

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

Summary of Significant Accounting Policies for the financial year ended 31 December 2022 (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 2022 (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 2022 (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.

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 2022 (Continued)

C Recognition of profit income and profit expense (Continued)

(a) Financing (Continued)

Murabahah

A contract of sale of assets at a mark-up price, which includes a profit margin as agreed by the contracting parties. The price, costs and profit margin in Murabahah shall be made transparent and agreed upon between buyer and seller. Income is recognised on effective profit rate basis over the expected life of the contract based on the principal amounts outstanding.

Bai' Bithaman Ajil

A contract of sale and purchase of an asset in which the payment of price is deferred either be paid in lump-sum or instalment basis within an agreed period of time. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding. Meanwhile, profit expense from deposits shall be recognised on accrual basis by maturity date.

Bai' al-'inah

A contract of sale and purchase of an asset whereby the seller sells to buyer in cash and subsequently buys back the asset at a marked up and deferred. Income is recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding.

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.

Bai' al- Dayn

A contract of trading of debt and the outstanding debt may be sold to the debtor or to a third party on cash basis. Income from financing shall be recognised on effective profit rate basis over the expected life of the contract based on principal amount outstanding. Meanwhile, profit expense from deposits shall be recognised on accrual basis by maturity date.

Summary of Significant Accounting Policies for the financial year ended 31 December 2022 (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 2022 (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 2022 (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

Securities obtained thru Reverse Collateralised Commodity Murabahah are securities which has been transferred to the Group and the Bank as collateral with a commitment under the agreement to return back the securities at future dates. The commitment to return the securities is reflected as an asset on the statements of financial position.

Conversely, 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 2022 (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 2022 (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 2022 (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 2022 (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 2022 (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 35. 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 2022 (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 2022 (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 2022 (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 2022 (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 2022 (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 2022 (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 2022 (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 2022 (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 2022 (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 2022 (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 24(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.

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 (IASB) has established a project to consider the financial reporting implications of the reform. The transition from IBORs is expected to have an impact on various elements of financial instrument accounting, including hedge accounting, as well as fair value methodologies and disclosures.

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

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

The Group and the Bank have 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 24(a).

Summary of Significant Accounting Policies for the financial year ended 31 December 2022 (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 income	MYR830,000,000
Fixed rate financing, advances and other financing/loans	USD 11,908,000

However, as part of the reforms noted above, the authority has decided to no longer compel panel bank to participate in the USD LIBOR submission process after end of 30 June 2023 and cease to oversight of these benchmark interest rates. Regulatory authorities and private sector working groups have been discussing alternative benchmark rates for USD LIBOR. It is expected that USD SOFR (secured overnight financing rate) will replace USD LIBOR.

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 which 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 profit 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 2021 because none of the IBOR-based contracts of the Group were modified. For contracts modified as a result of IBOR reform during the financial year, the Group applies the Phase 2 amendments as described below.

Summary of Significant Accounting Policies for the financial year ended 31 December 2022 (Continued)

O Derivative financial instruments and hedge accounting (Continued)

Hedge relationships

Since 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.

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

The Group 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 2022 (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).

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

	The Group and the Bank			
	Notional amount of which: Have yet to transition to an alternative benchmark rate as at 31 December 2022			
	USD LIBOR		MYR KLIBOR	
	RM'000	RM'000	RM'000	RM'000
	Asset	Liability	Asset	Liability
Non-derivatives assets and liabilities				
Bonds/Sukuk and notes	545,043	-	425,000	3,024,750
Deposit from customers	-	-	1,504	101,379
Fixed rate financing, advances and other financing/loans	185,137	-	2,753,546	-
Derivatives	250,259	63,662	3,847,088	753,385

	The Group and the Bank	
	USD LIBOR with maturity after June 2023	
	RM'000	RM'000
	Asset	Liability
Non-derivatives assets and liabilities		
Bonds/Sukuk and notes	545,043	-
Fixed rate financing, advances and other financing/loans	145,634	-
Derivatives	-	28,538

Summary of Significant Accounting Policies for the financial year ended 31 December 2022 (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 (RM), 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 2022 (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 2022 (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 2022 (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 2022 (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 45(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 2022 (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 2022 (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 2022 (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 2022 (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 2022

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 14 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	
	31 December 2022 RM'000	31 December 2021 RM'000	**31 December 2022 RM'000**	31 December 2021 RM'000
Cash and balances with banks and other financial institutions	**183,685**	186,411	**183,685**	186,365
Money at call and deposit placements maturing within one month	**15,125,200**	12,107,800	**15,125,200**	12,107,800
	15,308,885	12,294,211	**15,308,885**	12,294,165

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

3 Deposits and placements with banks and other financial institutions

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Licensed banks	-	179,331
Expected credit losses	-	-
	-	179,331

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 2022	-	-	-	-
Total charge to Statement of Income:	**1**	-	-	**1**
New financial assets originated	**80**	-	-	**80**
Financial assets that have been derecognised	**(79)**	-	-	**(79)**
Change in credit risk	-	-	-	-
Other movements	**(1)**	-	-	**(1)**
At 31 December 2022	-	-	-	-
The Group and the Bank				
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	-	-	-	-

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

4 Financial investments at fair value through profit or loss

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Money market instruments		
Unquoted:		
Malaysian Government treasury bills	**445,009**	62,959
Islamic negotiable instruments of deposits	**99,789**	2,444,411
Government Investment Issues	**709,296**	584,426
Islamic Cagamas bonds	**405,119**	104,948
Islamic Commercial Paper	**-**	1,299,801
	1,659,213	4,496,545
Unquoted securities:		
In Malaysia		
Corporate sukuk	**383,013**	703,546
Outside Malaysia		
Corporate sukuk	**-**	22,299
	2,042,226	5,222,390

5 Debt instruments at fair value through other comprehensive income

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Money market instruments		
Unquoted:		
Government Investment Issues	**1,514,942**	1,247,287
Islamic Cagamas bonds	**35,238**	5,119
	1,550,180	1,252,406
Unquoted securities:		
In Malaysia		
Corporate sukuk	**3,450,204**	3,777,378
Outside Malaysia		
Corporate sukuk	**-**	35,598
	5,000,384	5,065,382

Notes to the Financial Statements for the financial year ended 31 December 2022 (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 2022	**3,140**	**-**	**-**	**3,140**
Changes in expected credit losses due to transferred within stages:	-	-	-	-
Transferred to Stage 1	-	-	-	-
Transferred to Stage 2	-	-	-	-
Total charge to Statement of Income:	**(2,142)**	**-**	**-**	**(2,142)**
New financial assets purchased	**1,380**	**-**	**-**	**1,380**
Financial assets that have been derecognised	**(71)**	**-**	**-**	**(71)**
Change in credit risk	**(3,451)**	**-**	**-**	**(3,451)**
At 31 December 2022	**998**	**-**	**-**	**998**

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

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

Impact of movements in gross carrying amount on expected credit losses

2022
Net expected credit losses ("ECL") decreased by RM2,142,000 for the Group and the Bank mainly due to change in credit risk and financial assets that have been derecognised, offsetted by recognition of gross carrying amounts ("GCA") from new financial assets purchased.

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.

6 Debt instruments at amortised cost

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Money market instruments		
Unquoted:		
Government Investment Issue	**3,508,796**	3,323,269
Islamic Cagamas bonds	**30,113**	30,117
Malaysian Government Sukuk	**101,341**	101,341
Khazanah bonds	**89,047**	89,047
	3,729,297	3,543,774
Unquoted securities:		
In Malaysia		
Corporate sukuk	**5,634,991**	5,315,624
Amortisation of premium net of accretion of discount	**(2,406)**	(6,216)
Less : Expected credit losses	**(418)**	(680)
	9,361,464	8,852,502

Included in debt instruments at amortised cost is exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement between CIMB Islamic Bank Berhad and third party amounting to RM501,666,000 (31 December 2021: RM 462,331,000).

Notes to the Financial Statements for the financial year ended 31 December 2022 (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)	Lifetime expected credit losses - not credit impaired (Stage 2)	Lifetime expected credit losses - credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	**680**	**-**	**-**	**680**
Total charge to Statement of Income:	**(262)**	**-**	**-**	**(262)**
New financial assets purchased	**2,129**	**-**	**-**	**2,129**
Change in credit risk	**(2,391)**	**-**	**-**	**(2,391)**
At 31 December 2022	**418**	**-**	**-**	**418**

The Group and the Bank	12-month expected credit losses (Stage 1)	Lifetime expected credit losses - not credit impaired (Stage 2)	Lifetime expected credit losses - credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
Debt instruments at amortised cost				
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

Impact of movements in gross carrying amount on expected credit losses

2022

The net ECL decreased by RM262,000 for the Group and the Bank is mainly due to change in credit risk, offsetted by recognition of gross carrying amounts (“GCA”) from new financial assets purchased.

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.

Notes to the Financial Statements for the financial year ended 31 December 2022 (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 2022 RM'000	Total 2021 RM'000
At 1 January	**462,399**	-
Transfer within stages	-	465,530
Other movements	**15,233**	2,385
Exchange fluctuation	**24,140**	(5,516)
At 31 December	**501,772**	462,399

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements
for the financial year ended 31 December 2022 (Continued)

7 Financing, advances and other financing/loans

31 December 2022

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^	-	165	659	-	1,364,784	-	-	12,917	-	1,378,525
Term financing										
House Financing	-	4,043,521	-	-	34,524,609	1,072,578	-	-	-	39,640,708
Syndicated Financing	-	-	-	-	2,241,327	-	-	-	-	2,241,327
Hire purchase receivables	-	-	-	-	-	-	15,267,838	-	-	15,267,838
Other term financing	-	882,650	1,342,309	-	39,447,146	36,010	-	-	-	41,708,115
Bills receivable	771,892	-	-	16,345	-	-	-	-	-	788,237
Islamic trust receipts	19,365	-	-	-	-	-	-	-	-	19,365
Claims on customers under acceptance credits	855,198	-	-	142,288	-	-	-	-	-	997,486
Staff financing**	-	-	-	-	268,330	-	-	-	-	268,330
Credit card receivables	-	-	-	-	-	-	-	-	190,087	190,087
Revolving credits	-	-	-	-	6,582,218	-	-	-	-	6,582,218
Gross financing, advances and other financing/loans, at amortised cost	1,646,455	4,926,336	1,342,968	158,633	84,428,414	1,108,588	15,267,838	12,917	190,087	109,082,236
Fair value changes arising from fair value hedge										(1,832)
										109,080,404
Less: Expected credit losses										(1,487,653)
Total net financing, advances and other financing/loans										**107,592,751**

^ 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 2,276,329 (2021:RM 2,312,571).

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

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)
Net financing, advances and other financing/loans, at amortised cost										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 2,276,329 (2021:RM 2,312,571).

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

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Total gross financing, advances and other financing/loans		
- At amortised cost	**109,082,236**	91,815,046

(i) By type and Shariah contracts:

(a) The Group and the Bank have undertaken fair value hedge on the profit rate risk of RM52,610,000 (2021: RM65,935,000) financing using Islamic profit rate swaps.

(b) Included in financing, advances and other financing/loans are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement between 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 2022, the gross exposure and expected credit losses relating to RPSIA financing are RM3,577,694,000 (2021: RM3,952,201,000) and RM748,000 (2021: RM1,506,000) respectively.

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	
	2022	2021
	RM'000	RM'000
At 1 January	**8,576**	8,907
New disbursement	**7,219**	7,102
Repayment	**(2,878)**	(7,433)
At 31 December	**12,917**	8,576
Sources of Qard fund:		
Depositors' fund	**12,037**	8,028
Shareholders' fund	**880**	548
	12,917	8,576
Uses of Qard fund:		
Personal use	**748**	620
Business purpose	**12,169**	7,956
	12,917	8,576

(ii) By type of customer:

	The Group and the Bank	
	31 December 2022	31 December 2021
	RM'000	RM'000
Domestic non-bank financial institutions	**2,793,836**	2,390,409
Domestic business enterprises		
- Small medium enterprises	**16,532,445**	13,129,102
- Others	**11,158,773**	8,567,057
Government and statutory bodies	**1,795,874**	1,406,573
Individuals	**75,185,941**	65,610,553
Other domestic entities	**1,172,071**	211,648
Foreign entities	**443,296**	499,704
Gross financing, advances and other financing/loans	**109,082,236**	91,815,046

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

(iii) By profit rate sensitivity:

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Fixed rate		
- house financing	**452,190**	205,339
- hire purchase receivables	**13,200,162**	11,966,416
- others	**4,454,994**	3,786,694
Variable rate		
- house financing	**39,188,518**	32,733,216
- others	**51,786,372**	43,123,381
Gross financing, advances and other financing/loans	**109,082,236**	91,815,046

(iv) By economic purpose:

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Personal use	**2,024,167**	2,078,010
Credit card	**190,087**	145,587
Construction	**1,493,267**	1,588,035
Residential property	**40,617,089**	33,782,539
Non-residential property	**10,926,232**	8,621,137
Purchase of fixed assets other than land and building	**673,611**	361,100
Purchase of securities	**15,156,435**	14,911,564
Purchase of transport vehicles	**15,726,486**	13,225,131
Working capital	**19,788,647**	14,222,897
Merger and acquisition	**322,629**	350,779
Other purpose	**2,163,586**	2,528,267
Gross financing, advances and other financing/loans	**109,082,236**	91,815,046

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

(v) By geographical distribution:

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Malaysia	**109,082,236**	91,815,046

(vi) By economic sector:

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Primary agriculture	**4,030,265**	2,825,431
Mining and quarrying	**562,755**	637,045
Manufacturing	**3,986,852**	3,356,093
Electricity, gas and water supply	**541,337**	366,745
Construction	**2,523,735**	1,691,522
Transport, storage and communications	**4,203,241**	2,065,701
Education, health and others	**2,692,984**	2,239,110
Wholesale and retail trade, and restaurants and hotels	**5,435,992**	3,886,791
Finance, insurance/takaful, real estate and business activities	**9,530,459**	8,697,579
Household	**75,555,957**	65,984,997
Others	**18,659**	64,032
Gross financing, advances and other financing/loans	**109,082,236**	91,815,046

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

(vii) By residual contractual maturity:

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Within one year	**10,270,657**	7,452,366
One year to less than three years	**1,287,700**	1,241,013
Three years to less than five years	**6,158,683**	4,894,836
Five years and more	**91,365,196**	78,226,831
Gross financing, advances and other financing/loans	**109,082,236**	91,815,046

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

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Personal use	**33,182**	13,229
Credit cards	**2,858**	1,820
Construction	**367**	672
Residential property	**837,609**	240,304
Non-residential property	**161,540**	105,668
Purchase of fixed assets other than land and building	**2,118**	-
Purchase of securities	**9,149**	5,509
Purchase of transport vehicles	**158,676**	133,839
Working capital	**122,330**	107,735
Other purpose	**81,508**	30,723
Gross credit impaired financing, advances and other financing/loans	**1,409,337**	639,499

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

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Malaysia	**1,409,337**	639,499

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 2022 RM'000	31 December 2021 RM'000
Primary agriculture	**16,917**	20,844
Manufacturing	**11,923**	28,132
Construction	**25,478**	20,267
Transport, storage and communications	**5,935**	1,877
Education, health and others	**62,074**	6,268
Wholesale and retail trade, and restaurants and hotels	**132,338**	83,351
Finance, insurance/takaful, real estate and business activities	**55,889**	51,161
Household	**1,098,782**	427,598
Others	**1**	1
Gross credit impaired financing, advances and other financing/loans	**1,409,337**	639,499

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (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)	Lifetime expected credit losses - not credit impaired (Stage 2)	Lifetime expected credit losses - Credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	248,701	727,401	231,094	1,207,196
Changes in expected credit losses due to transferred within stages:	169,904	(238,024)	68,120	-
Transferred to Stage 1	267,346	(245,393)	(21,953)	-
Transferred to Stage 2	(96,018)	258,524	(162,506)	-
Transferred to Stage 3	(1,424)	(251,155)	252,579	-
Total charge to Statement of Income:	(255,381)	403,583	282,740	430,942
New financial assets originated	89,424	706	17,424	107,554
Financial assets that have been derecognised	(36,730)	(33,263)	-	(69,993)
Writeback in respect of full recoveries	-	-	(38,017)	(38,017)
Change in credit risk	(308,075)	436,140	303,333	431,398
Write-offs	-	(1)	(175,360)	(175,361)
Other movements	25	(160)	25,011	24,876
At 31 December 2022	163,249	892,799	431,605	1,487,653

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)	Lifetime expected credit losses - not credit impaired (Stage 2)	Lifetime expected credit losses - Credit impaired (Stage 3)	Total
	RM'000	RM'000	RM'000	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)

(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 2022	Total RM'000 2021
At 1 January	**639,499**	1,497,242
Transfer within stages	**1,069,628**	(545,048)
New financial assets originated	**21,691**	180,792
Write-offs	**(175,360)**	(160,014)
Amount fully recovered	**(139,067)**	(322,210)
Other movements	**(7,054)**	(11,263)
At 31 December	**1,409,337**	639,499

	The Group and the Bank	
	31 December 2022	31 December 2021
Ratio of credit impaired financing to total gross financing, advances and other financing/loans	**1.29%**	0.70%

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

<u>2022</u>
Stage 1 ECL decreased by RM85 million for the Group and the Bank as a result of RM31,190 million 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 RM165 million for the Group and the Bank as a result of RM9,330 million of financing, advances and other financing/loans migrating into Stage 2 and 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 increased by RM201 million for the Group and Bank as a result of RM1,804 million financing, advances and other financing/loans that were transferred into Stage 3 due to credit quality deterioration for the Group and the Bank respectively, offset by 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 loans, advances and financing which ECL mostly fully provided for that were written off during the financial year.

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 RM233,388,000 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)

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 and 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 51.1.7.

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 RM20,878,428,000 respectively.

8 Other assets

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Deposits and prepayments	**10,840**	11,042
Sundry debtors net of expected credit losses*	**326,928**	223,560
Collateral pledged for derivative transactions	**33,183**	49,640
Treasury related receivables	**97,987**	29,645
Clearing accounts	**20,126**	9,454
	489,064	323,341

* Sundry debtors net of expected credit losses of RM15,921,000 (2021: RM271,000).

(a) Movements of expected credit losses on sundry debtors are as follows:

(i) Under simplified approach

	The Group and the Bank	
	2022 RM'000	2021 RM'000
At 1 January	**271**	273
Expected credit losses made/(written back) during the financial year	**302**	(2)
Write off	**(462)**	-
At 31 December	**111**	271

(ii) Under general approach

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 2022	-	-	-	-
Total charge to Income Statement:	**14,083**	**-**	**1,727**	**15,810**
Change in credit risk	**14,083**	**-**	**1,727**	**15,810**
At 31 December 2022	**14,083**	**-**	**1,727**	**15,810**

(iii) Gross carrying amount movement of other assets classified as credit impaired under general approach:

	The Group and the Bank Lifetime expected credit losses - credit impaired (Stage 3)	
	Total RM'000	**Total RM'000**
At 1 January 2022	**-**	**-**
Other changes	**1,727**	**1,727**
At 31 December 2022	**1,727**	**1,727**

8 Other assets (Continued)

(a) Movements of expected credit losses on sundry debtors are as follows: (Continued)

Impact of movements in gross carrying amount on expected credit losses:

Stage 1 and Stage 3 ECL increased by RM14 million and RM2 million respectively for the Group and the Bank due to change in credit risk.

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 2022	31 December 2021
	RM'000	RM'000
Deferred tax assets	**188,883**	173,233

Further breakdown are as follows:

	31 December 2022	31 December 2021
Deferred tax assets (before offsetting)	**RM'000**	RM'000
Expected credit losses	**126,075**	133,659
Property, plant and equipment	**27**	14
Fair value reserve - Debt instruments at fair value through other comprehensive income	**47,810**	28,496
Provision for expenses	**15,031**	11,201
Lease liabilities	**288**	427
Other temporary differences	**6**	191
	189,237	173,988
Offsetting	**(354)**	(755)
Deferred tax assets (after offsetting)	**188,883**	173,233
Deferred tax liabilities (before offsetting)		
Right-of-use assets	**(240)**	(386)
Intangible assets	**(114)**	(369)
	(354)	(755)
Offsetting	**354**	755
Deferred tax liabilities (after offsetting)	**-**	-

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 2022		133,659	14	28,496	(369)	11,201	(386)	427	191	173,233
Credited/(charged) to statements of income	43	(7,584)	-	-	253	3,856	146	(139)	(185)	(3,653)
Over/(under) provision in prior financial year		-	13	-	2	(26)	-	-	-	(11)
Transferred to equity		-	-	19,314	-	-	-	-	-	19,314
At 31 December 2022		126,075	27	47,810	(114)	15,031	(240)	288	6	188,883

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 2021		85,913	299	(9,285)	(691)	9,211	(532)	568	294	85,777
Credited/(charged) to statements of income	**43**	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

10 Amounts due from holding company

	The Group and the Bank	
	31 December 2022	31 December 2021
	RM'000	RM'000
Amounts due from :		
- ultimate holding company	**11**	-
- holding company	**433,738**	283,487
	433,749	283,487

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

11 Amounts from/(to) related companies

	The Group and the Bank	
	31 December 2022	31 December 2021
	RM'000	RM'000
Amounts due from :		
- related companies	**20**	320
Amounts due to :		
- related companies	**(755)**	(455)

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

12 Amounts due to subsidiaries

	The Group		The Bank	
	31 December 2022	31 December 2021	**31 December 2022**	31 December 2021
	RM'000	RM'000	**RM'000**	RM'000
Amounts due to :				
- subsidiaries	**-**	-	**46**	-

Note : There is no amount due from subsidiaries

The amounts due to subsidiaries are unsecured, interest-free and recallable on demand.

13 Statutory deposits with Bank Negara Malaysia

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Statutory deposits with Bank Negara Malaysia	**1,696,000**	-

The non-profit bearing statutory deposits maintained with Bank Negara Malaysia are in compliance with Section 26 (2)(c) of the Central Bank of Malaysia Act, 2009, the amounts of which are determined at set percentages of total eligible liabilities.

On 15 May 2020, BNM has issued Statutory Reserve Requirement ("SRR") guideline and with effect from 16 May 2020, banking institutions are allowed to recognise Malaysian Government Sukuk and Malaysian Government Investment Issue to fully meet the SRR requirement of 2%. This flexibility is available until 31 December 2022.

14 Investment in subsidiaries

	The Bank	
	31 December 2022 RM'000	31 December 2021 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	
	2022 RM'000	2021 RM'000
At 1 January/31 December	**9**	9

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

14 Investment in subsidiaries (Continued)

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

		Percentage of equity held directly by the Bank	
		31 December 2022	31 December 2021
Name	**Principal activities**	**%**	**%**
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100**	100
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Nominee services	**100**	100

All the subsidiaries are incorporated in Malaysia.

15 Property, plant and equipment

	The Group and the Bank			
2022	**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	**3,497**	**387**	**19,700**	**23,584**
Additions	**-**	**-**	**154**	**154**
Written off	**-**	**-**	**(21)**	**(21)**
At 31 December	**3,497**	**387**	**19,833**	**23,717**
Accumulated depreciation				
At 1 January	**2,602**	**356**	**19,616**	**22,574**
Charge for the financial year	**255**	**31**	**100**	**386**
Written off	**-**	**-**	**(21)**	**(21)**
At 31 December	**2,857**	**387**	**19,695**	**22,939**
Net book value at 31 December	**640**	**-**	**138**	**778**

	The Group and the Bank			
2021	**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

No work-in-progress for the Group and the Bank in 2022 and 2021.

16 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 2022 RM'000	31 December 2021 RM'000
Building	**1,004**	1,613

Additions to the right-of-use assets during the financial year is RM62,399 (2021: RM Nil). Depreciation charge during the financial year for buildings are RM578,000 (2021:RM546,000). At 31 December 2022, the variable lease payment expense and low-value leases expense that are not included in lease liabilities are RM154,000 (2021:RM384,000) and RM Nil (2021: RM174) respectively.

17 Intangible assets

	The Group and the Bank	
	2022 RM'000	2021 RM'000
Computer software and work-in-progress		
Cost		
At 1 January	**138,617**	137,842
Additions	**1,955**	808
Written off	**-**	(33)
At 31 December	**140,572**	138,617
Accumulated amortisation		
At 1 January	**119,144**	81,730
Amortisation for the financial year	**19,929**	37,447
Written off	**-**	(33)
At 31 December	**139,073**	119,144
Net book value at 31 December	**1,499**	19,473

The remaining amortisation period of the intangible assets is between 3 months and 4.4 years.

The above intangible assets include computer software under construction at cost of the Group and the Bank of RM1,138,677 (2021: RM331,792).

During the previous 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 ended 31 December 2021 has increased by RM29 million for the Group and the Bank.

18 Goodwill

	The Group and the Bank	
	2022	2021
	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 2023 financial budgets approved by the Board of Directors, projected for four years (2023 to 2026) based on the average historical Gross Domestic Product ("GDP") growth of the country covering a four years period, revised for current economic conditions. Cash flows beyond the four years period are extrapolated using an estimated growth rate of 3.83% (2021: 4.06%). The cash flow projections are derived based on a number of key factors including the past performance and management's expectation of market developments. The discount rate used in determining the recoverable amount of all the CGU is 11.29% (2021: 9.17%). The discount rate is pre-tax and reflects the specific risks relating to the CGU.

The recoverable amount is assessed by incorporating multiple scenarios with variation in the assumptions used including discount rate and haircut on the cash flow projections, to allow assessment on the sensitivity of goodwill recoverable amount taking into consideration assumed probabilities of different future events and/or scenarios.

Management believes that no reasonably possible change in any of the key assumptions would cause the carrying value of any CGU to exceed its recoverable amount.

Impairment charge

There was no impairment charge for the financial year ended 31 December 2022 and 31 December 2021.

19 Deposits from customers

(i) By type of deposits:

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
a) Savings deposit	**7,187,660**	6,872,193
Commodity Murabahah (via Tawarruq arrangement)*	**7,187,660**	6,872,193
b) Demand deposit	**17,053,489**	16,783,396
Qard	**14,998,197**	14,491,756
Commodity Murabahah (via Tawarruq arrangement)*	**2,055,292**	2,291,640
c) Term deposit	**78,385,199**	72,202,583
Commodity Murabahah Deposits-i (via Tawarruq arrangement)	**46,654,408**	45,323,655
Fixed Return Income Account-i (via Tawarruq arrangement)*	**31,135,417**	26,430,641
Negotiable Islamic Debt Certificate (NIDC) Hybrid (Bai' Bithamin Ajil (BBA) and Bai' al-Dayn)	**595,374**	448,287
d) Specific investment account	**100,638**	99,600
Mudharabah	**100,638**	99,600
e) Others	**98,990**	43,964
Qard	**98,990**	43,964
	102,825,976	96,001,736

*included Qard contract of RM1,831,665,000 (31 December 2021:RM603,416,000)

19 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 and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Due within six months	**68,358,324**	62,451,968
Six months to less than one year	**8,873,186**	9,677,387
One year to less than three years	**376,555**	143,696
Three years to less than five years	**852,999**	5,473
Five years and more	**24,773**	23,659
	78,485,837	72,302,183

(ii) By type of customers:

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Government and statutory bodies	**7,050,281**	4,880,028
Business enterprises	**35,293,648**	33,347,868
Individuals	**32,992,422**	29,214,733
Others	**27,489,625**	28,559,107
	102,825,976	96,001,736

20 Investment accounts of customers

	The Group and the Bank	
	31 December 2022	31 December 2021
	RM'000	RM'000
Unrestricted investment accounts (Mudharabah)		
-without maturity		
Special Mudharabah Investment Account	**1,252,671**	892,710
-with maturity		
Term Investment Account-i	**11,902,747**	9,023,282
Unrestricted investment accounts (Wakalah)		
-without maturity		
Daily Investment Account-i	**27,548**	48,844
Restricted investment accounts (Mudharabah)		
-with maturity		
Restricted Profit Sharing Investment Account (RPSIA)	**501,666**	462,331
	13,684,632	10,427,167

i) Movement in the investment accounts of customers

	The Group and the Bank 2022				The Group and the Bank 2021			
	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	**9,915,992**	**462,331**	**48,844**	**10,427,167**	2,678,870	-	-	2,678,870
Funding inflows/outflows								
New placement during the financial year	**17,539,488**	**-**	**22,151**	**17,561,639**	9,951,656	448,997	49,368	10,450,021
Redemption during the financial year	**(14,558,336)**	**-**	**(43,467)**	**(14,601,803)**	(2,817,129)	-	(525)	(2,817,654)
Income from investment	**419,927**	**40,271**	**800**	**460,998**	225,371	13,971	26	239,368
Company's share of profit								
Profit distributed to mudarib	**(161,653)**	**(328)**	**(780)**	**(162,761)**	(122,776)	(140)	(25)	(122,941)
Incentive fee	**-**	**(608)**	**-**	**(608)**	-	(497)	-	(497)
As at 31 December	**13,155,418**	**501,666**	**27,548**	**13,684,632**	9,915,992	462,331	48,844	10,427,167
Investment asset:								
House financing	**2,952,815**	**-**	**-**	**2,952,815**	2,179,136	-	-	2,179,136
Hire purchase receivables	**8,871,451**	**-**	**-**	**8,871,451**	6,829,206	-	-	6,829,206
Other term financing	**1,331,152**	**-**	**27,548**	**1,358,700**	907,650	-	48,844	956,494
Marketable securities	**-**	**500,197**	**-**	**500,197**	-	461,761	-	461,761
Miscellaneous Other Assets	**-**	**1,469**	**-**	**1,469**	-	570	-	570
Total investment	**13,155,418**	**501,666**	**27,548**	**13,684,632**	9,915,992	462,331	48,844	10,427,167

20 Investment accounts of customers (Continued)

ii) Profit Sharing Ratio and Rate of Return:

	2022		2021	
	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	**5.32**	**0.14**	3.12	0.08
- less than 1 year	**43.87**	**1.83**	56.94	2.03

	2022			2021		
	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**	**2.75**	**1.08**	99.00	2.10	1.28

iii) By type of customers:

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Business enterprises	**1,916,959**	1,233,940
Individuals	**11,521,762**	9,179,078
Others	**245,911**	14,149
	13,684,632	10,427,167

21 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31 December 2022	31 December 2021
	RM'000	RM'000
Licensed investment banks	**572,975**	387,882
Licensed banks	**6,377,236**	1,636,410
Bank Negara Malaysia	**5,000**	5,000
Other financial institutions	**453,528**	279,977
	7,408,739	2,309,269

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

	The Group and the Bank	
	31 December 2022	31 December 2021
	RM'000	RM'000
Due within six months	**7,245,158**	2,150,982
One year to three years	**163,581**	-
Three years to five years	**-**	158,287
	7,408,739	2,309,269

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.

22 Investment accounts due to designated financial institutions

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Restricted investment accounts		
Mudharabah	**3,576,590**	3,919,753

By type of counterparty		
Licensed banks	**3,576,590**	3,919,753

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

Mudharabah	The Group and the Bank	
Restricted Profit Sharing Investment Account -RPSIA	**31 December 2022 RM'000**	31 December 2021 RM'000
1 January	**3,919,753**	4,751,241
Funding inflows/outflows		
New placement during the financial year	**-**	424,332
Redemption during the financial year	**(432,522)**	(1,348,381)
Income from investment	**134,652**	156,469
Bank's share of profit		
Profit distributed to mudarib	**(1,347)**	(1,565)
Incentive fee	**(43,946)**	(62,343)
31 December	**3,576,590**	3,919,753

Investment asset:		
Other term financing	**3,254,059**	3,440,943
Marketable securities	**(145,733)**	56,573
Miscellaneous other assets	**468,264**	422,237
Total investment	**3,576,590**	3,919,753

22 Investment accounts due to designated financial institutions (Continued)

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

	2022			2021		
	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**	**2.75**	**1.08**	99.00	2.11	1.32

These placements are the RPSIA placed by CIMB Bank Berhad amounting to RM3,576,590,000 (2021: RM3,919,753,000) for tenures within 1 month (2021: within 1 month) at indicative profit rates from 3.01% to 3.93% per annum (2021: 1.75% to 2.28% tenures within 1 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.

23 Financial liabilities designated at fair value through profit and loss

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Deposits from customers - structured investments	**2,857,004**	799,686

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 2022 were RM222,678,000 (2021: RM39,988,000) lower than the contractual amount at maturity. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

24(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 2022			31 December 2021		
	Principal amount	**Fair values Assets**	**Fair values Liabilities**	Principal amount	Fair values Assets	Fair values Liabilities
	RM’000	**RM’000**	**RM’000**	RM’000	RM’000	RM’000
Trading derivatives						
Foreign exchange derivatives						
Currency forwards	**11,137,932**	**238,783**	**(284,690)**	9,522,898	109,042	(112,920)
Currency swaps	**13,831,112**	**149,115**	**(165,128)**	7,602,865	33,087	(24,204)
Currency spot	**25,087**	**77**	**(79)**	60,108	65	(85)
Currency option	**52,555**	**1,650**	**(1,650)**	235,665	1,244	(1,214)
Cross currency profit rate swaps	**822,618**	**36,625**	**(32,637)**	891,991	50,104	(46,899)
	25,869,304	**426,250**	**(484,184)**	18,313,527	193,542	(185,322)
Profit rate derivatives						
Islamic profit rate swaps	**5,504,176**	**23,065**	**(246,448)**	4,429,348	42,531	(80,345)
Equity related derivatives						
Equity swap	**12,029**	**130**	**(124)**	19,513	229	(219)
Credit related contracts						
Total return swaps	**40,400**	**477**	**(477)**	41,000	1,248	(1,248)
Commodity derivatives						
Commodity swaps	**-**	**-**	**-**	23,481	1,133	(978)
Commodity options	**4,259**	**8**	**(8)**	46,640	65	(65)
	4,259	**8**	**(8)**	70,121	1,198	(1,043)
Hedging derivatives						
Islamic profit rate swaps	**882,286**	**16,965**	**(1,483)**	640,613	2,539	(3,777)
Total derivative assets/(liabilities)	**32,312,454**	**466,895**	**(732,724)**	23,514,122	241,287	(271,954)

24(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.

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

			Maturity				
			Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years
31 December 2022	**Risk**	**Hedge type**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Profit rate swaps	Profit rate	Fair value Hedge	-	-	-	**612,286**	**270,000**

			Maturity				
			Less than 1 month	1-3 months	3 months - 1 year	1-5 years	More than 5 years
31 December 2021	**Risk**	**Hedge type**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Profit rate swaps	Profit rate	Fair value Hedge	-	-	140,000	375,613	125,000

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

24(a) Islamic derivative financial instruments (Continued)

Fair value hedge (Continued)

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

	31 December 2022	31 December 2021
MYR profit rates	**3.20%**	2.86%
USD profit rates	**3.03%**	3.03%

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

				Fair values*		Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss**	Nominal amount directly impacted by IBOR reform***
			Nominal amount	Assets	Liabilities			
31 December 2022	**Risk**	**Hedge type**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Profit rate swaps	Profit rate	Fair value hedge	**882,286**	**16,965**	**(1,483)**	**16,840**	**554**	**882,286**

				Fair values*		Changes in fair value used for calculating hedge ineffectiveness	Hedge ineffectiveness recognised in profit or loss**	Nominal amount directly impacted by IBOR reform
			Nominal amount	Assets	Liabilities			
31 December 2021	**Risk**	**Hedge type**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Profit rate swaps	Profit rate	Fair value hedge	640,613	2,539	(3,777)	4,769	327	640,613

*****All hedging instruments are included in the derivative asset and derivative liabilities line item in the statement of financial position.
However, the amounts presented here is netted off with the partial unwind profit rate swaps but the disclosure in Note 24 are presented on gross basis.
**All hedge ineffectiveness are recognised in the 'Net non-profit income' in the statement of income.
Of the RM882,286,000 nominal of profit rates swaps above, RM830,000,000 related to MYR profit rate swaps and RM Nil will mature before the anticipated MYR KLIBOR replacement in 2023;
RM 52,286,000 nominal amount of USD profit rate swaps above, RM Nil nominal amount will mature before the anticipated USD LIBOR replacement in 2023.

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

24(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 has 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 items are anticipated.

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

31 December 2022			Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Change in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
			Assets	Liabilities	Assets	Liabilities		
Hedged items	Risk	Hedge type	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	Profit rate	Fair value hedge	798,863	-	798	(14,962)	(12,889)	-
Financing, advances and other financing/loans	Profit rate	Fair value hedge	50,778	-	-	(1,832)	(3,397)	-

31 December 2021			Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Change in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
			Assets	Liabilities	Assets	Liabilities		
Hedged items	Risk	Hedge type	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Debt instruments at FVOCI	Profit rate	Fair value hedge	579,604	-	520	(2,657)	(2,171)	-
Financing, advances and other financing/loans	Profit rate	Fair value hedge	67,500	-	1,565	-	(2,271)	-

24(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 2022	31 December 2021
	Principal amount RM'000	Principal amount RM'000
Credit-related		
Direct credit substitutes	**342,836**	282,545
Transaction-related contingent items	**972,966**	730,082
Short-term self-liquidating trade-related contingencies	**140,107**	81,410
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	**15,291,877**	11,681,141
- maturity exceeding one year	**12,250,712**	9,020,531
Miscellaneous commitments and contingencies	**60,107**	28,512
Total credit-related commitments and contingencies	**29,058,605**	21,824,221

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

24(b) Commitments and contingencies (Continued)

	The Group and the Bank	
	31 December 2022	31 December 2021
	Principal amount	Principal amount
Treasury-related	**RM'000**	RM'000
Foreign exchange related contracts:		
- less than one year	**24,722,507**	17,078,967
- one year to five years	**635,755**	722,031
- more than five years	**511,042**	512,529
	25,869,304	18,313,527
Profit rate related contracts:		
- less than one year	**1,378,419**	740,645
- one year to five years	**4,083,641**	3,109,318
- more than five years	**924,402**	1,219,998
	6,386,462	5,069,961
Equity related contracts:		
- less than one year	**12,029**	19,513
	12,029	19,513
Commodity related contract:		
- less than one year	**4,259**	70,121
	4,259	70,121
Credit related contracts:		
- one year to five years	**40,400**	41,000
	40,400	41,000
Total treasury-related commitments and contingencies	**32,312,454**	23,514,122
	61,371,059	45,338,343

25 Other liabilities

	The Group		The Bank	
	31 December 2022 RM'000	31 December 2021 RM'000	**31 December 2022 RM'000**	31 December 2021 RM'000
Accruals and other payables	**82,241**	58,847	**82,241**	58,847
Clearing accounts	**237,254**	37,456	**237,254**	37,456
Expected credit losses for financing commitments and financial guarantee contracts	**45,147**	105,256	**45,147**	105,256
Collateral received for derivative transactions	**1,797**	21,476	**1,797**	21,476
Structured deposits	**21,100**	28,833	**21,100**	28,833
Treasury related payables	**15,922**	116,376	**15,922**	116,376
Others	**42,779**	28,262	**42,779**	28,262
	446,240	396,506	**446,240**	396,506

(a) Expected credit losses movement of financing commitments and financial guarantee contracts 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 2022	**62,268**	**39,180**	**3,808**	**105,256**
Changes in expected credit losses due to transferred within stages:	**14,716**	**(19,818)**	**5,102**	**-**
Transferred to Stage 1	**17,522**	**(16,991)**	**(531)**	**-**
Transferred to Stage 2	**(2,761)**	**4,601**	**(1,840)**	**-**
Transferred to Stage 3	**(45)**	**(7,428)**	**7,473**	**-**
Total charge to Income Statement:	**(51,897)**	**(7,610)**	**(878)**	**(60,385)**
New exposures	**79,789**	**129**	**2,075**	**81,993**
Exposures derecognised or matured	**(35,269)**	**(11,504)**	**(3,347)**	**(50,120)**
Change in credit risk	**(96,417)**	**3,765**	**394**	**(92,258)**
Other movements	**5**	**265**	**6**	**276**
At 31 December 2022	**25,092**	**12,017**	**8,038**	**45,147**

25 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 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

As at 31 December 2022, the gross carrying amount of financing commitments and financial guarantee contracts that are credit impaired for the Group and the Bank is RM46,290,000 (2021: RM15,517,000).

26 Lease liabilities

	The Group and the Bank	
	31 December 2022	31 December 2021
	RM'000	RM'000
Building	**1,198**	1,775

27 Subordinated Sukuk

	Note	The Group and the Bank 31 December 2022 RM'000	The Group and the Bank 31 December 2021 RM'000
Subordinated Sukuk 2017/2027 RM300 million	(a)	**-**	300,155
Subordinated Sukuk 2019/2029 RM800 million	(b)	**807,973**	807,890
Subordinated Sukuk 2022/2032 RM300 million	(c)	**301,369**	-
		1,109,342	1,108,045

(a) 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.

On 28 December 2022, the Bank redeemed its existing RM300 million Tier 2 Junior Sukuk issued from the RM5 billion Tier 2 Junior Sukuk Programme on the first call date.

(b) 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 Subordinated Sukuk (Continued)

(c) Subordinated Sukuk 2022/2032 RM300 million

On 28 November 2022, the Bank had issued RM300 million Tier 2 Junior Sukuk ("the Sukuk") at par and is due on 26 November 2032, with optional redemption on 28 November 2027 or any periodic payment date thereafter. The Sukuk bears a profit rate of 4.90% per annum.

The Sukuk is part of the Basel III Tier 2 Junior Sukuk programme which was approved by the Securities Commission on 22 September 2014. Under the programme, the Bank is allowed to raise Tier 2 capital of up to RM5.0 billion in nominal value outstanding at any one time.

The RM300 million Sukuk qualify as Tier 2 Capital for the purpose of the total capital ratio computation of the Bank.

28 Perpetual preference shares

	The Group and the Bank	
	2022	2021
	RM'000	RM'000
Issued and fully paid		
Perpetual preference shares:		
At 1 January	**420,000**	420,000
Redemption during the financial year	**(70,000)**	-
At 31 December	**350,000**	420,000

The preference shares shall rank pari passu among themselves, and in priority to the ordinary shares.

Each preference share shall on a winding-up or other return of capital confer on its holder the right to receive, in priority to the holders of ordinary shares, the cash 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.

On 14 January 2022, the Bank has redeemed RM70 million Basel II Additional Tier 1 Perpetual Preference Shares from CIMB Bank Berhad.

29 Ordinary share capital

	The Group and the Bank	
	2022	2021
	RM'000	RM'000
Issued and fully paid		
Ordinary shares:		
At 1 January/31 December	**1,000,000**	1,000,000

30 Reserves

		The Group		The Bank	
		31 December	31 December	**31 December**	31 December
		2022	2021	**2022**	2021
	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)	**184,715**	-	**184,715**	-
Share-based payment reserve	(d)	**22**	587	**22**	587
Capital contribution by ultimate holding company	(e)	**2,514**	944	**2,514**	944
Fair value reserve					
-Debt intruments at fair value through other comprehensive income	(f)	**(150,405)**	(87,101)	**(150,405)**	(87,101)
Other reserves					
- Own credit risk reserve	(g)	**112**	(4)	**112**	(4)
Retained earnings		**7,271,332**	6,454,014	**7,271,297**	6,453,979
		7,306,291	6,366,441	**7,306,256**	6,366,406

(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.

30 Reserves (Continued)

(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 with the adoption of MFRS 9 beginning 1 January 2018.

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.

(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.

31 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 2022 RM'000	31 December 2021 RM'000
<u>RAIA arrangement</u>		
Financing and advances	**11,280,429**	10,248,755
Commitments and contingencies	**3,000,000**	2,500,000
	14,280,429	12,748,755

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Total RWA for Credit Risk	**857,557**	1,227,746
	857,557	1,227,746

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 2022.

31 Restricted Agency Investment Account (Continued)

ii) Movement in the Investment Account

<u>Wakalah</u>	The Group and the Bank	
Restricted Agency Investment Account -RAIA	**31 December 2022 RM'000**	31 December 2021 RM'000
As at 1 January	**10,248,755**	5,030,980
<u>Funding inflows/outflows</u>		
New placement during the financial year	**1,500,000**	5,200,000
Redemption during the financial year	**(272,945)**	-
Income from investment	**(195,381)**	17,775
As at 31 December	**11,280,429**	10,248,755

<u>Investment asset:</u>		
Syndicated financing	**1,532,275**	-
Revolving credit	**701,354**	1,201,933
Other term financing	**9,046,800**	9,046,822
Total investment	**11,280,429**	10,248,755

iii) Rate of Return

	Investment account holder Average rate of return	
	2022 %	2021 %
Restricted investment accounts:		
1 month or less	**2.63**	-
more than 1 month to 3 months	**2.72**	1.45
more than 3 month to 6 months	**2.80**	2.44
more than 4 years to 5 years	**3.62**	3.51
more than 5 years	**4.15**	4.24

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

32 Income derived from investment of depositors' funds and others

	Note	The Group and the Bank 31 December 2022 RM'000	31 December 2021 RM'000
Income derived from investment of:			
- General investment deposits	(i)	**2,899,989**	2,641,927
- Specific investment deposits	(ii)	**2,377**	1,924
- Other deposits	(iii)	**1,185,277**	970,726
		4,087,643	3,614,577

(i) Income derived from investment of general investment deposits

	The Group and the Bank 31 December 2022 RM'000	31 December 2021 RM'000
Financing, advances and other financing/loans:		
- Profit income	**2,237,659**	2,047,371
- Unwinding income*	**18,422**	23,118
Debt instruments at fair value through other comprehensive income	**129,235**	108,512
Debt instruments at amortised cost	**223,542**	244,075
Money at call and deposit with financial institutions	**230,961**	156,168
Reverse Collateralised Commodity Murabahah	**2,702**	7
	2,842,521	2,579,251
Accretion of discount less amortisation of premium	**(23,277)**	(24,554)
Other finance income for financial assets at fair value through profit or loss		
- Financial assets at fair value through profit or loss	**47,749**	41,525
- Financing, advances and other financing/loans	**-**	908
- Net accretion of discount less amortisation of premium	**36,583**	62,278
Total finance income and hibah	**2,903,576**	2,659,408
Other operating income		
Net gain/(loss) from financial assets at fair value through profit or loss:		
- realised	**1,907**	3,699
- unrealised	**635**	(6,797)
Net (loss)/gain from sale of investment in debt instruments at fair value through other comprehensive income	**(9,966)**	32,066
Net unrealised gain arising from financing, advances and other financings at fair value through profit or loss	**-**	3,603
Net loss from foreign exchange transactions	**(8,128)**	(57,792)
	(15,552)	(25,221)
Fee and commission income		
- Guarantee fee	**11,965**	7,740
	2,899,989	2,641,927

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

32 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 2022 RM'000	31 December 2021 RM'000
Money at call and deposit with financial institutions	**2,377**	1,924

(iii) Income derived from investment of other deposits

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Financing, advances and other financing/loans:		
- Profit income	**918,802**	752,001
- Unwinding income*	**7,450**	8,397
Debt instruments at fair value through other comprehensive income	**53,387**	40,164
Debt instruments at amortised cost	**92,163**	89,682
Money at call and deposit with financial institutions	**93,790**	57,337
Reverse Collateralised Commodity Murabahah	**1,067**	3
	1,166,659	947,584
Accretion of discount less amortisation of premium	**(9,655)**	(9,065)
Other finance income for financial assets at fair value through profit or loss		
- Financial assets at fair value through profit or loss	**19,768**	15,290
- Financing, advances and other financing/loans	**-**	310
- Net accretion of discount less amortisation of premium	**15,109**	22,705
Total finance income and hibah	**1,191,881**	976,824
Other operating income		
Net gain/(loss) from financial assets at fair value through profit or loss:		
- realised	**574**	1,273
- unrealised	**86**	(2,303)
Net (loss)/gain from sale of investment in debt instruments at fair value through other comprehensive income	**(4,401)**	11,281
Net unrealised gain arising from financing, advances and other financings at fair value through profit or loss	**-**	1,228
Net loss from foreign exchange transactions	**(7,722)**	(20,404)
	(11,463)	(8,925)
Fees and commission income		
- Guarantee fee	**4,859**	2,827
	1,185,277	970,726

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

33 Income derived from investment of investment account

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Financing, advances and other financing/loans:		
- Profit income	**704,899**	378,431
- Unwinding income*	**61**	3
Debt instrument at amortised cost	**25,989**	8,372
Money at call and deposit with financial institutions	**137**	3,548
	731,086	390,354
Accretion of discount less amortisation of premium	**6,845**	5,598
	737,931	395,952
Other operating income		
Net gain from foreign exchange transactions	**1**	1
	1	1
Fees and commission income		
- Service charge and fee	**987**	248
- Commission fee	**1**	-
	738,920	396,201

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

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

34 Income derived from investment of shareholder's fund

	The Group		The Bank	
	31 December 2022 RM'000	31 December 2021 RM'000	**31 December 2022 RM'000**	31 December 2021 RM'000
Financing, advances and other financing/loans:				
- Profit income	**227,595**	189,830	**227,595**	189,830
- Unwinding income*	**1,825**	2,136	**1,825**	2,136
Debt instruments at fair value through other comprehensive income	**13,277**	10,099	**13,277**	10,099
Debt instruments at amortised cost	**22,888**	22,641	**22,888**	22,641
Money at call and deposits with financial institutions	**23,104**	14,472	**23,104**	14,472
Reverse Collateralised Commodity Murabahah	**254**	1	**254**	1
	288,943	239,179	**288,943**	239,179
Accretion of discount less amortisation of premium	**(2,405)**	(2,282)	**(2,405)**	(2,282)
Other finance income for financial assets at fair value through profit or loss				
- Financial assets at fair value through profit or loss	**4,914**	3,854	**4,914**	3,854
- Financing, advances and other financing/loans	**-**	81	**-**	81
- Net accretion of discount less amortisation of premium	**3,773**	5,759	**3,773**	5,759
Total finance income and hibah	**295,225**	246,591	**295,225**	246,591
Other operating income				
Net gain/(loss) from financial assets at fair value through profit or loss:				
- realised	**107**	337	**107**	337
- unrealised	**2**	(614)	**2**	(614)
Net (loss)/gain from sale of investment in debt instruments at fair value through other comprehensive income	**(1,116)**	2,922	**(1,116)**	2,922
Net unrealised gain arising from financing, advances and other financings at fair value through profit or loss	**-**	323	**-**	323
Net loss from foreign exchange transactions	**(3,327)**	(5,289)	**(3,327)**	(5,289)
Net gain from hedging activities	**554**	327	**554**	327
Net gain/(loss) from derivative financial instruments:				
- realised	**204,655**	107,285	**204,655**	107,285
- unrealised	**(288,143)**	(11,973)	**(288,143)**	(11,973)
Net (loss)/gain arising from financial liabilities designated at fair value through profit or loss				
- realised	**(9,878)**	(4,218)	**(9,878)**	(4,218)
- unrealised	**182,574**	39,343	**182,574**	39,343
	85,428	128,443	**85,428**	128,443
Fees and commission income				
- Guarantee fee	**1,200**	716	**1,200**	716
- Service charge and fee	**114,442**	69,497	**114,442**	69,997
- Commission fee	**153,956**	153,331	**153,956**	153,331
Total fee and commission income	**269,598**	223,544	**269,598**	224,044
Less : Fee and commission expense	**(19,206)**	(26,310)	**(19,206)**	(26,310)
Net fees and commision income	**250,392**	197,234	**250,392**	197,734
Other income	**1,626**	1,088	**1,626**	1,088
	632,671	573,356	**632,671**	573,856

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

35 Modification loss

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Loss on modification of cash flows	**2,845**	95,749
Net loss on modification of cash flows	**2,845**	95,749

In light of the COVID-19 outbreak, BNM and the Malaysian Ministry of Finance have introduced several relief measures to assist customers affected by the pandemic. These measures aim to ensure that the financial intermediation function of the financial sector remains intact, accessibility to financial services continues to be available, and banking institutions remain focused on supporting the economy during these exceptional circumstances.

During the previous financial year, the Group 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.

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

	The Group and the Bank	
	31 December 2022	31 December 2021
	RM'000	RM'000
Expected credit losses on financing, advances and other financing/loans at amortised cost	**430,942**	367,539
Impaired financing, advances and other financing/loans:		
- recovered	**(71,940)**	(57,307)
- written off	**2,103**	1,590
	361,105	311,822

37 Other expected credit losses made/(written back)

	The Group and the Bank	
	31 December 2022	31 December 2021
	RM'000	RM'000
Expected credit losses made/(written back) on:		
- Debt instruments at fair value through other comprehensive income	**(2,142)**	1,226
- Debt instruments at amortised cost	**(262)**	496
- Money at call and deposits and placements with banks and other financial institutions	**1**	-
- Other assets	**16,112**	(2)
	13,709	1,720

38 Income attributable to depositors and others

	The Group		The Bank	
	31 December 2022 RM'000	31 December 2021 RM'000	**31 December 2022 RM'000**	31 December 2021 RM'000
Deposits from customers:				
- Mudharabah	**2,377**	1,924	**2,377**	1,924
- Non-Mudharabah	**1,861,078**	1,568,938	**1,861,078**	1,568,938
Deposits and placements of banks and other financial institutions:				
- Non-Mudharabah	**95,702**	21,949	**95,702**	21,949
Others				
- Financial liabilities designated at fair value through profit or loss	**49,464**	8,293	**49,464**	8,293
- Subordinated Sukuk	**45,315**	44,428	**45,315**	44,428
- Sukuk	**-**	2,678	**-**	-
- Structured deposits	**183**	189	**183**	189
- Lease liabilities	**72**	65	**72**	65
- Collateralised Commodity Murabahah	**25,538**	6,574	**25,538**	6,574
- Others	**-**	-	**-**	4,531
	2,079,729	1,655,038	**2,079,729**	1,656,891

39 Profit distributed to investment account holder

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
- Restricted	**121,256**	105,895
- Unrestricted	**258,300**	102,594
	379,556	208,489

40 Personnel costs

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Salaries, allowances and bonuses[2]	**26,165**	17,528
Pension costs (defined contribution plan)	**2,409**	2,188
Staff incentives and other staff payments	**1,008**	879
Medical expenses	**278**	215
Share-based expense[1]	**1,570**	944
Others	**861**	619
	32,291	22,373

[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 45(h).

[2] Included in salaries, allowances and bonuses is shared-based payment expense (EOP) of RM199,410 (2021: RM692,658). Refer note 45(g).

41 Other overheads and expenditures

	The Group		The Bank	
	31 December 2022 RM'000	31 December 2021 RM'000	**31 December 2022 RM'000**	31 December 2021 RM'000
Establishment costs				
Depreciation of property, plant and equipment	**386**	417	**386**	417
Amortisation of intangible assets	**19,929**	37,447	**19,929**	37,447
Depreciation of rights-of-use assets	**578**	546	**578**	546
Rental	**465**	397	**465**	397
Repairs and maintenance	**(520)**	1,130	**(520)**	1,130
Utility expenses	**24**	16	**24**	16
Others	**3,159**	2,056	**3,159**	2,056
Marketing expenses				
Advertisement and publicity	**6,942**	3,780	**6,942**	3,780
Others	**195**	84	**195**	84
Administration and general expenses				
Consultancy and professional fees	**1,629**	1,661	**1,629**	1,661
Legal expenses	**321**	941	**321**	941
Stationery	**229**	369	**229**	369
Postages	**276**	330	**276**	330
Donation	**2,328**	2,666	**2,328**	2,666
Incidental expenses on banking operations	**4,060**	3,848	**4,060**	3,848
Takaful	**3,154**	13,995	**3,154**	13,995
Group service expense	**1,096,594**	1,009,650	**1,096,594**	1,009,650
Others	**8,999**	9,063	**8,999**	9,007
	1,148,748	1,088,396	**1,148,748**	1,088,340

41 Other overheads and expenditures (Continued)

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

	The Group		The Bank	
	31 December 2022 RM'000	31 December 2021 RM'000	**31 December 2022 RM'000**	31 December 2021 RM'000
Directors remuneration (Note 42)	**5,048**	4,380	**5,048**	4,380
Auditors' remuneration :				
PricewaterhouseCoopers PLT (audit)				
- statutory audit	**472**	458	**465**	452
- limited review	**94**	124	**94**	124
- other audit related	**-**	3	**-**	3
PricewaterhouseCoopers Malaysia (non audit)				
- tax services	**40**	33	**40**	33

42 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>
Ahmed Baqar Rehman
Jalalullail Othman
Ahmad Shahriman bin Mohd Shariff
Dr Azura Othman
Ho Yuet Mee (resigned on 9 August 2022)

The Directors and Shariah Committee members of the Group and the Bank and their total remuneration during the financial year are analysed below: (s10.16 disclose separately for each individual director)

	The Group and the Bank	
	31 December 2022	31 December 2021
	RM'000	RM'000
Executive Director		
- Salary and other remuneration	**3,049**	2,954
- Benefits-in-kind	**7**	7
Non-Executive Directors		
- Fees	**645**	568
- Other remuneration	**1,300**	805
- Benefits-in-kind	**47**	46
Shariah Committee members		
- Fees	**664**	704
- Other remuneration	**295**	183
	6,007	5,267

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

42 Directors and Shariah Committee Members remuneration (Continued)

	The Group and the Bank			
	Fees	Salary and/or other remuneration	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	RM'000
2022				
Executive Directors				
Ahmad Shahriman bin Mohd Shariff	**-**	**3,049**	**7**	**3,056**
Non-Executive Directors				
Dato' Mohamed Ross bin Mohd Din	**140**	**320**	**47**	**507**
Ho Yuet Mee	**85**	**155**	**-**	**240**
Ahmed Baqar Rehman	**140**	**260**	**-**	**400**
Jalalullail Othman	**140**	**270**	**-**	**410**
Dr. Azura Othman	**140**	**295**	**-**	**435**
	645	**1,300**	**47**	**1,992**
Shariah Committee members				
Dr. Shafaai bin Musa	**68**	**18**	**-**	**86**
Associate Professor Dr. Aishath Muneeza	**90**	**32**	**-**	**122**
Ahmed Baqar Rehman	**90**	**32**	**-**	**122**
Professor Dr. Yousef Abdullah Al Shubaily	**219**	**143**	**-**	**362**
Dr Ahmad Sufian Che Abdullah	**90**	**35**	**-**	**125**
Associate Prof Dr Mohamed Fairooz Abdul Khir	**107**	**35**	**-**	**142**
	664	**295**	**-**	**959**
	1,309	**4,644**	**54**	**6,007**

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 RM303,990 (2021: RM272,805) respectively.

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

42 Directors and Shariah Committee Members remuneration (Continued)

	The Group and the Bank			
	Fees	Salary and/or other remuneration	Benefits-in-kind	Total
	RM'000	RM'000	RM'000	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

** includes amount receivable from a related company.*

43 Taxation and zakat

	The Group	
	31 December 2022	31 December 2021
	RM'000	RM'000
Taxation based on profit for the financial year:		
- Malaysian income tax	**495,119**	345,390
Deferred taxation (Note 9)	**3,653**	(49,459)
Over provision in prior years	**(8,529)**	(1,007)
	490,243	294,924
Zakat	**9,360**	5,060
	499,603	299,984
Reconciliation between tax expense and the Malaysian tax rate		
Profit before taxation and zakat	**1,501,636**	1,171,764
Tax calculated at a tax rate of 24% & 33% (2021: 24%)	**486,540**	281,223
Tax effects:		
- income not subject to tax	**(122)**	(1,166)
- expenses not deductible for tax purposes	**11,456**	17,467
- difference due to Cukai Makmur	**898**	(1,593)
Over provision in prior years	**(8,529)**	(1,007)
Tax expense	**490,243**	294,924

	The Bank	
	31 December 2022	31 December 2021
	RM'000	RM'000
Taxation based on profit for the financial year:		
- Malaysian income tax	**495,119**	345,390
Deferred taxation (Note 9)	**3,653**	(49,459)
Over provision in prior years	**(8,529)**	(1,007)
	490,243	294,924
Zakat	**9,360**	5,060
	499,603	299,984
Reconciliation between tax expense and the Malaysian tax rate		
Profit before taxation and zakat	**1,501,636**	1,170,467
Tax calculated at a tax rate of 24% & 33% (2021: 24%)	**486,540**	280,912
Tax effects:		
- income not subject to tax	**(122)**	(1,167)
- expenses not deductible for tax purposes	**11,456**	17,779
- difference due to Cukai Makmur	**898**	(1,593)
Over provision in prior years	**(8,529)**	(1,007)
Tax expense	**490,243**	294,924

44 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 RM1,002,033,000 (2021: RM871,780,000) and RM1,002,033,000 (2021: RM870,483,000) respectively divided by the weighted average number of ordinary shares of 1,000,000,000 (2021: 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.

45 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.

45 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
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.

45 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
2022			
Income			
Fee income	-	-	-
Profit income on deposits and placement with banks and other financial institutions	5,781	40	-
Profit income on financing, advances and other financing/loans	-	-	4,510
Service charges and fees	513	5	
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	65,893	1,654	6
Profit expense on deposits from customers	-	440	-
Profit expense on Investment accounts due to designated financial institutions	89,359	-	-
Profit expense on subordinated sukuk	45,315	-	-
Group services expense	1,091,829	4,765	-
Professional Fees	-	176	-

45 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
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)	-

45 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
2022			
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	144,975	952	-
Financing, advances and other financing/loans	-	-	3,837
Derivatives	386,105	-	-
Others	37,327	-	-
Amounts due to			
Deposit from customers	-	45,101	1,679
Deposits and placements of banks and other financial institutions	6,240,182	82,732	-
Investment accounts due to designated financial institutions	3,576,590	-	-
Subordinated sukuk	1,109,342	-	-
Derivatives	384,296	-	-
Others	15,722	-	-
Commitment and contingencies			
Foreign exchange related contracts	15,767,157	-	-
Equity related contracts	6,015	-	-
Profit rate related contracts	5,139,282	-	-
Commodity related contracts	2,129	-	-
Credit related contract	20,200	-	-

45 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
2021			
Amounts due from			
Current accounts, deposits and placements with banks 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	-	-

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.

45 Significant related party transactions and balances (Continued)

(c) Related party expenses transaction by geographical

	31 December 2022 The Group and the Bank		
	Profit Expense RM'000	Group services expense RM'000	Others RM'000
Malaysia	**202,661**	**1,096,594**	**176**

	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)

(d) Key management personnel

<u>Key management compensation</u>

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Salaries and other employee benefits #	**33,129**	31,694
Shares of the ultimate holding company awarded from EOP (units)	**83,599**	110,717
Shares of the ultimate holding company awarded from LTIP (units)		
- ESOS	**169,000**	5,941,000
- SGP	**36,000**	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 RM2,240,000 (2021: RM1,568,000.

Financing to Directors of the Bank amounting to RM2,276,329 (2021: RM2,312,571). 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.

45 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 2022 RM'000	31 December 2021 RM'000
Outstanding credit exposures with connected parties	**1,618,686**	1,006,177
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	**1.0%**	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 24.1% of the issued capital of the ultimate holding company (2021: 25.7%). 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.

45 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 open 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 Nomination and Remuneration 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 RM199,410 (2021: RM692,658).

The weighted average fair value of shares awarded under EOP which were purchased over a period of 10 trading days was RM5.07 per ordinary share (2021: RM4.21), based on observable market price.

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

	The Group and the Bank	
	2022	2021
	Unit	Unit
	'000	'000
Shares :		
At 1 January	**371**	907
Awarded	**-**	41
Released	**(343)**	(577)
At 31 December	**28**	371

45 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.

45 Significant related party transactions and balances (Continued)

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

(i) Details of ESOS shares awarded:

Award Date	Fair Value RM	Awarded (Units'000)	Vesting Dates
9 June 2021	0.45	216,758	31 March 2024
			31 March 2025
31 March 2022	0.75	8,991	31 March 2024
			31 March 2025
8 September 2022	0.74	3,430	31 March 2024
			31 March 2025
8 December 2022	0.81	660	31 March 2024
			31 March 2025

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

	Outstanding as at	Movement during the year		Outstanding as at	Exerciseable as at
	1 January 2022	Awarded	Expired/ Forfeited	31 December 2022	31 December 2022
Award Date	(Units'000)	(Units'000)	(Units'000)	(Units'000)	(Units'000)
9 June 2021	5941	-	(337)	5,604	-
31 March 2022	-	101	-	101	-
8 September 2022	-	68	-	68	-
8 December 2022	-	-	-	-	-

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	Award Date 31 March 2022	Award Date 8 September 2022	Award Date 8 December 2022
Fair value of ESOS shares (RM)	0.45	0.75	0.74	0.81
Exercise Price (RM)	4.96	5.58	5.75	5.93
Closing share price at award date (RM)	4.65	5.33	5.40	5.61
Option term	From award date until 8 June 2028	From award date until 8 June 2028	From award date until 8 June 2028	From award date until 8 June 2028
Expected volatility (%)	23.6	24.85	25.04	25.62
Risk-free rate (%)	2.87	3.50	3.82	3.69
Discounted dividend flow	2.05	1.72	1.67	1.63

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

45 Significant related party transactions and balances (Continued)

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

(ii) Details of SGP shares awarded

Award Date	Fair Value RM	Awarded (Units'000)	Vesting Dates	
9 June 2021	4.65	15,748	31 March 2024	*Subject to performance conditions*
			31 March 2025	
31 March 2022	5.33	1,965	31 March 2024	
			31 March 2025	
8 September 2022	5.40	736	31 March 2024	
			31 March 2025	
8 December 2022	5.61	142	31 March 2024	
			31 March 2025	

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

	Outstanding as at	Movement during the year		Outstanding as at	Exerciseable as at
	1 January 2022	Awarded	Expired/ Forfeited	31 December 2022	31 December 2022
Award Date	(Units'000)	(Units'000)	(Units'000)	(Units'000)	(Units'000)
9 June 2021	430	-	(24)	406	-
31 March 2022	-	22	-	22	-
8 September 2022	-	14	-	14	-
8 December 2022	-	-	-	-	-

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	Award Date 31 March 2022	Award Date 8 September 2022	Award Date 8 December 2022
Fair value of SGP Shares (RM)	4.65	5.33	5.40	5.61
Closing share price at award date (RM)	4.65	5.33	5.40	5.61

46 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 2022 RM'000	31 December 2021 RM'000
Capital expenditure:		
- authorised and contracted for	**9,860**	2,379
- authorised but not contracted for	**56,675**	7,329
	66,535	9,708

Analysed as follows:

	The Group and the Bank	
	31 December 2022 RM'000	31 December 2021 RM'000
Property, plant and equipment	**24,725**	2,740
Computer software	**41,810**	6,968
	66,535	9,708

47 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

<u>Definition of segments</u>

The Group has four 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.

47 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.

47 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 2022 (Continued)

47 Segment reporting (Continued)

(i) Business segment reporting (Continued)

31 December 2022 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	603,129	2,209,087	(663,444)	520,088	2,668,860
- inter-segment	(4,020)	(787,918)	1,051,314	(259,376)	-
	599,109	1,421,169	387,870	260,712	2,668,860
Other operating income	100,548	232,078	14,216	(18,598)	328,244
Total income	699,657	1,653,247	402,086	242,114	2,997,104
Overhead expenses	(137,114)	(622,378)	(142,373)	(279,174)	(1,181,039)
Consist of :					
Depreciation of property, plant and equipment	-	-	(38)	(348)	(386)
Amortisation of intangible assets	-	(122)	(1,467)	(18,340)	(19,929)
Profit before expected credit losses	562,543	1,030,869	259,713	(37,060)	1,816,065
Expected credit losses (made)/written back on financing, advances and other financing/loans	(78,171)	(284,053)	1,130	(11)	(361,105)
Expected credit losses written back for commitments and contingencies	3,514	43,900	12,971	-	60,385
Other expected credit losses made	-	-	(212)	(13,497)	(13,709)
Segment results	487,886	790,716	273,602	(50,568)	1,501,636
Taxation and zakat					(499,603)
Net profit for the financial year					1,002,033
Segment assets	19,382,267	74,346,200	37,390,395	10,988,949	142,107,811
Unallocated assets					1,119,406
Total assets					143,227,217
Segment liabilities	16,271,280	45,822,906	60,213,095	11,816,650	134,123,931
Unallocated liabilities					446,995
Total liabilities					134,570,926
Other segment items					
Capital expenditure	-	12	159	1,938	2,109

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

47 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:					
- 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/(loss) before allowances	489,643	755,278	266,662	2,506	1,514,089
Expected credit losses made on financing, advances and other financing/loans	(105,157)	(230,454)	23,800	(11)	(311,822)
Expected credit losses written back/(made) for commitments and contingencies	(1,225)	(8,113)	(19,445)	-	(28,783)
Other expected credit losses and impairment allowances (made)/written back	-	4	(1,581)	(143)	(1,720)
Segment results	383,261	516,715	269,436	2,352	1,171,764
Taxation					(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

47 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 2022			
	Net financing income	**Total non-current assets**	**Total assets**	**Total liabilities**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Malaysia	**2,668,860**	**139,281**	**143,227,217**	**134,570,926**

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

48 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.

48 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 2022. 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 2022	31 December 2021	**31 December 2022**	31 December 2021
Common equity tier 1 ratio	**14.040%**	15.109%	**14.040%**	15.109%
Tier 1 ratio	**14.670%**	15.875%	**14.670%**	15.875%
Total capital ratio	**17.078%**	18.853%	**17.078%**	18.853%

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

	The Group		**The Bank**	
	31 December 2022	31 December 2021	**31 December 2022**	31 December 2021
	RM'000	RM'000	**RM'000**	RM'000
Credit risk	**50,149,895**	41,619,100	**50,150,033**	41,619,215
Market risk	**586,305**	802,478	**586,305**	802,478
Operational risk	**4,784,999**	4,159,336	**4,784,196**	4,158,559
Total risk-weighted assets	**55,521,199**	46,580,914	**55,520,534**	46,580,252

48 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 2022	31 December 2021	**31 December 2022**	31 December 2021
	RM'000	RM'000	**RM'000**	RM'000
Common Equity Tier 1 capital				
Ordinary shares capital	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Other reserves	**7,306,291**	6,366,441	**7,306,256**	6,366,406
Common Equity Tier 1 capital before regulatory adjustments	**8,306,291**	7,366,441	**8,306,256**	7,366,406
Less: Regulatory adjustments				
Goodwill	**(136,000)**	(136,000)	**(136,000)**	(136,000)
Intangible assets	**(1,385)**	(19,104)	**(1,385)**	(19,104)
Deferred tax assets	**(188,997)**	(173,602)	**(188,997)**	(173,602)
Regulatory reserve	**(184,715)**	-	**(184,715)**	-
Others	**(112)**	4	**(112)**	4
Common Equity Tier 1 capital after regulatory adjustments	**7,795,082**	7,037,739	**7,795,047**	7,037,704
Additional Tier 1 capital				
Perpetual preference shares	**350,000**	357,000	**350,000**	357,000
Additional Tier 1 capital before regulatory adjustments	**350,000**	357,000	**350,000**	357,000
Less: Regulatory adjustments	**-**	-	**-**	-
Additional Tier 1 capital after regulatory adjustments	**350,000**	357,000	**350,000**	357,000
Total Tier 1 capital	**8,145,082**	7,394,739	**8,145,047**	7,394,704
Tier 2 capital				
Subordinated Sukuk	**1,100,000**	1,100,000	**1,100,000**	1,100,000
Surplus of eligible provisions over expected loss	**153,480**	215,326	**153,477**	215,326
General provisions ^	**83,450**	71,643	**83,452**	71,644
Total Tier 2 capital	**1,336,930**	1,386,969	**1,336,929**	1,386,970
Total capital	**9,482,012**	8,781,708	**9,481,976**	8,781,674

48 Capital adequacy (Continued)

^ Total capital of the Group and the Bank as at 31 December 2022 have excluded general provision restricted from Tier 2 capital of RM31.8 million (2021: RM36.1 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 2022, RPSIA assets excluded from the Total Capital Ratio calculation amounted to RM3,577,694,000 (2021: RM3,952,201,000).

49 Significant event during the financial year

(i) On 14 January 2022, the Bank has redeemed RM70 million Basel II Additional Tier 1 Perpetual Preference Shares from CIMB Bank Berhad as disclosed in Note 28.

(ii) On 28 November 2022, the Bank issued RM300 million Tier 2 Junior Sukuk under its RM5.0 billion Tier 2 Junior Sukuk Programme as disclosed in Note 27(c).

50 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.

Global economic activity is expected to be cautious in 2023 in view of on-going political tensions, uncertainty in Covid-19 cases and possibility of a global recession. Inflationary pressures are likely to remain as governments will likely continue tightening fiscal and monetary policies. This may be partially offset by the relaxation of China's strict pandemic controls which signals a recovery of the Chinese economy, which should translate to a pick-up in global travel activity and consumer spending.

The Group had supported customers impacted by the pandemic by providing targeted assistance programs. Most customers have since migrated out of these programs. Various prevailing uncertainties will continue to be monitored and the Group will continue to keep track of asset quality.

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

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

The Group will continue to monitor the ECL impact on an on-going basis to ensure a sufficient level of provisions are being made for the targeted portfolios based on the best available information taking into consideration the country's growth and global economic uncertainty arising from external factors which ultimately will impact the domestic outlook. As the Group has set an observation period to monitor the repayments trend of the customers under repayment assistance programme, management will make reversal at the end of monitoring period.

Management will also be taking necessary actions for post model adjustments to ensure ECL is sufficiently provided for to account for any continued external factors uncertainties.

In addition, amidst of the global uncertainty and economic headwinds including geopolitical tensions, management has updated the forward looking scenarios used in the ECL model to reflect the latest available macroeconomic view of recovery in year 2022. Various prevailing uncertainties will continue to be monitored and the Group will continue to keep track of asset quality of the customers.

Refer to Section 51.1 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 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.

50 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 18 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 51.4.

51 Financial Risk Management

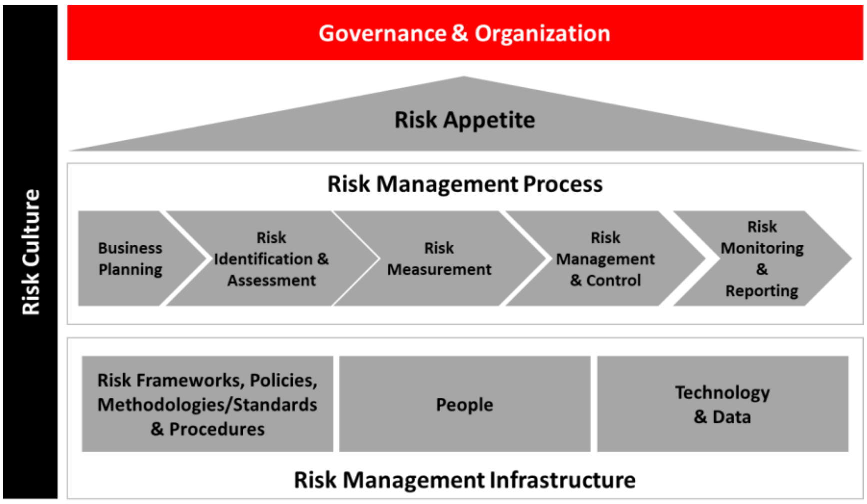
(a) Financial risk management objectives and policies

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 strategy decision and risk-taking process by providing independent inputs, including relevant valuations and scenario analysis, credit evaluations, new product assessments and quantification of capital requirements and risk return analysis/simulations. These inputs enable the business units to assess the risk-vs-reward of their propositions.

(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:



51 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) **<u>Risk Culture:</u>** 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) **<u>Governance & Organisation</u>**: 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) **<u>Risk Appetite</u>**: 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) **<u>Risk Management Process</u>**:

- <u>Business Planning</u>: Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture and new products/ business activities.

- <u>Risk Identification & Assessment</u>: Risks are systematically identified and assessed through the robust application of the Group's risk frameworks, policies, methodologies/standards and procedures.

- <u>Risk Measurement:</u> Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.

51 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.

51 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 to the BRCC. The GRCC, comprising senior management of the Group, performs the oversight function for the overall management of risks. The GRCC is supported by specialised/sub-risk committees, namely Group Credit Committee (“GCC”), Group Market and Conduct Risk Committee(“GMCRC”), 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;

51 Financial Risk Management (Continued)

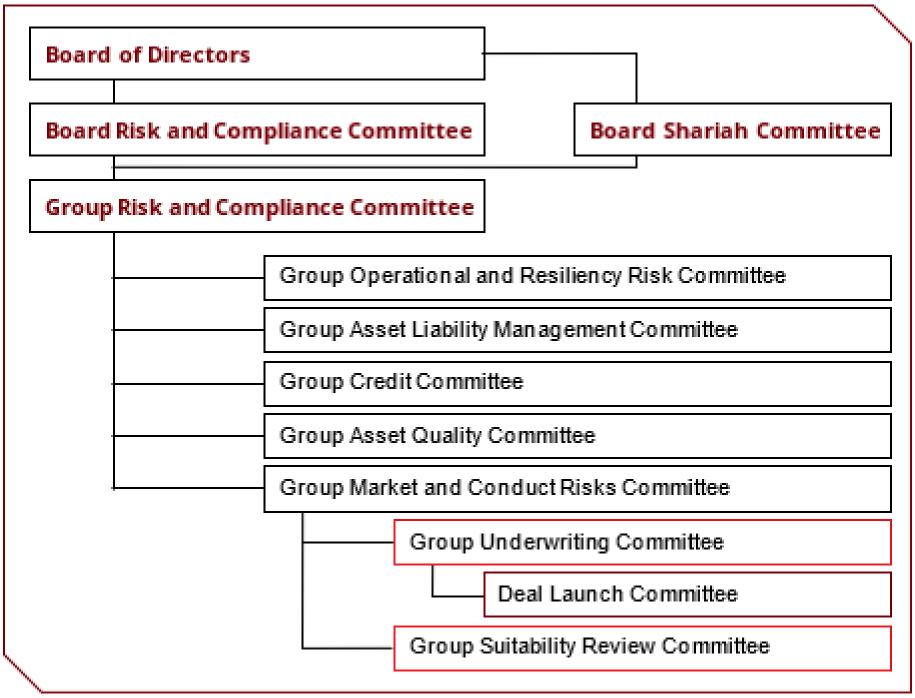
(c) Risk Governance (Continued)

- Operational risk, defined as the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. It includes legal risk but excludes strategic and Shariah non-compliance risks;
- 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 pay 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;
- 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; and
- 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.

51 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The structure of CIMB Group Risk Committees is depicted in the following chart:



The overseas subsidiaries' risk committees are set-up in a similar structure in their respective jurisdictions. Whilst recognising the autonomy of the local jurisdiction and compliance to local requirements, the Group strives to ensure a consistent and standardised approach in its risk governance process. As such, the group and regional committees have consultative and advisory responsibilities on regional matters across the Group as regulators allow. This structure increases regional communication and sharing of technical knowledge and best practice. It further enhances support towards managing and responding to risk management issues, thus providing the Board with a comprehensive view of the activities within the Group.

In addition to the CIMB Group Risk Committees, the Group has established a Group Sustainability and Governance Committee (GSGC) consisting of five Independent Directors to assist the Board in fulfilling its responsibilities in advocating and fostering a culture/DNA of sustainability, ethical conduct, and integrity across the Group.

51 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

Sustainability is also embedded in the roles and responsibilities of various Board Committees. To ensure information-symmetry and consensus across all Board Committees and entity boards, with regards to the direction and progress of the Group's sustainability and climate change strategy deliberated at the GSGC, selected GSGC members and business units such as Group Sustainability are responsible for providing relevant updates and inputs to the various Board Committees and entity boards on a periodic basis.

Three Lines-of-Defence

The Group's risk management culture is embodied through the adoption of the Three Lines-of-Defence philosophy, whereby risks are managed initially from the onset of risk-taking activities. This is to ensure clear accountability of risks across the Group and Group Risk as an enabler of business units. As a first line-of-defence, the line management (including key Business Pillars and Enablers) is primarily responsible for risk management on a day-to-day basis by taking appropriate actions to mitigate risks through effective controls. The second line-of-defence provides oversight and performs independent monitoring of business activities with reporting to the Board and management to ensure that the Group conducts business and operates within the approved appetite, and is in compliance with regulations. The third line-of-defence is Group Corporate Assurance Division who provides independent assurance of the adequacy and effectiveness of the internal controls and risk management processes.

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

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

51 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

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.

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), Enterprise Risk and Infrastructure CoEs.

51 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)

i. Asset Liability Management CoE

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

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 alternative credit underwriting models leveraging on machine learning techniques for 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 framework, performing mark-to-market valuation, calculating Value-at-Risk and market risk capital, as well as performing stress testing.

51 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

The Non-Financial Risk Management ("NFRM") CoE ensures the first line-of-defence manages their operational risk by providing an operational risk framework that enables them to identify, assess, manage and report their operational risks. The team also provides constructive challenge and assessment to the first line-of-defence's execution of the operational risk framework and act as a consultant with the Group in providing operational risk expertise and reporting to senior management.

The Shariah Risk Management ("SRM") unit within the NFRM CoE facilitates the process of identifying, measuring, controlling and monitoring SNC risks inherent in the Group's Islamic banking businesses and services. It formulates, recommends and implements appropriate SRM policies and guidelines; as well as develops and implements processes for SNC risk awareness.

NFRM CoE also extend its specialist risk oversight to cover Business Continuity Management, Fraud, Technology and Outsourcing risks.

v. Risk Analytics CoE

The Enterprise Risk and Infrastructure CoE ensures the Group's compliance to Basel and SCEL regulatory requirements, including implementation and validation of risk models, and management of risk data for credit risk measurement and risk reporting across the Group. In addition, the CoE will develop and implement regional initiatives to manage and monitor climate-related risks in support of the Group's 2050 Net-Zero ambition.

51 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)

Sustainability risk (including climate risk) is a transverse risk that manifests itself through existing risk types. Due to the cross-cutting nature of Sustainability risk, the implementation of Group-wide sustainability governance framework is currently spearheaded and managed by Group Sustainability as the Sustainability CoE, which sits outside of Group Risk. Notwithstanding this, Sustainability risk has been and will continue to be integrated into the Group's existing risk management frameworks. For instance, a Climate Risk unit was established under the Enterprise Risk and Infrastructure CoE in 2022 to develop and provide a holistic climate risk management framework to monitor and manage the Group's exposure to climate-related physical and transition risks through relevant policies and procedures, risk appetite, climate scenario analysis and stress testing, as well as data analytics.

Strategies and Processes for Various Risk Management

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

51.1 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.

51 Financial Risk Management (Continued)

51.1 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 promotes clarity of risk accountability whereby the business unit, being the first line-of-defence, manages risk in a proactive manner and Group Risk being independent from the business units, function as the second line-of-defence. This enhances the collaboration between Group Risk and the business units.

The risk-based delegated authority framework encompasses joint delegated authority, enhanced credit approval process and 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. In addition, for financing to sectors and clients that are exposed to high environmental and social risks, the Sustainability CoE conducts due diligence from an environmental and social point of view. For retail financing, all credit applications are evaluated and approved by Consumer Credit Operations according to the designated delegated authority with higher limits submitted to joint delegated authority or relevant committees for approval.

The GRCC with the support of Group Credit Committee, Group Asset Quality Committee, other relevant credit committees as well as Group Risk is responsible for ensuring adherence to the Board's approved risk appetite and risk 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.

51 Financial Risk Management (Continued)

51.1 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. In view of the tightening regulations around climate change and to support the Group's Net Zero commitment by 2050, a climate overlay focusing on sector sensitivity to transition risks (which references the Transition Risk Heatmap developed under United Nations Environment Program Finance Initiative) was integrated by Group Sustainability into Group Risk's Country Sector Limit Methodology for 2023. In order to ensure sustainability considerations are accounted for in the early stages of business planning, an overall sustainability rating was also developed and applied alongside other risk factors as part of the Risk Posture setting for 2023 to set the high level risk direction for the Group and its entities before the formal budget process starts.

Adherence to the above established credit limits is monitored daily by Group Risk, which combines all exposures for each counterparty or group, including off balance sheet items and potential exposures. For retail products, portfolio limits are monitored monthly by Group Risk.

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 the GRCC and BRCC. Asset quality is closely monitored so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

Credit Risk Management (Continued)

The Group recognises that our financing activities may have an impact on the environment and society and such impact may in turn result in potential financial and reputational risks to the Group. Our sustainable financing approach integrates environmental, social and economic/ethical considerations, including climate-related physical and transition risks, into our credit risk assessment process for our financing practices and capital raising transactions, whereby clients and transactions identified to have high sustainability risk or potential concern are subject to a structured due diligence and escalation process. Refer to the section on Sustainability Risk for further details.

The Group quantifies credit concentration risk by leveraging on the credit VaR engine, CreditMetrics. Using the CreditMetrics approach, the portfolio's Value at Risk is estimated after taking into account effects of portfolio diversification across obligors and sectors. Hence, the risk computed covers both default/credit migration risk as well as credit concentration risk (single name and sector concentration).

Credit Risk Mitigation

The employment of various credit risk mitigation techniques such as appropriate credit structuring, and posting of collateral and/or third party support form an integral part of the credit risk management process. Credit risk mitigants are taken where possible and are considered secondary recourse to the obligor for the credit risk underwritten.

i) Collaterals/Securities

All extension of secured credit facilities deemed prudent, must be appropriately and adequately collateralised. A credit proposal is considered secured only when the entire proposal is fully covered by approved collateral/securities within their approved margins as set out in the relevant credit policy standard. GCC or the relevant credit approving authority is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, quoted shares, unit trusts and 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.

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

Credit Risk Mitigation (Continued)

ii) Collateral Valuation and Management

The Group has in place policies which govern the determination of eligibility of various collaterals including credit protection, to be considered for credit risk mitigation which includes the minimum operational requirements that are required for the specific collaterals to be considered as effective risk mitigants.

The collateral is valued periodically ranging from daily to annually, depending on the type of collateral. Specifically for real estate properties, a procedure for valuation of real estate properties is established to ensure adequate policies and procedures are in place for efficient and proper conduct of valuation of real estate properties and other related activities in relation to the interpretation, monitoring and management of valuation of real estate properties.

iii) Netting

In mitigating the counterparty credit risks in foreign exchange and derivative transactions, the Group enters into master agreements that provide for closeout netting with counterparties, whenever possible. A master agreement that governs all transactions between two parties, creates greater legal certainty that the netting of outstanding obligations can be enforced upon termination of outstanding transactions if an event of default occurs.

iv) Portfolio diversification for better clarity

The 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.

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

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 do not have objective evidence of impairment. For these assets, lifetime expected credit loss allowance are recognised.
- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

The key judgements and assumptions adopted by the Group in addressing the requirements of the standard on the measurement of allowances are:

(i) Significant increase in credit risk (SICR)

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a 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;

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

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

Non-retail
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.

Treasury
A debt instrument is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:
- Significant downgrade of internal rating;
- 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).

The Group has not used the low credit risk exemption for any financial instruments for the financial year ended 31 December 2022 and 31 December 2021. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the management.

(ii) Definition of credit impaired

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;

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(ii) Definition of credit impaired (Continued)

Financing, advances and other financing/loans (Continued)

(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 payments are scheduled on intervals of 3 months or longer.

For the purpose of ascertaining the period in arrears:

- Payment on each of the instalment amount must be made in full. A partial payment made on an instalment amount shall be deemed to be still in arrears; and
- Where a moratorium on credit facilities is granted in relation to the rescheduling and restructuring exercise due to specific and exceptional circumstances as set in the Group's internal policy, the determination of period in arrears shall exclude the moratorium period granted.

(e) Force Impaired Credit Facilities

The credit facility is force impaired due to various reasons which may include the following: PN17 classification by Bursa, bankruptcy/winding up orders, appointment of Independent Financial Advisor/Liquidator/Receivers & Managers, ceased operations and/or suspended with no likelihood of resuming in the next 12 months, business viability is affected with payment capability in doubt resulting in going concern issue in the near term, etc. In the event where a credit facility is not in default or past due but force impaired, the credit facility shall be classified as impaired upon approval by GAQC.

(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.

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(ii) Definition of credit impaired (Continued)

<u>Sukuk and other debt instruments measured at amortised cost or FVOCI</u>

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.

(iii) Definition of default

<u>Financing, advances and other financing/loans</u>

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.

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(iii) Definition of default (Continued)

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.

<u>Sukuk and other debt instruments measured at amortised cost or FVOCI</u>

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.

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

The Group assesses on a forward looking basis the expected credit losses (ECL) associated with its advances and financing. The ECL is measured on either a 12-month or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. The 12-month or lifetime ECL reflects multiple forward-looking scenarios and is weighted based on the probability of occurrence for each scenario. The ECL can be assessed and measured either on collective or individual basis.

For collective assessment, the ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. The three components are multiplied together to calculate an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective profit rate or an approximation thereof.

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

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

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.

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.

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

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

Loss Given Default

LGD represents the Group's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default.

The 12-month and lifetime LGDs are determined based on the factors which impact the recoveries made post default. These vary by product type.

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.

- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different 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.

(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.

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

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

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.

The key economic variables used for the ECL sensitivity assessment:

	31 December 2022	31 December 2021
Key variables:	**Changes**	**Changes**
	(+/- bps)	**(+/- bps)**
GDP growth	50	100
Equity market index	100	50
Housing Price Index (HPI)	100	150
Overnight policy rate (OPR)	50	50

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

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

	The Group and the Bank (Writeback)/made 31 December 2022		The Group and the Bank (Writeback)/made 31 December 2021	
	RM'000	RM'000	RM'000	RM'000
	+	-	+	-
Impact on expected credit losses	**370**	**(206)**	(23,366)	19,447

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.

51.1 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 2022 was RM175 million (2021: RM160 million) for the Group and the Bank.

51 Financial Risk Management (Continued)

51.1 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.

51 Financial Risk Management (Continued)

51.1 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 2022 and 31 December 2021, there was no requirement for additional collateral to be posted.

On the other hand, counterparty rating is being monitored and in the event of a rating downgrade, remedial actions such as revision of the counterparty credit limit, suspension of the limit or the request for additional collateral may be taken.

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.1 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 2022	**31 December 2021**
	RM'000	**RM'000**
Financial guarantees	**337,341**	245,940
Credit related commitments and contingencies	**27,703,151**	15,015,485
	28,040,492	15,261,425

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 68.3% (2021: 68.8%) while the financial effect of collateral for derivatives for the Group and the Bank is 87.3% (2021: 84.3%). 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 2022 for the Group and the Bank is 84.9% (2021: 90.0%).

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.2 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		Net amount RM'000
				Financial instruments RM'000	Financial collaterals RM'000	
The Group and the Bank						
31 December 2022						
Financial assets						
Reverse Collateralised Commodity Murabahah	**503,206**	**-**	**503,206**	**-**	**(496,367)**	**6,839**
Derivative assets	**466,895**	**-**	**466,895**	**(406,502)**	**(173)**	**60,220**
Total	**970,101**	**-**	**970,101**	**(406,502)**	**(496,540)**	**67,059**
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

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.2 Offsetting financial assets and financial liabilities (Continued)

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

	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	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 2022						
Financial liabilities						
Collateralised Commodity Murabahah	**1,927,726**	**-**	**1,927,726**	**(1,927,726)**	**-**	**-**
Derivative liabilities	**732,724**	**-**	**732,724**	**(406,476)**	**-**	**326,248**
Total	**2,660,450**	**-**	**2,660,450**	**(2,334,202)**	**-**	**326,248**
31 December 2021						
Financial liabilities						
Collateralised Commodity Murabahah	328,821	-	328,821	(328,821)	-	-
Derivative liabilities	271,954	-	271,954	(191,064)	(978)	79,912
Total	600,775	-	600,775	(519,885)	(978)	79,912

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.3 Concentration of risks of financial assets with credit risk exposure

A concentration of credit risk exists when a number of counterparties are engaged in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

(a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2022 and 31 December 2021 are as follows:

	The Group 31 December 2022						
	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	15,229,843	802	3,968	10,914	57,003	6,355	15,308,885
Reverse Collateralised Commodity Murabahah	503,206	-	-	-	-	-	503,206
Financial assets at fair value through profit or loss	2,042,226	-	-	-	-	-	2,042,226
Debt instruments at fair value through other comprehensive income	5,000,384	-	-	-	-	-	5,000,384
Debt instruments at amortised cost	9,361,464	-	-	-	-	-	9,361,464
Islamic derivative financial instruments	465,240	-	-	-	-	1,655	466,895
Financing, advances and other financing/loans	107,592,751	-	-	-	-	-	107,592,751
Other assets	314,692	45	6,917	-	-	370	322,024
Amount due from holding company and ultimate holding company	433,749	-	-	-	-	-	433,749
Amount due from related companies	20	-	-	-	-	-	20
Financial guarantees	337,341	-	-	-	-	-	337,341
Credit related commitments and contingencies	27,546,674	21,299	18,443	-	440	116,295	27,703,151
Total credit exposures	168,827,590	22,146	29,328	10,914	57,443	124,675	169,072,096

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2022 and 31 December 2022 are as follows: (Continued)

	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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2022 and 31 December 2021 are as follows: (Continued)

	The Bank 31 December 2022						
	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	15,229,843	802	3,968	10,914	57,003	6,355	15,308,885
Reverse Collateralised Commodity Murabahah	503,206	-	-	-	-	-	503,206
Financial assets at fair value through profit or loss	2,042,226	-	-	-	-	-	2,042,226
Debt instruments at fair value through other comprehensive income	5,000,384	-	-	-	-	-	5,000,384
Debt instruments at amortised cost	9,361,464	-	-	-	-	-	9,361,464
Islamic derivative financial instruments	465,240	-	-	-	-	1,655	466,895
Financing, advances and other financing/loans	107,592,751	-	-	-	-	-	107,592,751
Other assets	314,692	45	6,917	-	-	370	322,024
Amount due from holding company and ultimate holding company	433,749	-	-	-	-	-	433,749
Amount due from related companies	20	-	-	-	-	-	20
Financial guarantees	337,341	-	-	-	-	-	337,341
Credit related commitments and contingencies	27,546,674	21,299	18,443	-	440	116,295	27,703,151
Total credit exposures	168,827,590	22,146	29,328	10,914	57,443	124,675	169,072,096

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)

(a) Geographical sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2022 and 31 December 2021 are as follows: (Continued)

	The 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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.3 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 2022 and 31 December 2022 based on the industry sectors of the counterparty are as follows:

The Group
31 December 2022

	Cash and short-term funds RM'000	Reverse Collateralised Commodity Murabahah 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	-	-	-	-	72,805	25,506	4	-	4,022,181	4,120,496
Mining and quarrying	-	-	-	-	72,971	501,772	-	-	561,298	1,136,041
Manufacturing	-	-	-	9,758	104,051	-	7,934	-	3,957,034	4,078,777
Electricity, gas and water supply	-	-	-	-	325,589	398,095	-	-	539,255	1,262,939
Construction	-	-	-	-	168,585	95,930	-	-	2,499,620	2,764,135
Transport, storage and communications	-	-	-	5,115	64,866	241,925	7	-	4,188,105	4,500,018
Education, health and others	-	-	-	-	-	-	-	-	2,684,744	2,684,744
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	-	5,309,503	5,309,503
Finance, takaful, real estate and business activities	15,308,885	503,206	-	812,761	1,569,989	2,696,613	423,097	755,793	9,467,214	31,537,558
Others										
Household	-	-	-	-	-	-	-	-	74,345,164	74,345,164
Others	-	-	-	1,214,592	2,621,528	5,401,623	35,853	-	18,633	9,292,229
	15,308,885	503,206	-	2,042,226	5,000,384	9,361,464	466,895	755,793	107,592,751	141,031,604

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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.3 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 2022 and 31 December 2021 based on the industry sectors of the counterparty are as follows: (Continued)

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.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.3 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 2022 and 31 December 2021 based on the industry sectors of the counterparty are as follows: (Continued)

The Bank
31 December 2022

	Cash and short-term funds RM'000	Reverse Collateralised Commodity Murabahah 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	-	-	-	-	72,805	25,506	4	-	4,022,181	4,120,496
Mining and quarrying	-	-	-	-	72,971	501,772	-	-	561,298	1,136,041
Manufacturing	-	-	-	9,758	104,051	-	7,934	-	3,957,034	4,078,777
Electricity, gas and water supply	-	-	-	-	325,589	398,095	-	-	539,255	1,262,939
Construction	-	-	-	-	168,585	95,930	-	-	2,499,620	2,764,135
Transport, storage and communications	-	-	-	5,115	64,866	241,925	7	-	4,188,105	4,500,018
Education, health and others	-	-	-	-	-	-	-	-	2,684,744	2,684,744
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	-	5,309,503	5,309,503
Finance, takaful, real estate and business activities	15,308,885	503,206	-	812,761	1,569,989	2,696,613	423,097	755,793	9,467,214	31,537,558
Others										
Household	-	-	-	-	-	-	-	-	74,345,164	74,345,164
Others	-	-	-	1,214,592	2,621,528	5,401,623	35,853	-	18,633	9,292,229
	15,308,885	503,206	-	2,042,226	5,000,384	9,361,464	466,895	755,793	107,592,751	141,031,604

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

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.3 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 2022 and 31 December 2021 based on the industry sectors of the counterparty are as follows: (Continued)

The Bank
31 December 2021

	Cash and short-term funds	Deposits and placements with banks and other financial institutions	Financial assets at fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Debt instruments at amortised cost	Islamic derivative financial instruments	Other financial assets*	Financing, advances and other financing/ loans	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	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.

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.3 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 2022		**31 December 2021**	
	Financial guarantees RM'000	**Credit related commitments and contingencies RM'000**	**Financial guarantees RM'000**	**Credit related commitments and contingencies RM'000**
Primary agriculture	**1,293**	**693,693**	1,423	284,148
Mining and quarrying	**3,998**	**239,287**	2,737	130,448
Manufacturing	**99,823**	**2,116,496**	71,475	532,928
Electricity, gas and water supply	**22,990**	**3,112,512**	33,073	73,407
Construction	**110,777**	**3,863,071**	24,727	1,817,065
Transport, storage and communications	**8,556**	**1,324,961**	33,709	547,666
Education, health and others	**3,500**	**750,337**	4,043	864,078
Wholesale and retail trade, and restaurants and hotels	**65,362**	**1,851,871**	60,942	390,833
Finance, takaful, real estate and business activities	**18,570**	**1,845,520**	13,656	893,743
Others				
Household	**2,472**	**11,904,689**	155	9,478,839
Others	**-**	**714**	-	2,330
	337,341	**27,703,151**	245,940	15,015,485

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.4 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, reverse 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.

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.4 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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.4 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				
2022				
Sovereign	**127,956**	-	-	**127,956**
Investment grade	**136,022**	-	-	**136,022**
Non-investment grade	**3,504**	-	-	**3,504**
No rating	**15,041,403**	-	-	**15,041,403**
Gross carrying amount	**15,308,885**	-	-	**15,308,885**
Total ECL	-	-	-	-
Net carrying amount	**15,308,885**	-	-	**15,308,885**
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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.4 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)**	**Lifetime ECL-not credit impaired (Stage 2)**	**Lifetime ECL-credit impaired (Stage 3)**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Cash and short-term fund and deposits and placement with banks and other financial institutions				
2022				
Sovereign	**127,956**	-	-	**127,956**
Investment grade	**136,022**	-	-	**136,022**
Non-investment grade	**3,504**	-	-	**3,504**
No rating	**15,041,403**	-	-	**15,041,403**
Gross carrying amount	**15,308,885**	-	-	**15,308,885**
Total ECL	-	-	-	-
Net carrying amount	**15,308,885**	-	-	**15,308,885**
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

The Group and the Bank				
Reverse Collateralised Commodity Murabahah, at amortised cost				
2022				
No rating *	503,206	-	-	503,206
Gross carrying amount	503,206	-	-	503,206
Total ECL	-	-	-	-
Net carrying amount	503,206	-	-	503,206

**NIL in 2021*

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.4 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				
2022				
Sovereign	**2,751,452**	-	-	**2,751,452**
Investment grade	**965,167**	-	-	**965,167**
Non-investment grade	**1,283,765**	-	-	**1,283,765**
Gross carrying amount*	**5,000,384**	-	-	**5,000,384**
Total ECL ^^	**(998)**	-	-	**(998)**
Net carrying amount	**4,999,386**	-	-	**4,999,386**
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
Debt instruments at amortised cost				
2022				
Sovereign	**7,781,274**	-	-	**7,781,274**
Investment grade	**549,856**	-	-	**549,856**
Non-investment grade	**498,387**	-	-	**498,387**
Impaired	-	-	**501,772**	**501,772**
No rating	**30,593**	-	-	**30,593**
Gross carrying amount	**8,860,110**	-	**501,772**	**9,361,882**
Total ECL	**(418)**	-	-	**(418)**
Net carrying amount	**8,859,692**	-	**501,772**	**9,361,464**
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

* This represents the fair value of the securities

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

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.4 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				
2022				
Good	**55,063,811**	**10,632,277**	**-**	**65,696,088**
Satisfactory	**22,056,431**	**5,571,466**	**-**	**27,627,897**
Impaired	**-**	**-**	**1,409,337**	**1,409,337**
No rating	**13,574,810**	**772,272**	**-**	**14,347,082**
Gross carrying amount	**90,695,052**	**16,976,015**	**1,409,337**	**109,080,404**
Total ECL	**(163,249)**	**(892,799)**	**(431,605)**	**(1,487,653)**
Net carrying amount	**90,531,803**	**16,083,216**	**977,732**	**107,592,751**
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
Other assets				
2022				
Sovereign	**137,800**	**-**	**-**	**137,800**
Investment grade	**110,510**	**-**	**-**	**110,510**
Impaired	**-**	**-**	**1,727**	**1,727**
No rating	**42,112**	**-**	**-**	**42,112**
Gross carrying amount	**290,422**	**-**	**1,727**	**292,149**
Total ECL	**(14,083)**	**-**	**(1,727)**	**(15,810)**
Net carrying amount	**276,339**	**-**	**-**	**276,339**
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

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.4 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				
2022				
Investment grade	**433,766**	-	-	**433,766**
No rating	**3**	-	-	**3**
Gross carrying amount	**433,769**	-	-	**433,769**
Total ECL	**-**	-	-	**-**
Net carrying amount	**433,769**	-	-	**433,769**
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

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.4 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				
2022				
Good	**14,432,240**	**462,707**	**-**	**14,894,947**
Satisfactory	**2,646,976**	**299,220**	**-**	**2,946,196**
Impaired	**-**	**-**	**45,956**	**45,956**
No rating	**10,190,433**	**8,107**	**-**	**10,198,540**
Gross carrying amount	**27,269,649**	**770,034**	**45,956**	**28,085,639**
Total ECL	**(25,092)**	**(12,017)**	**(8,038)**	**(45,147)**
Net carrying amount	**27,244,557**	**758,017**	**37,918**	**28,040,492**
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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.4 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

2022	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 carrying amount RM'000
12-month ECL (Stage 1)	1,112,424	81,275,937	669,814	15,775	811,698	251,744	179,563	6,378,097	90,695,052
- Good	616,819	48,181,949	262,899	6,685	433,917	251,744	77,409	5,232,389	55,063,811
- Satisfactory	113,952	21,801,786	6,177	657	31,472	-	98,884	3,503	22,056,431
- No rating	381,653	11,292,202	400,738	8,433	346,309	-	3,270	1,142,205	13,574,810
Lifetime ECL not credit-impaired (Stage 2)	231,706	16,242,417	104,926	2,727	166,647	16,586	7,877	203,129	16,976,015
- Good	92,152	10,154,268	85,693	-	135,566	15,962	9	148,627	10,632,277
- Satisfactory	113,744	5,342,287	19,233	2,187	31,081	624	7,808	54,502	5,571,466
- No rating	25,810	745,862	-	540	-	-	60	-	772,272
Lifetime ECL credit-impaired (Stage 3)	34,395	1,337,802	13,497	863	19,141	-	2,647	992	1,409,337
- Impaired	34,395	1,337,802	13,497	863	19,141	-	2,647	992	1,409,337
Total	1,378,525	98,856,156	788,237	19,365	997,486	268,330	190,087	6,582,218	109,080,404

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

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

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.4 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
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 carrying 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

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.4 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.

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

The Group

	Investment grade (AAA to BBB-)	No rating	Gross carrying amount	ECL	Net carrying amount
	RM’000	RM’000	RM’000	RM’000	RM’000
2022					
Other assets	**-**	**45,796**	**45,796**	**(111)**	**45,685**
Total	**-**	**45,796**	**45,796**	**(111)**	**45,685**
2021					
Other assets	-	74,052	74,052	(271)	73,781
Total	-	74,052	74,052	(271)	73,781

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.4 Credit quality of financial assets (Continued)

(b) Financial assets using simplified approach (Continued)

Analysis of other assets by credit rating (Continued)

The Bank

	Investment grade (AAA to BBB-)	No rating	Gross carrying amount	ECL	Net carrying amount
	RM'000	RM'000	RM'000	RM'000	RM'000
2022					
Other assets	**-**	**45,796**	**45,796**	**(111)**	**45,685**
Total	**-**	**45,796**	**45,796**	**(111)**	**45,685**
2021					
Other assets	-	74,052	74,052	(271)	73,781
Total	-	74,052	74,052	(271)	73,781

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

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.5 Repossessed collateral

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

51.1.6 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 2022	31 December 2021
	RM'000	RM'000
Amortised cost before modification	87,724	8,584,249
Modification loss	(1,676)	(47,491)
Amortised cost after modification	86,048	8,536,758

Gross carrying amounts of financing, advances and other financing/loans of the Group and the Bank as at 31 December 2022, for which loss allowance has changed to 12-month measurement during the financial year amounting to RM1,835,000 (31 December 2021: RM1,067,349,000) respectively.

51 Financial Risk Management (Continued)

51.1 Credit Risk (Continued)

51.1.7 Overlays and adjustments for expected credit losses amid COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of expected credit losses ("ECL") with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL for the year ended and as at 31 December 2022.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various targeted assistance relief and programs measures have expired during the year.

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

The 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 RM248.4 million (2021: RM278.5 million) of both the Group’s and the Bank’s ECL on financing, advances and other financing/loans (including undisbursed financing, advances and other financing/loans).

51 Financial Risk Management (Continued)

51.2 Market Risk

Market risk is defined as 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 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 GMCRC and its delegated committees ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board.

Market Risk CoE is responsible for measuring and controlling the Group's market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework. Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried out with the independent price verification requirements to ensure that financial assets/liabilities are recorded at fair value. The valuation methods and models used are validated by risk management quantitative analysts to assess their applicability relative to market conditions.

The Group adopts the VaR methodology as an approach in the measurement of market risk. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. The usage of market VaR by risk type based on 1-day holding period of the Group's and the Bank's trading exposures as at 31 December 2022 is shown in Note 51.2.1.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 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).

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.1 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 2022 RM'000	31 December 2021 RM'000	31 December 2022 RM'000	31 December 2021 RM'000
VaR				
Foreign exchange risk	**554**	357	**554**	357
Profit rate risk	**3,538**	2,849	**3,538**	2,849
Total	**4,092**	3,206	**4,092**	3,206
Total shareholder's funds	**8,656,291**	7,786,441	**8,656,256**	7,786,406
Percentage over shareholder's funds	**0.05%**	0.04%	**0.05%**	0.04%

51.2.2 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).

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.2 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 2022	Non-trading book								
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	15,255,172	-	-	-	-	-	53,713	-	15,308,885
Reverse Collateralised Commodity Murabahah	502,462	-	-	-	-	-	744	-	503,206
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	2,042,226	2,042,226
Debt instruments at fair value through other comprehensive income	34,998	40,075	215,346	89,302	1,984,373	2,588,941	47,349	-	5,000,384
Debt instruments at amortised cost	-	79,987	544,654	755,730	3,882,735	4,000,524	97,834	-	9,361,464
Islamic derivative financial instruments	-	-	-	-	11,520	5,445	-	449,930	466,895
Financing, advances and other financing/loans	85,563,653	3,292,396	836,611	157,154	3,270,799	14,472,138	-	-	107,592,751
Other assets	108	8	-	-	60,770	37,322	223,816	-	322,024
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	433,749	-	433,749
Amount due from related companies	-	-	-	-	-	-	20	-	20
Total financial assets	101,356,393	3,412,466	1,596,611	1,002,186	9,210,197	21,104,370	857,225	2,492,156	141,031,604

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.2 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 2022**	**Non-trading book** **Up to 1 month** **RM'000**	**> 1 – 3 months** **RM'000**	**> 3 – 6 months** **RM'000**	**> 6 – 12 months** **RM'000**	**> 1 – 5 years** **RM'000**	**Over 5 years** **RM'000**	**Non-profit sensitive** **RM'000**	**Trading book** **RM'000**	**Total** **RM'000**
Financial liabilities									
Deposits from customers	56,007,366	23,780,984	12,966,884	8,329,377	1,209,412	24,587	507,366	-	102,825,976
Investment accounts of customers	2,391,844	2,099,926	3,887,801	4,582,225	132,902	492,193	97,741	-	13,684,632
Deposits and placements of banks and other financial institutions	2,564,586	4,541,841	110,000	-	163,580	-	28,732	-	7,408,739
Collateralised Commodity Murabahah	-	603,481	345,735	-	971,764	-	6,746	-	1,927,726
Investment accounts due to designated financial institutions	3,572,586	-	-	-	-	-	4,004	-	3,576,590
Financial liabilities designated at fair value through profit or loss	-	-	-	-	3,066,760	167	12,755	(222,678)	2,857,004
Islamic derivative financial instruments	-	-	-	-	1,018	465	-	731,241	732,724
Amount due to related companies	-	-	-	-	-	-	755	-	755
Other liabilities	-	748	147	534	28,280	7,308	357,531	-	394,548
Lease liabilities					1,198				1,198
Subordinated sukuk	-	-	-	-	1,100,000	-	9,342	-	1,109,342
Total financial liabilities	64,536,382	31,026,980	17,310,567	12,912,136	6,674,914	524,720	1,024,972	508,563	134,519,234
Net profit sensitivity gap	36,820,011	(27,614,514)	(15,713,956)	(11,909,950)	2,535,283	20,579,650		1,983,593	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	337,341	-	337,341
Credit related commitments and contingencies	-	-	-	-	-	-	27,703,151	-	27,703,151
Treasury related commitments and contingencies (hedging)	-	-	-	-	612,286	270,000	-	-	882,286
Net profit sensitivity gap	-	-	-	-	612,286	270,000	28,040,492	-	28,922,778

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.2 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 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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.2 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	-	-	-	-	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
Sukuk	-	-	-	-	-	-	-	-	-
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

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.2 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 2022	← Non-trading book						→		
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial assets									
Cash and short-term funds	15,255,172	-	-	-	-	-	53,713	-	15,308,885
Reverse Collateralised Commodity Murabahah	502,462	-	-	-	-	-	744	-	503,206
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	2,042,226	2,042,226
Debt instruments at fair value through other comprehensive income	34,998	40,075	215,346	89,302	1,984,373	2,588,941	47,349	-	5,000,384
Debt instruments at amortised cost	-	79,987	544,654	755,730	3,882,735	4,000,524	97,834	-	9,361,464
Islamic derivative financial instruments	-	-	-	-	11,520	5,445	-	449,930	466,895
Financing, advances and other financing/loans	85,563,653	3,292,396	836,611	157,154	3,270,799	14,472,138	-	-	107,592,751
Other assets	108	8	-	-	60,770	37,322	223,816	-	322,024
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	433,749	-	433,749
Amount due from related companies	-	-	-	-	-	-	20	-	20
Total financial assets	101,356,393	3,412,466	1,596,611	1,002,186	9,210,197	21,104,370	857,225	2,492,156	141,031,604

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.2 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 2022	Non-trading book								
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
Financial liabilities									
Deposits from customers	56,007,366	23,780,984	12,966,884	8,329,377	1,209,412	24,587	507,366	-	102,825,976
Investment accounts of customers	2,391,844	2,099,926	3,887,801	4,582,225	132,902	492,193	97,741	-	13,684,632
Deposits and placements of banks and other financial institutions	2,564,586	4,541,841	110,000	-	163,580	-	28,732	-	7,408,739
Collateralised Commodity Murabahah	-	603,481	345,735	-	971,764	-	6,746	-	1,927,726
Investment accounts due to designated financial institutions	3,572,586	-	-	-	-	-	4,004	-	3,576,590
Financial liabilities designated at fair value through profit or loss	-	-	-	-	3,066,760	167	12,755	(222,678)	2,857,004
Islamic derivative financial instruments	-	-	-	-	1,018	465	-	731,241	732,724
Amount due to subsidiaries	-	-	-	-	-	-	46	-	46
Amount due to related company	-	-	-	-	-	-	755	-	755
Other liabilities	-	748	147	534	28,280	7,308	357,531	-	394,548
Lease liabilities					1,198				1,198
Subordinated sukuk	-	-	-	-	1,100,000	-	9,342	-	1,109,342
Total financial liabilities	64,536,382	31,026,980	17,310,567	12,912,136	6,674,914	524,720	1,025,018	508,563	134,519,280
Net profit sensitivity gap	36,820,011	(27,614,514)	(15,713,956)	(11,909,950)	2,535,283	20,579,650		1,983,593	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	337,341	-	337,341
Credit related commitments and contingencies	-	-	-	-	-	-	27,703,151	-	27,703,151
Treasury related commitments and contingencies (hedging)	-	-	-	-	612,286	270,000	-	-	882,286
Net profit sensitivity gap	-	-	-	-	612,286	270,000	28,040,492	-	28,922,778

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.2 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 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**	**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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.2 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 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**	**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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.2 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 2022		31 December 2021	
	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 profit (after tax)	**(3,536)**	**3,536**	(38,963)	38,963

	The Bank			
	31 December 2022		31 December 2021	
	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 profit (after tax)	**(3,536)**	**3,536**	(38,948)	38,948

Sensitivity is measured using the EaR methodology. The treatments and assumptions applied are based on the contractual repricing maturity and remaining maturity of the products, whichever is earlier. Items with indefinite repricing 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.

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.2 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 2022		31 December 2021	
	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	**(2,669)**	**2,669**	(3,196)	3,196

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.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.3 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 2022					
	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	15,063,077	121,397	6,658	117,753	245,808	15,308,885
Reverse Collateralised Commodity Murabahah	503,206	-	-	-	-	503,206
Financial assets at fair value through profit or loss	1,739,423	302,803	-	-	302,803	2,042,226
Debt instruments at fair value through other comprehensive income	5,000,384	-	-	-	-	5,000,384
Debt instruments at amortised cost	8,859,692	501,772	-	-	501,772	9,361,464
Islamic derivative financial instruments	4,924,032	(7,456,170)	2,377,025	622,008	(4,457,137)	466,895
Financing, advances and other financing/loans	106,800,973	753,730	-	38,048	791,778	107,592,751
Other assets	301,785	19,174	650	415	20,239	322,024
Amount due from holding company and ultimate holding company	433,749	-	-	-	-	433,749
Amount due from related companies	20	-	-	-	-	20
	143,626,341	(5,757,294)	2,384,333	778,224	(2,594,737)	141,031,604

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.3 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 2022					
	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	101,809,373	864,596	7,859	144,148	1,016,603	102,825,976
Investment accounts of customers	13,182,966	501,666	-	-	501,666	13,684,632
Deposits and placements of banks and other financial institutions	2,960,750	4,133,087	1,637	313,265	4,447,989	7,408,739
Collateralised Commodity Murabahah	1,927,726	-	-	-	-	1,927,726
Investment accounts due to designated financial institutions	3,576,590	-	-	-	-	3,576,590
Financial liabilities designated at fair value through profit or loss	2,857,004	-	-	-	-	2,857,004
Islamic derivative financial instruments	9,236,271	(11,165,872)	2,377,001	285,324	(8,503,547)	732,724
Amount due to related companies	755	-	-	-	-	755
Other liabilities	375,845	18,108	316	279	18,703	394,548
Lease liabilities	1,198				-	1,198
Subordinated sukuk	1,109,342	-	-	-	-	1,109,342
	137,037,820	(5,648,415)	2,386,813	743,016	(2,518,586)	134,519,234
Financial guarantees	327,696	9,084	-	561	9,645	337,341
Credit related commitments and contingencies	27,112,471	569,265	-	21,415	590,680	27,703,151
	27,440,167	578,349	-	21,976	600,325	28,040,492

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.3 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 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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.3 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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.3 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 2022					
	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	15,063,077	121,397	6,658	117,753	245,808	15,308,885
Reverse Collateralised Commodity Murabahah	503,206	-	-	-	-	503,206
Financial assets at fair value through profit or loss	1,739,423	302,803	-	-	302,803	2,042,226
Debt instruments at fair value through other comprehensive income	5,000,384	-	-	-	-	5,000,384
Debt instruments at amortised cost	8,859,692	501,772	-	-	501,772	9,361,464
Islamic derivative financial instruments	4,924,032	(7,456,170)	2,377,025	622,008	(4,457,137)	466,895
Financing, advances and other financing/loans	106,800,973	753,730	-	38,048	791,778	107,592,751
Other assets	301,785	19,174	650	415	20,239	322,024
Amount due from holding company and ultimate holding company	433,749	-	-	-	-	433,749
Amount due from related companies	20	-	-	-	-	20
	143,626,341	(5,757,294)	2,384,333	778,224	(2,594,737)	141,031,604

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.3 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 2022					
	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	101,809,373	864,596	7,859	144,148	1,016,603	102,825,976
Investment accounts of customers	13,182,966	501,666	-	-	501,666	13,684,632
Deposits and placements of banks and other financial institutions	2,960,750	4,133,087	1,637	313,265	4,447,989	7,408,739
Collateralised Commodity Murabahah	1,927,726	-	-	-	-	1,927,726
Investment accounts due to designated financial institutions	3,576,590	-	-	-	-	3,576,590
Financial liabilities designated at fair value through profit or loss	2,857,004	-	-	-	-	2,857,004
Islamic derivative financial instruments	9,236,271	(11,165,872)	2,377,001	285,324	(8,503,547)	732,724
Amount due to subsidiaries	46	-	-	-	-	46
Amount due to related companies	755	-	-	-	-	755
Other liabilities	375,845	18,108	316	279	18,703	394,548
Lease liabilities	1,198	-	-	-	-	1,198
Subordinated sukuk	1,109,342	-	-	-	-	1,109,342
	137,037,866	(5,648,415)	2,386,813	743,016	(2,518,586)	134,519,280
Financial guarantees	327,696	9,084	-	561	9,645	337,341
Credit related commitments and contingencies	27,112,471	569,265	-	21,415	590,680	27,703,151
	27,440,167	578,349	-	21,976	600,325	28,040,492

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.3 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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.3 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

51 Financial Risk Management (Continued)

51.2 Market Risk (Continued)

51.2.3 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 2022		31 December 2021	
	1% appreciation in foreign currency	1% depreciation in foreign currency	1% appreciation in foreign currency	1% depreciation in foreign currency
	Increase/(decrease)		Increase/(decrease)	
2022	RM'000	RM'000	RM'000	RM'000
Impact to profit (after tax)	316	(316)	540	(540)
USD	56	(56)	244	(244)
THB	6	(6)	6	(6)
HKD	33	(33)	57	(57)
GBP	212	(212)	251	(251)
JPY	(4)	4	(5)	5
SGD	(7)	7	(13)	13
EUR	(24)	24	(35)	35
AUD	(33)	33	(33)	33
Others	77	(77)	68	(68)

The impact on profit arises from transactional exposures while the impact on reserves arises from net investment hedge from parallel shifts in foreign exchange rates.

The projection assumes that foreign exchange rates move by the same amount and, therefore, do not reflect the potential impact on profit 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.

51 Financial Risk Management (Continued)

51.3 Liquidity Risk

Liquidity and funding risk is defined as the current and potential risk to earnings, shareholders fund or reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding 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 marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand and term deposits, thus providing the Group with a stable large funding base from individuals. SMEs, corporates and financial institutions segments. The Group maintains some buffers of liquidity throughout the year to ensure safe and sound operations from a strategic, structural and tactical perspective.

The day-to-day responsibility for liquidity risk management and control in each individual entity is delegated to the respective Country Asset Liability Management Committee, 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. The effective date for NSFR is 1 July 2021. 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. Liquidity risk positions based on balance sheet forecasts and relevant risk drivers are projected to help business planning.

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

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.

The Asset-Liability Management function, which is responsible for the independent monitoring of our Group's liquidity risk profile, works closely with 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. Treasury and Markets 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.

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.1 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 2022							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets								
Cash and short-term funds	15,308,885	-	-	-	-	-	-	15,308,885
Reverse Collateralised Commodity Murabahah	503,206	-	-	-	-	-	-	503,206
Financial assets at fair value through profit or loss	343,543	301,399	92,083	303,747	930,516	70,938	-	2,042,226
Debt instruments at fair value through other comprehensive income	43,989	63,856	229,922	89,302	1,984,373	2,588,942	-	5,000,384
Debt instruments at amortised cost	19,141	128,720	574,614	755,730	3,882,735	4,000,524	-	9,361,464
Islamic derivative financial instruments	108,161	194,698	42,548	10,814	52,350	58,324	-	466,895
Financing , advances and other financing/loans	3,695,359	1,276,701	662,456	1,749,170	9,912,086	90,296,979	-	107,592,751
Other assets	390,964	8	-	-	60,770	37,322	-	489,064
Deferred taxation	-	-	-	-	-	-	188,883	188,883
Tax recoverable	-	-	-	-	-	-	4,409	4,409
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,696,000	1,696,000
Amount due from holding company and ultimate holding company	433,749	-	-	-	-	-	-	433,749
Amount due from related companies	20	-	-	-	-	-	-	20
Goodwill	-	-	-	-	-	-	136,000	136,000
Right-of-use assets	-	-	-	-	-	-	1,004	1,004
Intangible assets	-	-	-	-	-	-	1,499	1,499
Property, plant and equipment	-	-	-	-	-	-	778	778
Total assets	20,847,017	1,965,382	1,601,623	2,908,763	16,822,830	97,053,029	2,028,573	143,227,217

CIMB Islamic Bank Berhad
(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.1 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 2022							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	56,411,962	23,856,858	12,987,986	8,335,171	1,209,412	24,587	-	102,825,976
Investment accounts of customers	2,480,112	2,109,399	3,887,801	4,582,225	132,902	492,193	-	13,684,632
Deposits and placements of banks and other financial institutions	2,577,560	4,556,977	110,621	-	163,581	-	-	7,408,739
Collateralised Commodity Murabahah	-	607,739	346,967	-	973,020	-	-	1,927,726
Investment accounts due to designated financial institutions	3,576,590	-	-	-	-	-	-	3,576,590
Financial liabilities designated at fair value through profit or loss	6,191	6,564	-	-	2,844,081	168	-	2,857,004
Islamic derivative financial instruments	174,990	193,360	45,640	10,547	263,820	44,367	-	732,724
Amount due to related companies	755	-	-	-	-	-	-	755
Other liabilities	409,219	752	147	534	28,280	7,308	-	446,240
Lease liabilities	-	152	152	305	589	-	-	1,198
Subordinated sukuk	-	7,973	1,369	-	1,100,000	-	-	1,109,342
Total liabilities	65,637,379	31,339,774	17,380,683	12,928,782	6,715,685	568,623	-	134,570,926
Net liquidity gap	(44,790,362)	(29,374,392)	(15,779,060)	(10,020,019)	10,107,145	96,484,406	2,028,573	

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.1 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
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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.1 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	

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.1 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 2022							
	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	15,308,885	-	-	-	-	-	-	15,308,885
Reverse Collateralised Commodity Murabahah	503,206	-	-	-	-	-	-	503,206
Financial assets at fair value through profit or loss	343,543	301,399	92,083	303,747	930,516	70,938	-	2,042,226
Debt instruments at fair value through other comprehensive income	43,989	63,856	229,922	89,302	1,984,373	2,588,942	-	5,000,384
Debt instruments at amortised cost	19,141	128,720	574,614	755,730	3,882,735	4,000,524	-	9,361,464
Islamic derivative financial instruments	108,161	194,698	42,548	10,814	52,350	58,324	-	466,895
Financing , advances and other financing/loans	3,695,359	1,276,701	662,456	1,749,170	9,912,086	90,296,979	-	107,592,751
Other assets	390,964	8	-	-	60,770	37,322	-	489,064
Deferred taxation	-	-	-	-	-	-	188,883	188,883
Tax recoverable	-	-	-	-	-	-	4,409	4,409
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,696,000	1,696,000
Investment in subsidiaries	-	-	-	-	-	-	11	11
Amount due from holding company and ultimate holding company	433,749	-	-	-	-	-	-	433,749
Amount due from related companies	20	-	-	-	-	-	-	20
Goodwill	-	-	-	-	-	-	136,000	136,000
Right-of-use assets	-	-	-	-	-	-	1,004	1,004
Intangible assets	-	-	-	-	-	-	1,499	1,499
Property, plant and equipment	-	-	-	-	-	-	778	778
Total assets	**20,847,017**	**1,965,382**	**1,601,623**	**2,908,763**	**16,822,830**	**97,053,029**	**2,028,584**	**143,227,228**

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.1 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 2022							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities								
Deposits from customers	56,411,962	23,856,858	12,987,986	8,335,171	1,209,412	24,587	-	102,825,976
Investment accounts of customers	2,480,112	2,109,399	3,887,801	4,582,225	132,902	492,193	-	13,684,632
Deposits and placements of banks and other financial institutions	2,577,560	4,556,977	110,621	-	163,581	-	-	7,408,739
Collateralised Commodity Murabahah	-	607,739	346,967	-	973,020	-	-	1,927,726
Investment accounts due to designated financial institutions	3,576,590	-	-	-	-	-	-	3,576,590
Financial liabilities designated at fair value through profit or loss	6,191	6,564	-	-	2,844,081	168	-	2,857,004
Islamic derivative financial instruments	174,990	193,360	45,640	10,547	263,820	44,367	-	732,724
Amount due to subsidiaries	46	-	-	-	-	-	-	46
Amount due to related companies	755	-	-	-	-	-	-	755
Other liabilities	409,219	752	147	534	28,280	7,308	-	446,240
Lease liabilities	-	152	152	305	589	-	-	1,198
Subordinated sukuk	-	7,973	1,369	-	1,100,000	-	-	1,109,342
Total liabilities	65,637,425	31,339,774	17,380,683	12,928,782	6,715,685	568,623	-	134,570,972
Net liquidity gap	(44,790,408)	(29,374,392)	(15,779,060)	(10,020,019)	10,107,145	96,484,406	2,028,584	

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.1 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

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.1 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	

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.2 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 2022

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	56,452,393	23,991,460	13,152,920	8,554,043	1,426,011	38,233	-	103,615,060
Investment accounts of customers	2,481,450	2,119,906	3,941,262	4,719,138	138,253	649,523	-	14,049,532
Deposits and placements of banks and other financial institutions	2,581,491	4,584,380	111,103	-	163,581	-	-	7,440,555
Collateralised Commodity Murabahah	-	607,739	346,967	-	973,020	-	-	1,927,726
Investment accounts due to designated financial institutions	3,583,378	-	-	-	-	-	-	3,583,378
Financial liabilities designated at fair value through profit or loss	3,374	6,431	9,356	36,664	3,290,555	166	-	3,346,546
Amount due to related companies	755	-	-	-	-	-	-	755
Other liabilities	357,527	755	150	534	28,281	7,308	-	394,555
Lease liabilities	-	152	152	305	610	-	-	1,219
Subordinated sukuk	-	15,041	7,370	22,534	1,188,758	-	-	1,233,703
	65,460,368	31,325,864	17,569,280	13,333,218	7,209,069	695,230	-	135,593,029
Financial guarantees	337,341	-	-	-	-	-	-	337,341
Credit related commitments and contingencies	14,863,547	105,054	51,265	4,015	155,872	12,523,398	-	27,703,151
	15,200,888	105,054	51,265	4,015	155,872	12,523,398	-	28,040,492

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.2 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 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

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.2 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 2022	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	56,452,393	23,991,460	13,152,920	8,554,043	1,426,011	38,233	-	103,615,060
Investment accounts of customers	2,481,450	2,119,906	3,941,262	4,719,138	138,253	649,523	-	14,049,532
Deposits and placements of banks and other financial institutions	2,581,491	4,584,380	111,103	-	163,581	-	-	7,440,555
Collateralised Commodity Murabahah	-	607,739	346,967	-	973,020	-	-	1,927,726
Investment accounts due to designated financial institutions	3,583,378	-	-	-	-	-	-	3,583,378
Financial liabilities designated at fair value through profit or loss	3,374	6,431	9,356	36,664	3,290,555	166	-	3,346,546
Amount due to subsidiaries	46	-	-	-	-	-	-	46
Amount due to related companies	755	-	-	-	-	-	-	755
Other liabilities	357,527	755	150	534	28,281	7,308	-	394,555
Lease liabilities	-	152	152	305	610	-	-	1,219
Subordinated sukuk	-	15,041	7,370	22,534	1,188,758	-	-	1,233,703
	65,460,414	31,325,864	17,569,280	13,333,218	7,209,069	695,230	-	135,593,075
Financial guarantees	337,341	-	-	-	-	-	-	337,341
Credit related commitments and contingencies	14,863,547	105,054	51,265	4,015	155,872	12,523,398	-	27,703,151
	15,200,888	105,054	51,265	4,015	155,872	12,523,398	-	28,040,492

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.2 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

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)

<u>**Derivative financial liabilities**</u>

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.

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.2 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 2022							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	**(1,650)**	-	-	-	-	-	-	**(1,650)**
- Profit rate derivatives	**(246,448)**	-	-	-	-	-	-	**(246,448)**
- Equity related derivatives	**(124)**	-	-	-	-	-	-	**(124)**
- Commodity related derivatives	**(8)**	-	-	-	-	-	-	**(8)**
- Credit related contracts	**(477)**	-	-	-	-	-	-	**(477)**
Hedging derivatives:								
- Profit rate derivatives	**(493)**	**(75)**	**72**	**(246)**	**(2,266)**	**537**	-	**(2,471)**
	(249,200)	**(75)**	**72**	**(246)**	**(2,266)**	**537**	-	**(251,178)**

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.2 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 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)

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.2 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 2022							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Derivative financial liabilities								
Trading derivatives								
Foreign exchange derivatives	(482,534)	-	-	-	-	-	-	(482,534)
	(482,534)	-	-	-	-	-	-	(482,534)

51 Financial Risk Management (Continued)

51.3 Liquidity Risk (Continued)

51.3.2 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 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)

51 Financial Risk Management (Continued)

51.4 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.

51.4.1 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.

51 Financial Risk Management (Continued)

51.4 Fair value estimation (Continued)

51.4.1 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;

51 Financial Risk Management (Continued)

51.4 Fair value estimation (Continued)

51.4.1 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 2022		
Recurring fair value measurements		
Financial assets		
Financial assets at fair value through profit or loss		
-Money market instruments	**1,659,213**	**1,659,213**
-Unquoted securities	**383,013**	**383,013**
Debt instruments at fair value through other comprehensive income		
-Money market instruments	**1,550,180**	**1,550,180**
-Unquoted securities	**3,450,204**	**3,450,204**
Derivative financial instruments:		
-Trading derivatives	**449,930**	**449,930**
-Hedging derivatives	**16,965**	**16,965**
Total	**7,509,505**	**7,509,505**
Recurring fair value measurements		
Financial liabilities		
Derivative financial instruments:		
-Trading derivatives	**731,241**	**731,241**
-Hedging derivatives	**1,483**	**1,483**
Financial liabilities designated at fair value through profit or loss	**2,857,004**	**2,857,004**
Total	**3,589,728**	**3,589,728**

51 Financial Risk Management (Continued)

51.4 Fair value estimation (Continued)

51.4.1 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	Carrying amount
	RM'000	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

Notes to the Financial Statements for the financial year ended 31 December 2022 (Continued)

51 Financial Risk Management (Continued)

51.4 Fair value estimation (Continued)

51.4.2 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 2022 and 31 December 2021 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 2022			
Assets			
Debt instruments at amortised cost	**9,361,464**	**9,402,850**	**9,402,850**
Financing, advances and other financing/loans	**107,592,751**	**108,069,591**	**108,069,591**
Total	**116,954,215**	**117,472,441**	**117,472,441**
Liabilities			
Deposits from customers	**102,825,976**	**102,844,747**	**102,844,747**
Investment accounts of customers	**13,684,632**	**13,737,357**	**13,737,357**
Deposits and placements of banks and other financial institutions	**7,408,739**	**7,392,497**	**7,392,497**
Collateralised Commodity Murabahah	**1,927,726**	**1,875,589**	**1,875,589**
Subordinated Sukuk	**1,109,342**	**1,106,439**	**1,106,439**
Total	**126,956,415**	**126,956,629**	**126,956,629**

51 Financial Risk Management (Continued)

51.4 Fair value estimation (Continued)

51.4.2 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 2022 and 31 December 2021 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 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

51 Financial Risk Management (Continued)

51.4 Fair value estimation (Continued)

51.4.2 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 2022 and 31 December 2021 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 2022			
Assets			
Debt instruments at amortised cost	**9,361,464**	**9,402,850**	**9,402,850**
Financing, advances and other financing/loans	**107,592,751**	**108,069,591**	**108,069,591**
Total	**116,954,215**	**117,472,441**	**117,472,441**
Liabilities			
Deposits from customers	**102,825,976**	**102,844,747**	**102,844,747**
Investment accounts of customers	**13,684,632**	**13,737,357**	**13,737,357**
Deposits and placements of banks and other financial institutions	**7,408,739**	**7,392,497**	**7,392,497**
Collateralised Commodity Murabahah	**1,927,726**	**1,875,589**	**1,875,589**
Subordinated Sukuk	**1,109,342**	**1,106,439**	**1,106,439**
Total	**126,956,415**	**126,956,629**	**126,956,629**

51 Financial Risk Management (Continued)

51.4 Fair value estimation (Continued)

51.4.2 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 2022 and 31 December 2021 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 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

51 Financial Risk Management (Continued)

51.4 Fair value estimation (Continued)

51.4.2 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.

51 Financial Risk Management (Continued)

51.4 Fair value estimation (Continued)

51.4.2 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.

51 Financial Risk Management (Continued)

51.4 Fair value estimation (Continued)

51.4.2 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 lease 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.

51 Financial Risk Management (Continued)

51.4 Fair value estimation (Continued)

51.4.2 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.

52 Directors of subsidiaries of the Bank

The following is the list of directors who served on the Boards of the subsidiaries of the Group since the beginning of the current financial year to the date of the directors' report:

Name of Company	Name of Directors
CIMB Islamic Nominees (Asing) Sdn Bhd	1. Rosmawarni Abdul Samad 2. Datin Ezreen Eliza Zulkiplee
CIMB Islamic Nominees (Tempatan) Sdn Bhd	1. Rosmawarni Abdul Samad 2. Datin Ezreen Eliza Zulkiplee

53 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 8 March 2023.