

Company No: 197401001266 (18417-M)

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

Company No: 197401001266 (18417-M)

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

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CIMB Investment Bank Berhad

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Directors' Report for the financial year ended 31 December 2021

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

Principal activities

The principal activities of the Bank during the financial year are investment banking and the provision of related financial services. The principal activities of the subsidiaries during the financial year are as set out in Note 10 to the Financial Statements, consist of provision of nominee services. There was no significant change in the nature of these activities during the financial year.

Financial results

	The Group	The Bank
	RM'000	RM'000
Net profit after taxation	31,400	30,481

Dividends

The Directors have proposed an interim dividend comprising 30.48 sen per ordinary share, amounting to RM30,480,000 in respect of the financial year ended 31 December 2021, which was approved by the Board of Directors in a resolution dated 26 January 2022.

An interim dividend comprising 50.82 sen per ordinary share, amounting to RM50,820,000 in respect of the financial year ended 31 December 2020, which was approved by the Board of Directors on 27 January 2021, was paid on 17 March 2021.

A single tier interim dividend of 68 sen per ordinary share, amounting to RM68,000,000 in respect of the financial year ended 31 December 2019, which was approved by the Board of Directors on 29 January 2020, was paid on 17 March 2020.

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.

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

Issuance of shares

There were no changes to authorised, issued and paid up capital of the Bank during the financial year.

Share-based employee benefit plan

The Bank's employee benefit schemes are explained in Note 35 to the Financial Statements.

Bad and doubtful debts, and 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 debts and financing and the making of allowance for doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and that adequate allowance had been made for doubtful debts and financing.

At the date of this Report, the Directors are not aware of any circumstances which would render the amounts written off for bad debts and financing, or the amount of the allowance for doubtful debts and financing in the Financial Statements of the Group and of the 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 debts and financing, which were unlikely to realise in the ordinary course of business, including the values of current assets as shown in the accounting records of the Group and of the 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 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

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

Contingent and other liabilities (Continued)

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

- (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 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 38 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 names of 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:

Teoh Su Yin (appointed on 1 July 2021)
Dato' Robert Cheim Dau Meng (retired on 1 July 2021)
Nadzirah binti Abd Rashid
Didi Syafruddin Yahya
Manu Bhaskaran
Surina binti Shukri (appointed on 1 January 2022)
Jefferi Mahmud Hashim

In accordance with Articles 84 of the Bank's Constitution, Ms Teoh Su Yin and Puan Surina binti Shukri will retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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**Directors' Report
for the financial year ended 31 December 2021 (Continued)****Directors' interests in shares, share options and debentures**

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

	As at 1 January/ Date of appointment	Number of ordinary shares		As at 31 December
		Acquired/ Granted	Disposed/ Vested	
Ultimate holding company				
CIMB Group Holdings Berhad				
Jefferi Mahmud Hashim	475,166	118,139 ^(a)	(99,719) ^(b)	493,586
Didi Syafruddin Yahya**	23,962	22,829 ^(a)	-	46,791

** Include shareholding of spouse and children, details of which are as follows:

	As at 1 January	Acquired/ Granted	Disposed/ Vested	As at 31 December
Sarina Mahmood Merican	23,962	22,829 ^(a)	-	46,791

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

^(b) Shares released from EOP account and transferred into Director's account

Other than as disclosed in the previous page, according to the Register of Directors' Shareholdings, the Directors in the office at the end of the financial year did not hold any interest in shares, and option over shares and debentures of the Bank, the holding company, the ultimate holding company or its related companies during the financial year.

Long Term Incentive Plan ("LTIP")

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

The LTIP is awarded to employees who hold senior management positions and key roles within the CIMB Group and its subsidiary companies, and who 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

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

Directors' interests in shares, share options and debentures (Continued)

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

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

Details of LTIP are as set out in Note 35 to the Financial Statements.

(i) Details of ESOS shares awarded:

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

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

Award Date	As at	Movement during the year		As at
	1 January 2021	Awarded	Forfeited	31 December 2021
	(Units'000)	(Units'000)	(Units'000)	(Units'000)
9 June 2021	-	4,047	-	4,047

(ii) Details of SGP shares awarded

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

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

Directors' interests in shares, share options and debentures (Continued)

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

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

Award Date	As at	Movement during the year		As at
	1 January 2021	Awarded	Forfeited	31 December 2021
	(Units'000)	(Units'000)	(Units'000)	(Units'000)
9 June 2021	-	293	-	293

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

Name	The Group		The Bank	
	No of ESOS Awarded	No of SGP Awarded	No of ESOS Awarded	No of SGP Awarded
	(Units'000)	(Units'000)	(Units'000)	(Units'000)
Jefferi Mahmud Hashim	1,627	118	1,627	118
Key Management Personnel	-	-	553	40

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 29 to the Financial Statements or the fixed salary as a full time employee of the Bank) by reason of a contract made by the Bank or a related company 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 and Long Term Incentive Plan of the ultimate holding company (see Note 35 of the Financial Statements) as disclosed in this Report.

Subsidiaries

Details of subsidiaries are as set out in Note 10 to the Financial Statements.

Auditors' Remuneration

Details of auditors' remuneration are as set out in Note 28 to the Financial Statements.

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

2021 Business Review

Investment banking activities has picked up considerably in 2021 compared to 2020 despite the growing number of Covid-19 cases, political uncertainties and other external headwinds. From the investment banking perspective, the bank's Investment Banking activities ended 2021 at the top of the Malaysia Debt Capital Markets (DCM) and Malaysia Islamic DCM league table with a market share of 20.7% and 24.1% (source: Dealogic). The bank completed nine (9) foreign currency bonds including world's first US Dollars Sustainability Sukuk offering by a sovereign and world's first 30-year (and longest-tenured) Green Sukuk. The bank also topped the Malaysia Equity Capital Markets (ECM) league table with a market share of 20.7%. CIMB IB completed Malaysia's largest primary placement in the last 4 years (since June 2017 to 2021) and Southeast Asia's largest three (3) of the four (4) Financial Institution Group (FIG) block trades in 2021. On the M&A front, The Bank completed four notable Mergers & Acquisitions (M&A) transactions in the chemicals, technology, transportation and power sectors.

Outlook for 2022

The Bank remains cautiously optimistic for 2022 and expects a gradual economic recovery across all our key operating markets on the back of a progressive easing of pandemic restrictions, continued opening of regional economies and sustained stimulus measures undertaken by respective governments. However, the current operating environment warrants caution as uncertainties persist with headwinds brought about by the new COVID-19 variants and mutations, within an environment of impending rising interest rates. The Bank will continue to execute the Forward23+ strategies with increased focus on the Private Banking division. The Investment Banking business should perform better in 2022 as Debt Capital Market ("DCM") and Equity Capital Markets ("ECM") activities are expected to remain resilient, while M&A activities will be opportunistic.

Ratings 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
RAM Rating Services Berhad	May 2021	Long-term Financial Institution Rating	AAA	Stable
		Short-term Financial Institution Rating	P1	
Moody's Investors Service	February 2021	Long-term Issuer Rating	A3	Stable
		Short-term Issuer Rating	P-2	

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

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 Islamic banking and finance activities. In undertaking its duties and responsibilities relating to Shariah, the Board relies on the advice of the Board Shariah Committee of CIMB Group that it established under its core Islamic operating entity, CIMB Islamic Bank Berhad.

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

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

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

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

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

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

Board Shariah Committee (Continued)

The members of the Board Shariah Committee are as follows:

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

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

Significant event during the financial year

There are no significant events during the financial year ended 31 December 2021.

Subsequent events after the financial year end

There are no significant events subsequent to the financial year ended 31 December 2021.

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

Ultimate holding company


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

Auditors

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

This report was approved by the Board of Directors on 14 March 2022.

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



Teoh Su Yin
Chairman



Jefferi Mahmud Hashim
Director
14 March 2022

CIMB Investment Bank Berhad

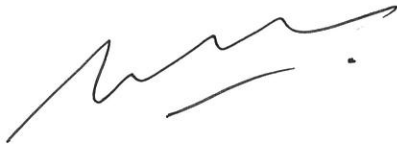
(Incorporated in Malaysia)

Statement by Directors

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

We, Teoh Su Yin and Jeffery Mahmud Hashim, being two of the Directors of CIMB Investment Bank Berhad, hereby state that, in the opinion of the Directors, the Financial Statements set out on pages 20 to 180 are drawn up so as to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2021 and financial performance of the Group and the Bank for the financial year ended 31 December 2021, 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.



Teoh Su Yin
Chairman



Jeffery Mahmud Hashim
Director
14 March 2022

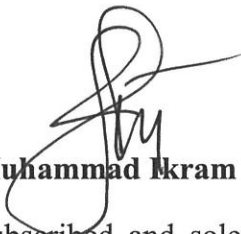
CIMB Investment Bank Berhad

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Statutory Declaration

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

I, Muhammad Ikram Kamarudin, being the Officer primarily responsible for the financial management of CIMB Investment Bank Berhad, do solemnly and sincerely declare that the Financial Statements set out on pages 20 to 180 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.



Muhammad Ikram Kamarudin

Subscribed and solemnly declared by the above named Muhammad Ikram Kamarudin at Kuala Lumpur before me, on 14 March 2022.

Commissioner for Oaths



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

CIMB Investment 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 CIMB Islamic Bank Berhad, 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 Islamic banking and finance businesses does not have elements/activities which are not permissible under Shariah. In undertaking our duties we shall follow and adhere to the decisions, views and opinions of the Shariah Advisory Council of the relevant Malaysian financial regulators for businesses undertaken in Malaysia and for businesses outside Malaysia we shall take into consideration the decisions, views and opinions of the relevant authority on Shariah matters (if any, sanctioned by law/regulation to be followed by the 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 Islamic banking and finance 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 Islamic banking and finance businesses.

In this regard sufficient internal controls are in place to ensure that any new Islamic financial transaction is properly authorised; the Bank's assets and liabilities under its Statement of Financial Positions 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.

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

Board Shariah Committee's Report (Continued)

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

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

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

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

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Board Shariah Committee's Report (Continued)

affairs and activities Bank's Islamic banking and finance business involve any material Shariah non-compliances

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2021 that were presented to us were done in compliance with Shariah;
2. There were no earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes.

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.

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

On behalf of the Board Shariah Committee



Dr. Shafaai bin Musa
Chairman



Associate Professor Dr. Aishath Muneeza
Member

Kuala Lumpur
14 March 2022



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CIMB INVESTMENT BANK BERHAD
(Incorporated in Malaysia)
Registration No. 197401001266 (18417-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

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

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 20 to 180.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CIMB INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 197401001266 (18417-M)

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.

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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CIMB INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 197401001266 (18417-M)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (Continued)

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.
- (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.



INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF CIMB INVESTMENT BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
Registration No. 197401001266 (18417-M)

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.

A handwritten signature in black ink, appearing to read 'Pricewaterhousecoopers' followed by a stylized mark.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

A handwritten signature in black ink, appearing to read 'NG YEE LING'.

NG YEE LING
03032/01/2023 J
Chartered Accountant

Kuala Lumpur
14 March 2022

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

**Statements of Financial Position
as at 31 December 2021**

	Note	The Group		The Bank	
		31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Assets					
Cash and short term funds	2	593,252	544,606	588,975	543,664
Reverse repurchase agreements	3	-	53,670	-	53,670
Deposits and placements with banks and other financial institutions	4	10	10	-	-
Financial investments at fair value through profit or loss	5	-	1,978	-	1,978
Equity instruments at fair value through other comprehensive income	6	867	867	-	-
Other assets	7	26,831	30,402	26,020	29,591
Tax recoverable		24,624	32,216	24,624	32,216
Deferred taxation	8	11,431	9,551	11,431	9,551
Amounts due from ultimate holding company and related companies	33	9,761	40,313	9,761	40,313
Statutory deposits with Bank Negara Malaysia	9	50	50	50	50
Investment in subsidiaries	10	-	-	50	50
Investment in associates	11	6,304	8,714	-	-
Property, plant and equipment	12	9,877	14,744	9,877	14,744
Intangible assets	13	31,659	27,280	31,659	27,280
Right-of-use assets	14	6,337	10,390	6,337	10,390
Investment properties	15	-	16,304	-	16,304
		721,003	791,095	708,784	779,801
Non-current assets held for sale	40	15,832	-	15,832	-
Total assets		736,835	791,095	724,616	779,801
Liabilities					
Deposits from customers	16	35,032	45,061	35,032	45,061
Deposits and placements of banks and other financial institutions	17	10,822	25,860	10,822	25,860
Other liabilities	18	63,563	68,208	63,536	68,202
Lease liabilities	19	7,016	11,063	7,016	11,063
Amounts due to subsidiaries and related companies	33	9,694	9,946	9,687	9,924
Total liabilities		126,127	160,138	126,093	160,110
Capital and reserves attributable to owners of the Parent					
Ordinary share capital	20	100,000	100,000	100,000	100,000
Redeemable preference shares	21	10	10	10	10
Reserves	22	510,698	530,947	498,513	519,681
Total equity		610,708	630,957	598,523	619,691
Total equity and liabilities		736,835	791,095	724,616	779,801
Commitments and contingencies	37	14,044	-	14,044	-
Net assets per ordinary share attributable to owners of the Parent (RM)		6.11	6.31	5.99	6.20

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

	Note	The Group		The Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Interest income	23	9,094	11,467	9,064	11,449
Interest income for financial assets at fair value through profit or loss	24	56	25	56	25
Interest expense	25	(1,605)	(2,801)	(1,605)	(2,801)
Net interest income		7,545	8,691	7,515	8,673
Income from Islamic Banking operations	42	27,749	23,802	27,749	23,802
Expected credit losses made on trade receivables	26	(3,816)	(1,376)	(3,816)	(1,376)
		31,478	31,117	31,448	31,099
Non-interest income	27	193,495	201,869	193,495	201,869
Total income		224,973	232,986	224,943	232,968
Overheads	28	(183,276)	(168,834)	(183,222)	(168,805)
		41,697	64,152	41,721	64,163
Share of results of associates	11	950	344	-	-
Profit before taxation		42,647	64,496	41,721	64,163
Taxation	30	(11,247)	(13,338)	(11,240)	(13,334)
Profit for the financial year		<u>31,400</u>	<u>51,158</u>	<u>30,481</u>	<u>50,829</u>
Profit for the financial year attributable to :					
Owners of the Parent		<u>31,400</u>	<u>51,158</u>	<u>30,481</u>	<u>50,829</u>
Basic earnings per share for profit attributable to ordinary equity holders of the Parent	31	31.40	51.16	30.48	50.83

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit for the financial year	31,400	51,158	30,481	50,829
<u>Other comprehensive income</u>				
Items that will not be reclassified to profit or loss:				
Equity instruments at fair value through other comprehensive income				
- Net gain from change in fair value	-	23	-	-
Other comprehensive income for the financial year, net of tax	-	23	-	-
Total comprehensive income for the financial year	31,400	51,181	30,481	50,829

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

		← Attributable to owners of Parent →							
	Note	Ordinary share capital RM'000	Redeemable preference shares RM'000	Reserve-equity instruments at fair value through other comprehensive income RM'000	Share-based payment reserve RM'000	Capital contribution by ultimate holding company RM'000	Regulatory reserve RM'000	Retained profits RM'000	Total RM'000
The Group									
At 1 January 2021		100,000	10	(5,968)	2,709	-	-	534,206	630,957
Profit for the financial year		-	-	-	-	-	-	31,400	31,400
Share-based payment expense	35	-	-	-	1,557	643	-	-	2,200
Shares released under Equity Ownership Plan	35	-	-	-	(3,029)	-	-	-	(3,029)
Transfer from regulatory reserve	22	-	-	-	-	-	93	(93)	-
Interim dividend paid in respect of the financial year ended 31 December 2020	32	-	-	-	-	-	-	(50,820)	(50,820)
At 31 December 2021		100,000	10	(5,968)	1,237	643	93	514,693	610,708

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

	← Attributable to owners of Parent →							Total RM'000
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Reserve-equity instruments at fair value through other comprehensive income RM'000	Share-based payment reserve RM'000	Regulatory reserve RM'000	Retained profits RM'000		
Note								
The Group								
At 1 January 2020	100,000	10	(5,991)	4,303	116	550,932	649,370	
Profit for the financial year	-	-	-	-	-	51,158	51,158	
-Equity instruments at fair value through other comprehensive income	-	-	23	-	-	-	23	
Total comprehensive income for the financial year	-	-	23	-	-	51,158	51,181	
Share-based payment expense	35	-	-	3,718	-	-	3,718	
Shares released under Equity Ownership Plan	35	-	-	(5,312)	-	-	(5,312)	
Transfer from regulatory reserve	22	-	-	-	(116)	116	-	
Interim dividend paid in respect of the financial year ended 31 December 2019	32	-	-	-	-	(68,000)	(68,000)	
At 31 December 2020	100,000	10	(5,968)	2,709	-	534,206	630,957	

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

Note	← Non-distributable →				← Distributable →				Total RM'000
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Share-based payment reserve RM'000	Capital contribution by ultimate holding company RM'000	Reserve equity instruments at fair value through other comprehensive income RM'000	Regulatory reserve RM'000	Retained profits RM'000		
The Bank									
At 1 January 2021	100,000	10	2,709	-	(6,331)	-	523,303	619,691	
Profit for the financial year	-	-	-	-	-	-	30,481	30,481	
Share-based payment expense	35	-	1,557	643	-	-	-	2,200	
Shares released under Equity Ownership Plan	35	-	(3,029)	-	-	-	-	(3,029)	
Transfer from regulatory reserve	22	-	-	-	-	93	(93)	-	
Interim dividend paid in respect of the financial year ended 31 December 2020	32	-	-	-	-	-	(50,820)	(50,820)	
At 31 December 2021	100,000	10	1,237	643	(6,331)	93	502,871	598,523	

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

	← Non-distributable →					← Distributable →		Total RM'000
	Ordinary share capital RM'000	Redeemable preference shares RM'000	Share-based payment reserve RM'000	Reserve equity instruments at fair value through other comprehensive income RM'000	Regulatory reserve RM'000	Retained profits RM'000		
Note								
The Bank								
At 1 January 2020	100,000	10	4,303	(6,331)	116	540,358	638,456	
Profit for the financial year	-	-	-	-	-	50,829	50,829	
Share-based payment expense	35	-	3,718	-	-	-	3,718	
Shares released under Equity Ownership Plan	35	-	(5,312)	-	-	-	(5,312)	
Transfer from regulatory reserve	22	-	-	-	(116)	116	-	
Interim dividend paid in respect of the financial year ended 31 December 2019	32	-	-	-	-	(68,000)	(68,000)	
At 31 December 2020	100,000	10	2,709	(6,331)	-	523,303	619,691	

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

	Note	The Group		The Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Operating activities					
Profit before taxation		42,647	64,496	41,721	64,163
Adjustments for :					
Interest expense on lease liabilities		339	474	339	474
Depreciation of right-of-use assets		2,610	2,931	2,610	2,931
Depreciation of investment properties		472	515	472	515
Depreciation of property, plant and equipment		4,859	4,836	4,859	4,836
Amortisation of intangible assets		5,218	1,350	5,218	1,350
Expected credit losses made on trade receivables (net)		3,816	1,376	3,816	1,376
Accretion of discount less amortisation of premium		7	2	7	2
Unrealised loss/(gain) arising from financial investments at fair value through profit or loss		17	(5)	17	(5)
Gain on disposal of property, plant and equipment		(47)	(122)	(47)	(122)
Unrealised foreign exchange (gain)/loss		(223)	634	(223)	634
Share of results of associates	11	(950)	(344)	-	-
Share-based payment expense		2,200	3,718	2,200	3,718
Cash flow from operating profit before changes in operating assets and liabilities		60,965	79,861	60,989	79,872
Decrease/(increase) in operating assets					
Reverse repurchase agreements		53,670	(2,646)	53,670	(2,646)
Financial investments at fair value through profit or loss		1,955	(1,401)	1,955	(1,401)
Other assets		(3,051)	393	(3,051)	393
Statutory deposits with Bank Negara Malaysia		-	41	-	41
Right-of-use assets		1,444	264	1,444	264
Amounts due from related companies		30,547	(3,184)	30,547	(3,184)
Amounts due from ultimate holding company		5	6,620	5	6,620
		84,570	87	84,570	87
(Decrease)/increase in operating liabilities					
Deposits from customers		(10,029)	35,041	(10,029)	35,041
Deposits and placements of banks and other financial institutions		(15,038)	(65,208)	(15,038)	(65,208)
Lease liabilities		(3,878)	(269)	(3,878)	(269)
Other liabilities		(4,646)	(22,492)	(4,667)	(22,492)
Amounts due to related companies		(252)	(12,508)	(257)	(12,501)
Amounts due to subsidiaries		-	-	20	-
Cash used in operating activities		111,692	14,512	111,710	14,530
Taxation paid		(5,535)	(12,020)	(5,528)	(12,017)
Net cash generated from operating activities		106,157	2,492	106,182	2,513

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

	Note	The Group		The Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Investing activities					
Dividends received from associates	11	3,360	-	-	-
Purchase of intangible assets	13	(14,019)	(12,495)	(14,019)	(12,495)
Purchase of property, plant and equipment	12	(72)	(677)	(72)	(677)
Proceeds from disposal of intangible assets		4,421	3,261	4,421	3,261
Proceeds from disposal of property, plant and equipment		127	138	127	138
Net cash used in investing activities		(6,183)	(9,773)	(9,543)	(9,773)
Financing activities					
Repayment of lease liabilities		(508)	(3,118)	(508)	(3,118)
Dividends paid		(50,820)	(68,000)	(50,820)	(68,000)
Net cash used in financing activities		(51,328)	(71,118)	(51,328)	(71,118)
Net increase/(decrease) in cash and cash equivalents during the financial year		48,646	(78,399)	45,311	(78,378)
Cash and cash equivalents at beginning of the financial year		544,606	623,005	543,664	622,042
Cash and cash equivalents at end of the financial year		593,252	544,606	588,975	543,664
Cash and cash equivalents comprise the following:					
Cash and short term funds	2	593,252	544,606	588,975	543,664
Deposits and placements with banks and other financial	4	10	10	-	-
		593,262	544,616	588,975	543,664
Less: Cash and short-term funds and deposits and with placements financial institutions, with original maturity of more than three months		(10)	(10)	-	-
Cash and cash equivalents		593,252	544,606	588,975	543,664

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

	The Group and the Bank	
	Lease liabilities	
	2021 RM'000	2020 RM'000
As at 1 January	11,063	13,976
Repayment and redemption	(508)	(3,118)
Other non cash movement	(3,539)	205
At 31 December	7,016	11,063

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

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

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 financial assets at fair value through profit or loss and equity instruments at fair value through other comprehensive income.

The Financial Statements incorporate those activities relating to Islamic banking (“SPI”) which have been undertaken by the Group. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic Securities in compliance with Shariah Principles.

The preparation of Financial Statements in conformity with the 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.

There are no critical accounting estimates and assumptions used that are significant to the Financial Statements.

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

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

- Amendments to MFRS 16 “COVID-19 Related Rent Concessions”

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

A Basis of preparation (Continued)

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

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

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

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

- **Amendment to MFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021”**

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

(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:

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

- **Amendments to MFRS 116 ‘Proceeds before intended use’**

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

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

The amendments shall be applied retrospectively.

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

A Basis of preparation (Continued)

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

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

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

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

It clarifies that only fees paid or received between the borrower and the lender, including the fees paid or received on each other’s behalf, are included in the cash flow of the new loan when performing the 10% test.

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

- **Amendments to MFRS 3 ‘Reference to Conceptual Framework’**

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

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

The amendments shall be applied prospectively.

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

A Basis of preparation (Continued)

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

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

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

- **Amendments to MFRS 137 “Onerous Contracts – Cost of Fulfilling a Contract”**

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

The amendments shall be applied prospectively.

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

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

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

If the right to defer settlement of a liability is subject to the entity complying with specified conditions (for example, debt covenants), the right exists at the end of the reporting period only if the entity complies with those conditions at that date. The amendments further clarify that the entity must comply with the conditions at the end of the reporting period even if the 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

The amendments shall be applied retrospectively.

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

A Basis of preparation (Continued)

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

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

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

- **Amendments to MFRS 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.

- **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.

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

A Basis of preparation (Continued)

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

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

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

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

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.

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.

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

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

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

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

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

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

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.

(b) 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.

(c) Associates

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

B Economic entities in the Group (Continued)

(c) Associates (Continued)

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

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

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

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

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

B Economic entities in the Group (Continued)

(d) Interests in subsidiaries and associates

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

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

C Recognition of interest/profit income and interest/profit expense

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

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

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

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

CIMB Investment Bank Berhad

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

D Recognition of fees and other income

The Group earns fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Group has satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates or amount agreed with customers. 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. These fees constitute a single performance obligation.
- For a service that is provided over a period of time, fee and commission income is recognised on an equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services will be billed periodically over time.

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

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

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

E 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 interest revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset’s performance is evaluated and reported to key management personnel.

Assessment whether contractual cash flows are solely payments of principal and interest (“SPPI”)

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

E Financial assets (Continued)

(a) Classification (Continued)

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. 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.

- (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 interest 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 interest 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.

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

E Financial assets (Continued)

(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 interest.

(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 interest, and that are not designated at fair value through profit or loss are measured at amortised cost using effective interest/profit method. Any gain or loss on a debt investment measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using the effective interest rate method.

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

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment losses or reversal of impairment losses, interest income and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in non-interest income. Interest income from these financial assets is included in interest income using the effective interest rate method.

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

E Financial assets (Continued)

Debt instruments (Continued)

(c) Subsequent measurement (Continued)

(iii) Fair value through profit or loss (“FVTPL”)

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

Equity instruments

The Group and the Bank subsequently measure all equity investments at fair value, except where the management has elected at initial recognition to irrevocably designate at equity instruments 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 income when the Group’s and the Bank’s right to receive payments is established.

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

(a) 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 asset. However, it will be inappropriate to reclassify financial assets that have been designated at fair value through profit or loss, or equity instrument that have been designated at FVOCI, even when there is a change of business model. Such designations are irrevocable.

F 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 repurchase agreements transactions is not derecognised because the Group and the Bank retain substantially all the risks and rewards on the basis of the predetermined repurchase price, and the criteria for derecognition are therefore not met.

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

G Offsetting financial instruments

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

H 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 and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

- (i) Financial assets accounted for at amortised cost and FVOCI.

The Group and the Bank use general 3-stage approach for financial assets accounted for at amortised cost and FVOCI which reflect their credit risk and how the ECL is determined for each of those categories.

A summary of the assumptions underpinning the Group’s and the 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 interest income is calculated on the gross carrying amount of the financial assets.
- (b) Stage 2: Lifetime ECL – not credit impaired
Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and interest income is calculated on the gross carrying amount of the financial assets.
- (c) Stage 3: Lifetime ECL – credit impaired
Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and interest income is calculated on the net carrying amount of the financial assets.

The Group and the 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.

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

H Impairment of financial assets (Continued)

(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.

I Sale and repurchase agreements

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

Conversely, obligations on securities sold under repurchase agreements (“repurchase agreements”) are securities which the Group and the Bank had sold from its portfolio, with a commitment to repurchase at future dates. Such financing transactions and the obligation to repurchase the securities are reflected as a liability on the statements of financial position.

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

J 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 year in which they are incurred.

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

J Property, plant and equipment (Continued)

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

Office equipment, furniture & fittings	
- office equipment	3 to 10 years
- furniture and fixtures	5 to 10 years
Renovations to rented premises	5-10 years or over the period of the tenancy, whichever is shorter
Computer equipment and hardware	3 - 7 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 non-interest income.

K Intangible assets

Intangible assets consists of computer software and license. Intangible assets are 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. The value of intangible assets which are acquired in a business combination is generally determined using fair value at acquisition. Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Intangible assets that have a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, and are amortised over their estimated useful lives. Computer software and license are amortised over their finite useful lives of 3-15 years.

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(Incorporated in Malaysia)

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

L Investment properties

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

Investment properties of the Group and the Bank are stated at cost less accumulated depreciation and accumulated impairment loss. The buildings on leasehold land are depreciated on a straight line basis over their estimated useful lives of 50 years.

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

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

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 (i.e. the commencement date).

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

(i) Lease term

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

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

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

(iii) Lease liabilities

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

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

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

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

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

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

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

(iv) Short term leases and leases of low value assets

The Group elects to apply MFRS 16 recognition exemption such as short-term leases and leases for which the underlying asset is of low value. Short-term leases are leases with a lease term of 12 months or less with no purchase option. Low-value assets comprise IT equipment and small items of office furniture with value of RM20,000 (or equivalent to USD 5,000) 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.

N Leases – the Group and the Bank as lessor

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

(a) Finance lease

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

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

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

(b) Operating lease

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

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

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

O 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.

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

P Income and deferred taxes

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

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

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

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

P Income and deferred taxes (Continued)

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

Deferred income tax related to fair value re-measurement of 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 the deferred gain or loss.

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

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

Q 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 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.

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

Q Share capital (Continued)

(d) Basic 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 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 interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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

R 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 and sick leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

(b) Post employment benefits

The Group and the Bank have a defined contribution plan for its employees.

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 defined contribution plans 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) 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 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.

CIMB Investment Bank Berhad

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

R Employee benefits (Continued)

(d) 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 35(ii).

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

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

Employee Ownership Plan (“EOP”)

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.

CIMB Investment Bank Berhad

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

S 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 statement of income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

T 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 interest expense.

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

U Cash and cash equivalents

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

V 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; 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.

W Non-current assets held for sale

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

Non-current assets are not depreciated or amortised while they are classified as held for sale.

X Trust activities

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

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

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

1 General information

The principal activities of the Bank are investment banking and the provision of related financial services. The principal activities of its subsidiaries, as set out in Note 10 to the Financial Statements, consist of the provision of nominee services. There was no significant change in the nature of these activities during the financial year.

The immediate holding company is CIMB Group Sdn. Bhd. (“CIMBG”) and the Directors regard CIMB Group Holdings Berhad (“CIMB Group”), a company listed on the Main Board of the Bursa Malaysia Securities Berhad, as the Bank’s ultimate holding company. Both companies are incorporated in Malaysia.

The Bank is a public limited liability company, incorporated and domiciled in Malaysia.

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

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

2 Cash and short term funds

	The Group		The Bank	
	31 December 2021 RM’000	31 December 2020 RM’000	31 December 2021 RM’000	31 December 2020 RM’000
Cash and balances with banks and other financial institutions	21,084	21,395	20,708	21,324
Money at call and deposit placements maturing within one month	572,168	523,211	568,267	522,340
	<u>593,252</u>	<u>544,606</u>	<u>588,975</u>	<u>543,664</u>

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****3 Reverse repurchase agreements**

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
Reverse repurchase agreements - at amortised cost	<u>-</u>	<u>53,670</u>

4 Deposits and placements with banks and other financial institutions

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	RM'000	RM'000	RM'000	RM'000
Licensed banks	<u>10</u>	<u>10</u>	<u>-</u>	<u>-</u>

5 Financial investments at fair value through profit or loss

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
At fair value		
Unquoted securities:		
<i>In Malaysia</i>		
Bonds	<u>-</u>	<u>1,978</u>
Total financial investments at fair value through profit or loss	<u>-</u>	<u>1,978</u>

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****6 Equity instruments at fair value through other comprehensive income**

	The Group		The Bank	
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
At fair value				
Unquoted securities :				
<i>Outside Malaysia</i>				
Shares	<u>867</u>	<u>867</u>	<u>-</u>	<u>-</u>
Total equity instruments at fair value through other comprehensive income	<u>867</u>	<u>867</u>	<u>-</u>	<u>-</u>

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

	The Group		The Bank	
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Unquoted securities				
PT Commerce Kapital	<u>867</u>	<u>867</u>	<u>-</u>	<u>-</u>
Vinashin Securities Limited Liability Company *	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>867</u>	<u>867</u>	<u>-</u>	<u>-</u>

* Fully impaired under MFRS 139 Financial Instruments

7 Other assets

	The Group		The Bank	
	31 December	31 December	31 December	31 December
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Trade and other receivables, net of expected credit losses of RM11,942,000 (2020: RM8,127,000)	(a) 11,298	20,940	11,298	20,940
Deposits, prepayments and others	<u>15,533</u>	<u>9,462</u>	<u>14,722</u>	<u>8,651</u>
	<u>26,831</u>	<u>30,402</u>	<u>26,020</u>	<u>29,591</u>

(a) Movement of lifetime expected credit losses using simplified approach on trade receivables are as follows:

	The Group and the Bank	
	2021	2020
	RM'000	RM'000
At 1 January	8,127	6,835
Net expected credit losses made during the financial year	3,816	1,376
Written off	(1)	(84)
At 31 December	<u>11,942</u>	<u>8,127</u>

CIMB Investment Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****8 Deferred taxation**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts are shown in the statements of financial position, after offsetting:

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
Deferred tax asset (net)	<u>11,431</u>	<u>9,551</u>

The components of deferred tax assets and liabilities during the financial year prior to offsetting of balances within the same tax jurisdiction are as follows:

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
Deferred tax assets (before offsetting)		
Expected credit losses	2,866	1,951
Provision for expenses	9,234	5,565
Post employment benefit obligations	296	650
Lease liabilities	1,684	2,655
Other temporary differences	1,014	1,076
Property, plant and equipment	-	141
Intangible assets	-	6
	<u>15,094</u>	<u>12,044</u>
Offsetting	<u>(3,663)</u>	<u>(2,493)</u>
Deferred tax assets (after offsetting)	<u>11,431</u>	<u>9,551</u>
Deferred tax liabilities (before offsetting)		
Property, plant and equipment	(16)	-
Right-of-use assets	(1,521)	(2,493)
Intangible assets	(2,126)	-
	<u>(3,663)</u>	<u>(2,493)</u>
Offsetting	<u>3,663</u>	<u>2,493</u>
Deferred tax liabilities (after offsetting)	<u>-</u>	<u>-</u>

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****8 Deferred taxation (Continued)**

The gross movements on the deferred taxation account are as follows:

	Note	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Right-of-use assets RM'000	Other temporary differences RM'000	Intangible assets RM'000	Provision for expenses RM'000	Lease liabilities RM'000	Post employment benefit obligations RM'000	Total RM'000
The Group and the Bank										
<u>Deferred tax assets/(liabilities)</u>										
At 1 January 2021		1,951	141	(2,493)	1,076	6	5,565	2,655	650	9,551
Credited/(charged) to statements of income	30	915	(168)	972	(322)	(2,132)	3,669	(971)	(354)	1,609
Over provision in prior year		-	11	-	260	-	-	-	-	271
At 31 December 2021		2,866	(16)	(1,521)	1,014	(2,126)	9,234	1,684	296	11,431

	Note	Expected credit losses RM'000	Accelerated tax depreciation RM'000	Right-of-use assets RM'000	Other temporary differences RM'000	Intangible assets RM'000	Provision for expenses RM'000	Lease liabilities RM'000	Post employment benefit obligations RM'000	Total RM'000
The Group and the Bank										
<u>Deferred tax assets/(liabilities)</u>										
At 1 January 2020		1,640	88	(3,261)	1,166	-	12,873	3,355	1,034	16,895
Credited/(charged) to statements of income	30	311	(63)	768	(411)	-	(7,308)	(700)	(384)	(7,787)
Over provision in prior year		-	116	-	321	6	-	-	-	443
At 31 December 2020		1,951	141	(2,493)	1,076	6	5,565	2,655	650	9,551

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****9 Statutory deposits with Bank Negara Malaysia**

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

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

10 Investment in subsidiaries

	The Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
Unquoted shares, at cost	50	50

The subsidiaries of the Bank, all of which are incorporated in Malaysia, are as follows:

Name of subsidiaries	Principal activities	Percentage of equity held directly by the Bank	
		31 December 2021	31 December 2020
		%	%
CIMB Holdings Sdn. Bhd.	Investment holding	100	100
CIMSEC Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
CIMSEC Nominees (Asing) Sdn. Bhd.	Nominee services	100	100
CIMB EOP Management Sdn. Bhd.	Nominee services	100	100
CIMB Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
CIMB Nominees (Asing) Sdn. Bhd.	Nominee services	100	100

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****11 Investment in associates**

	The Group	
	2021	2020
	RM'000	RM'000
At 1 January	8,714	8,370
Share of profit for the financial year	950	344
Dividend paid	(3,360)	-
At 31 December	<u>6,304</u>	<u>8,714</u>

(a) Information about associates:

The principal place of business and country of incorporation of the associates is in Malaysia. All associates are measured using the equity method. There are no available quoted market prices of the investment in associates.

The associates held through CIMB Holdings Sdn. Bhd. are:

Name of associates	Principal activities	Percentage of equity held through the Bank's subsidiary company	
		31 December	31 December
		2021	2020
		%	%
CIMB Islamic Trustee Berhad	Trustee services	20	20
CIMB Commerce Trustee Berhad	Trustee services	20	20

(b) The summarised financial information below represents amounts shown in the associate's Financial Statements prepared in accordance with MFRS (adjusted by the Group for equity accounting purposes).

	CIMB Islamic Trustee As at 31 December	
	2021	2020
	RM'000	RM'000
Total assets	5,435	10,139
Total liabilities	(1,173)	(1,769)
Net assets	<u>4,262</u>	<u>8,370</u>

	Year ended 31 December	
	2021	2020
	RM'000	RM'000
Income	3,758	4,204
Expenses	(2,885)	(3,524)
Profit before taxation	873	680
Taxation	(181)	(312)
Profit for the financial year	<u>692</u>	<u>368</u>

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****11 Investment in associates (Continued)**

- (b) The summarised financial information below represents amounts shown in the associate's Financial Statements prepared in accordance with MFRS (adjusted by the Group for equity accounting purposes). (Continued)

	CIMB Commerce Trustee Berhad	
	As at 31 December	
	2021	2020
	RM'000	RM'000
Total assets	16,570	25,110
Total liabilities	(3,327)	(3,923)
Net assets	13,243	21,187
	=====	=====
	Year ended 31 December	
	2021	2020
	RM'000	RM'000
Income	14,519	11,070
Expenses	(9,160)	(9,094)
Profit before taxation	5,359	1,976
Taxation	(1,303)	(624)
Profit for the financial year	4,056	1,352
	=====	=====

- (c) Reconciliation of the summarised financial information to the carrying amount of the interest in the associates recognised in the consolidated financial statements :

	CIMB Islamic Trustee Berhad		CIMB Commerce Trustee Berhad		Total	
	2021	2020	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Net assets</u>						
As at 1 January	8,370	8,002	21,187	19,835	29,557	27,837
Profit for the financial year	692	368	4,056	1,352	4,748	1,720
Dividends paid	(4,800)	-	(12,000)	-	(16,800)	-
As at 31 December	4,262	8,370	13,243	21,187	17,505	29,557
	=====	=====	=====	=====	=====	=====
Interest in associates (%)	20	20	20	20	20	20
Interest in associates (RM'000)	852	1,674	2,649	4,237	3,501	5,911
Premium on acquisition (RM'000)	-	-	2,803	2,803	2,803	2,803
Carrying value (RM'000)	852	1,674	5,452	7,040	6,304	8,714
	=====	=====	=====	=====	=====	=====

CIMB Investment Bank Berhad

(Incorporated in Malaysia)

**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****12 Property, plant and equipment**

The Group and the Bank	Office equipment and furniture and fittings	Computer equipment and hardware	Motor vehicles	Renovation and work- in-progress	Total
2021	RM'000	RM'000	RM'000	RM'000	RM'000
Cost					
At 1 January 2021	12,266	8,456	402	39,220	60,344
Additions	7	61	-	4	72
Disposals/written off	-	(197)	(283)	(7)	(487)
Reclassification	-	586	-	(586)	-
At 31 December 2021	12,273	8,906	119	38,631	59,929
Accumulated depreciation					
At 1 January 2021	9,877	7,858	400	27,465	45,600
Charge for the financial year	777	439	-	3,643	4,859
Disposals/written off	-	(119)	(282)	(6)	(407)
At 31 December 2021	10,654	8,178	118	31,102	50,052
Net book value as at 31 December 2021	1,619	728	1	7,529	9,877

The Group and the Bank	Note	Office equipment and furniture and fittings	Computer equipment and hardware	Motor vehicles	Renovation and work- in-progress	Total
2020		RM'000	RM'000	RM'000	RM'000	RM'000
Cost						
At 1 January 2020		12,113	57,271	905	39,217	109,506
Additions		153	521	-	3	677
Disposals/written off		-	(359)	(503)	-	(862)
Transfer to intangible assets	13	-	(48,977)	-	-	(48,977)
At 31 December 2020		12,266	8,456	402	39,220	60,344
Accumulated depreciation						
At 1 January 2020		9,085	37,478	903	23,726	71,192
Charge for the financial year		792	305	-	3,739	4,836
Disposals/written off		-	(343)	(503)	-	(846)
Transfer to intangible assets	13	-	(29,582)	-	-	(29,582)
At 31 December 2020		9,877	7,858	400	27,465	45,600
Net book value as at 31 December 2020		2,389	598	2	11,755	14,744

There were no work-in-progress for property, plant and equipment of the Group and the Bank. (2020: RM586,000)

CIMB Investment Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****13 Intangible assets**

	Computer software and work-in- progress RM'000	Total RM'000
The Group and the Bank		
2021		
Cost		
At 1 January	53,157	53,157
Additions during the financial year	14,019	14,019
Disposals/write off during the financial year	(4,450)	(4,450)
At 31 December	62,726	62,726
Accumulated amortisation		
At 1 January	25,878	25,878
Amortisation during the financial year	5,218	5,218
Disposals/write off during the financial year	(29)	(29)
At 31 December	31,067	31,067
Net book value at 31 December 2021	31,659	31,659

	Computer software and work-in- progress RM'000	Total RM'000
The Group and the Bank		
2020		
Cost		
At 1 January	-	-
Additions during the financial year	12,495	12,495
Disposals/write off during the financial year	(8,315)	(8,315)
Transfer from property, plant and equipment	48,977	48,977
At 31 December	53,157	53,157
Accumulated amortisation		
At 1 January	-	-
Amortisation during the financial year	1,350	1,350
Disposals/write off during the financial year	(5,055)	(5,055)
Transfer from property, plant and equipment	29,582	29,582
At 31 December	25,877	25,877
Net book value at 31 December 2020	27,280	27,280

There were no intangible assets included in the software under construction at cost for the Group and the Bank. (2020: RM25,084,000)

The remaining amortisation periods of the intangible assets are as follows:

Computer software 0.3 – 9 years

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****14 Right-of-use assets**

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

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
Buildings	6,337	10,373
Computer equipment	-	17
	6,337	10,390

There are no addition during the financial year (2020: RM34,000). Depreciation charge during the financial year for right-of-use assets are RM 2,610,000 (2020: RM2,931,000).

Short-term leases expenses, low-value leases expenses and variable lease payments expenses that are not included in lease liabilities for the Group and the Bank are as follows:

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
Short-term lease expenses	-	17
Low-value lease expenses	2	9
Variable lease payment expenses	30	-

15 Investment properties

	Note	Building on		Total
		Leasehold land - 50 years or more	leasehold land-50 years or more	
		RM'000	RM'000	RM'000
The Group and the Bank				
Cost				
At 1 January 2021		18,609	7,135	25,744
Reclass to Non-current assets held for sale	40	(18,609)	(7,135)	(25,744)
At 31 December 2021		-	-	-
Accumulated depreciation				
At 1 January 2021		6,822	2,618	9,440
Charge for the financial year		341	131	472
Reclass to Non-current assets held for sale	40	(7,163)	(2,749)	(9,912)
At 31 December 2021		-	-	-
Net book value as at 31 December 2021		-	-	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****15 Investment properties (Continued)**

	Leasehold land - 50 years or more RM'000	Building on leasehold land-50 years or more RM'000	Total RM'000
The Group and the Bank			
Cost			
At 1 January/31 December 2020	18,609	7,135	25,744
Accumulated depreciation			
At 1 January 2020	6,450	2,475	8,925
Charge for the financial year	372	143	515
At 31 December 2020	6,822	2,618	9,440
Net book value as at 31 December 2020	11,787	4,517	16,304

The investment property is valued annually at fair value based on market value determined by independent qualified valuer. The fair value is within Level 2 of the fair value hierarchy. The fair value has been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size.

The fair value as at 31 December 2020 amounted to RM34,000,000.

The following amounts have been reflected in the statements of income :

	The Group and the Bank	
	2021	2020
	RM'000	RM'000
Rental income	-	3,930
Operating expenses arising from investment properties that generated the rental income	-	1,673

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****16 Deposits from customers**

	The Group and the Bank	
	31 December	31 December
	2021	2020
	RM'000	RM'000
(i) By type of deposits		
- Short term money market deposits	<u>35,032</u>	<u>45,061</u>
	<u>35,032</u>	<u>45,061</u>
(ii) By type of customers		
- Local government and statutory bodies	<u>35,032</u>	<u>45,061</u>
	<u>35,032</u>	<u>45,061</u>

17 Deposits and placements of banks and other financial institutions

	The Group and the Bank	
	31 December	31 December
	2021	2020
	RM'000	RM'000
Licensed banks	801	840
Other financial institutions	<u>10,021</u>	<u>25,020</u>
	<u>10,822</u>	<u>25,860</u>

The maturity structure of deposits and placements of banks and other financial institutions is as follows:

	The Group and the Bank	
	31 December	31 December
	2021	2020
	RM'000	RM'000
Due within six months	<u>10,822</u>	<u>25,860</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****18 Other liabilities**

	The Group		The Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Trade and sundry creditors	12,643	29,685	12,643	29,685
Expenditure payable	45,197	28,000	45,190	27,994
Others	5,723	10,523	5,703	10,523
	<u>63,563</u>	<u>68,208</u>	<u>63,536</u>	<u>68,202</u>

19 Lease liabilities

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Buildings	7,013	11,042
Computer equipment	3	21
	<u>7,016</u>	<u>11,063</u>

20 Ordinary share capital

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Issued and fully paid shares		
At 1 January/31 December	<u>100,000</u>	<u>100,000</u>

21 Redeemable preference shares

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Issued and fully paid redeemable preference shares		
At 1 January/31 December	<u>10</u>	<u>10</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****21 Redeemable preference shares (Continued)**

On 30 January 2008, the Bank had allotted and issued 1,000,000 Redeemable Preference Shares (“RPS”) of RM0.01 each to its ultimate holding company, CIMB Group Holdings Berhad.

The main features of the RPS are as follows:

- (i) The RPS do not carry any fixed dividends;
- (ii) The RPS will rank superior to ordinary shares in the event of winding up or liquidation of the Bank;
- (iii) The RPS rank pari passu in all aspects among themselves;
- (iv) The RPS carry no right to vote at any general meeting of the ordinary shareholders of the Bank;
- (v) The RPS are not convertible to ordinary shares of the Bank; and
- (vi) The RPS may only be redeemed subject to BNM’s approval at the option of the Bank (but not the holder) at anytime from the issue date.

22 Reserves

		The Group		The Bank	
		31 December 2021 RM’000	31 December 2020 RM’000	31 December 2021 RM’000	31 December 2020 RM’000
Revaluation reserve - equity instruments at fair value through other comprehensive income	(i)	(5,968)	(5,968)	(6,331)	(6,331)
Retained earnings		514,693	534,206	502,871	523,303
Share-based payment reserve	(ii)	1,237	2,709	1,237	2,709
Regulatory reserves	(iii)	93	-	93	-
Capital contribution by ultimate holding company	(iv)	643	-	643	-
		<u>510,698</u>	<u>530,947</u>	<u>498,513</u>	<u>519,681</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****22 Reserves (Continued)**

- (i) This represents the revaluation reserve of equity instruments at fair value through other comprehensive income. The changes in fair value are accumulated within equity and are transferred to retained earnings when the relevant equity security is derecognised.
- (ii) Share-based payment reserve represent the Group's and the Bank's commitments for Employee Ownership Plan under share-based compensation benefits.
- (iii) Regulatory reserves which is transferred from the retained earnings is maintained as an additional credit risk absorbent to ensure robustness on the loan impairment assessment methodology with the adoption of MFRS 9 beginning 1 January 2018.

BNM Guidelines on Financial Reporting and Financial Reporting for Islamic Banking Institutions requires banking institutions to maintain in aggregate, loss allowance for non-credit-impaired exposures and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

In 2020, the regulatory reserve held against expected losses is reduced to 0%, a COVID19 related measure to drawdown prudential buffers as permitted by BNM. As at 31 December 2021, the regulatory reserve has been maintained to meet the local regulatory requirement.

- (iv) Capital contribution by ultimate holding company is the cost of the ordinary shares and share options of CIMB Group awarded to eligible employees of the Group and the Bank

23 Interest income

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Money at call and deposits placements with banks and other financial institutions	8,191	10,041	8,161	10,023
Reverse repurchase agreements	843	1,291	843	1,291
Others	60	135	60	135
	<u>9,094</u>	<u>11,467</u>	<u>9,064</u>	<u>11,449</u>

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

24 Interest income for financial assets at fair value through profit or loss

	The Group and The Bank	
	2021	2020
	RM'000	RM'000
Financial investments at fair value through profit or loss	63	27
Net accretion of discounts less amortisation of premium	(7)	(2)
	<u>56</u>	<u>25</u>

25 Interest expense

	The Group and The Bank	
	2021	2020
	RM'000	RM'000
Deposits and placements of banks and other financial institutions	628	1,429
Deposits from customers	638	898
Lease liabilities	339	474
	<u>1,605</u>	<u>2,801</u>

26 Expected credit losses made on trade receivables

	The Group and the Bank	
	2021	2020
	RM'000	RM'000
Expected credit losses made on:		
- Trade receivables	<u>3,816</u>	<u>1,376</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****27 Net non-interest income**

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
a) Net fee and commission income:				
Commissions	47,089	35,255	47,089	35,255
Service charges and fees	61,579	71,261	61,579	71,261
Advisory and arrangement fees	41,190	28,906	41,190	28,906
Underwriting fees	872	435	872	435
Placement, book running and related fees	20,856	15,805	20,856	15,805
Other fee income	2,126	11,461	2,126	11,461
	173,712	163,123	173,712	163,123
b) Net (loss)/gain arising from financial investments at fair value through profit or loss:				
- realised gain	11	54	11	54
- unrealised (loss)/gain	(17)	5	(17)	5
	(6)	59	(6)	59
c) Net loss arising from derivative financial instruments:				
- realised loss	(14)	(51)	(14)	(51)
d) Other income:				
Foreign exchange gain	6,321	5,493	6,321	5,493
Gain on disposal of property, plant and equipment	47	122	47	122
Recoveries from investment management and securities services	-	21,569	-	21,569
Other non-operating income	6,076	4,436	6,076	4,436
	12,444	31,620	12,444	31,620
e) Income from asset management and securities services	7,359	7,118	7,359	7,118
Total non interest income	193,495	201,869	193,495	201,869

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****28 Overheads**

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Personnel costs				
- Salaries, allowances and bonuses *	93,290	82,602	93,290	82,602
- Pension cost (defined contribution plan)	9,656	11,508	9,656	11,508
- Transformation initiative expenses	4,413	2,774	4,413	2,774
- Share-based expense ¹	643	-	643	-
- Others	4,700	4,227	4,700	4,227
	112,702	101,111	112,702	101,111
Establishment costs				
- Depreciation of property, plant and equipment	4,859	4,836	4,859	4,836
- Depreciation of investment property	472	515	472	515
- Depreciation of right-of-use assets	2,610	2,931	2,610	2,931
- Amortisation of intangible assets	5,218	1,350	5,218	1,350
- Equipment and other rental	4,047	3,195	4,047	3,195
- Others	7,922	8,618	7,922	8,618
	25,128	21,445	25,128	21,445
Marketing expenses				
- Advertisement and entertainment expenses	(78)	1,390	(78)	1,390
- Others	252	559	252	559
	174	1,949	174	1,949
Administration and general expenses				
- Legal and professional fees	1,795	3,479	1,788	3,471
- Communication	255	640	255	640
- Printing and stationery	183	368	183	368
- Administrative vehicle, travelling and insurance expenses	334	545	334	545
- Service expenses	37,506	33,069	37,479	33,048
- Others	5,199	6,228	5,179	6,228
	45,272	44,329	45,218	44,300
Total overhead expenses	183,276	168,834	183,222	168,805

* Included in salaries, allowances and bonuses is share-based payment expenses (EOP) of RM 1,557,000 (31 December 2020: RM 3,718,000). Refer to note 35(a).

¹ The long term incentive plan ("LTIP") was implemented by CIMB Group Holdings Berhad in June 2021. The LTIP awards ordinary shares and share options of CIMB Group to eligible employees of the Group and the Bank. The eligibility of participation in the LTIP shall be at the discretion of the LTIP Committee of CIMB Group Holdings Berhad, and the awarded shares and share options will be vested in stages at predetermined dates subject to continued employment and performance conditions. Refer note 35(b).

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

28 Overheads (Continued)

The expenditure includes the following statutory disclosures :

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
The above expenditure includes the following disclosures:				
Directors' remuneration (Note 29)	3,978	3,134	3,978	3,134
Rental of premises	268	334	268	334
Hire of equipment	2,899	2,743	2,899	2,743
Auditors' remuneration				
PricewaterhouseCoopers PLT (audit)				
- Statutory audit	359	356	343	341
- Limited review	61	60	61	60
- Other audit related	5	-	5	-
PricewaterhouseCoopers Malaysia (non audit)				
- Tax services	68	72	68	72
Other auditors' remuneration				
- Statutory audit	9	9	9	9
- Tax services	5	5	5	5

29 Directors' remuneration

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

Non-Executive Directors

Teoh Su Yin (appointed on 1 July 2021)

Dato' Robert Cheim Dau Meng (retired on 1 July 2021)

Nadzirah binti Abd Rashid

Didi Syafruddin Yahya

Manu Bhaskaran

Surina binti Shukri (appointed on 1 January 2022)

Executive Director

Jefferi Mahmud Hashim

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****29 Directors' remuneration (Continued)**

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

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Executive Director and Group CEO				
- Salary and other remuneration	2,857	1,926	2,857	1,926
- Benefits-in-kind	9	8	9	8
Non-executive Directors				
- Fees and other remuneration	1,112	1,200	1,112	1,200
	<u>3,978</u>	<u>3,134</u>	<u>3,978</u>	<u>3,134</u>

	2021				2020			
	Fees RM'000	Salary and/or other remuneration RM'000	Benefits- in-kind RM'000	Total RM'000	Fees RM'000	Salary and/or other remuneration RM'000	Benefits- in-kind RM'000	Total RM'000
Executive Directors								
Jefferi Mahmud Hashim	-	2,857	9	2,866	-	1,926	8	1,934
	-	2,857	9	2,866	-	1,926	8	1,934
Non-Executive Directors								
Teoh Su Yin	63	82	-	145	-	-	-	-
Dato' Robert Cheim Dau Meng	63	122	15	200	131	244	20	395
Nadzirah binti Abd Rashid	125	188	-	313	131	196	-	327
Manu Bhaskaran	125	108	-	233	131	112	-	243
Didi Syafruddin Yahya	125	96	-	221	131	104	-	235
	501	596	15	1,112	524	656	20	1,200
	501	3,453	24	3,978	524	2,582	28	3,134

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 RM2,163 (31 December 2020: RM500).

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****30 Taxation**

(i) Tax expense for the financial year

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current tax				
- Malaysian income tax	13,791	10,444	13,784	10,440
Deferred tax (Note 8)	(1,609)	7,787	(1,609)	7,787
Over provision in prior years	(935)	(4,893)	(935)	(4,893)
	11,247	13,338	11,240	13,334

(ii) Numerical reconciliation of income tax expense

	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit before taxation	42,647	64,496	41,721	64,163
Less : Share of results of associates	(950)	(344)	-	-
	41,697	64,152	41,721	64,163
Tax calculated at a tax rate of 24% (2020: 24%)	10,007	15,396	10,013	15,399
Income not subject to tax	(2)	(22)	(10)	(22)
Expenses not deductible for tax purposes	2,177	2,857	2,172	2,850
Over provision in prior years	(935)	(4,893)	(935)	(4,893)
Tax expense	11,247	13,338	11,240	13,334

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****31 Earnings per share**

(a) Basic earnings per share

Basic earnings per share of the Group and the Bank are calculated by dividing the net profit attributable to owners of the Group and the Bank by the weighted average number of ordinary shares in issue during the financial year.

	The Group		The Bank	
	2021	2020	2021	2020
Net profit	31,400	51,158	30,481	50,829
Weighted average number of ordinary shares in issue ('000)	100,000	100,000	100,000	100,000
Total basic earnings per share attributable to equity shareholders (sen)	31.40	51.16	30.48	50.83

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2021 and 31 December 2020.

32 Dividends

The Directors have proposed an interim dividend comprising 30.48 sen per ordinary share, amounting to RM30,480,000 in respect of the financial year ended 31 December 2021, which was approved by the Board of Directors in a resolution dated 26 January 2022.

An interim dividend comprising 50.82 sen per ordinary share, amounting to RM50,820,000 in respect of the financial year ended 31 December 2020, which was approved by the Board of Directors on 27 January 2021, was paid on 17 March 2021.

A single tier interim dividend of 68 sen per ordinary share, amounting to RM68,000,000 in respect of the financial year ended 31 December 2019, which was approved by the Board of Directors on 29 January 2020, was paid on 17 March 2020.

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****33 Amounts due from/(to) ultimate holding company, related companies and subsidiaries**

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

	The Group		The Bank	
	31 December 2021 RM'000	31 December 2020 RM'000	31 December 2021 RM'000	31 December 2020 RM'000
Amounts due from:				
- ultimate holding company	-	5	-	5
- related companies	<u>9,761</u>	<u>40,308</u>	<u>9,761</u>	<u>40,308</u>
	<u><u>9,761</u></u>	<u><u>40,313</u></u>	<u><u>9,761</u></u>	<u><u>40,313</u></u>
Amounts due to:				
- subsidiaries	-	-	(20)	-
- related companies	<u>(9,694)</u>	<u>(9,946)</u>	<u>(9,667)</u>	<u>(9,924)</u>
	<u><u>(9,694)</u></u>	<u><u>(9,946)</u></u>	<u><u>(9,687)</u></u>	<u><u>(9,924)</u></u>

34 Significant related party transactions and balances**(a) Related parties and relationship**

For the purposes of these financial statements, parties 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, joint venture and key management personnel.

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

<u>Related parties</u>	<u>Relationship</u>
CIMB Group Holdings Berhad ("CIMB Group")	Ultimate holding company
CIMB Group Sdn. Bhd. ("CIMBG")	Immediate holding company
Subsidiaries of CIMB Group and CIMBG as disclosed in their Financial Statements	Subsidiaries of ultimate holding and immediate holding companies
Subsidiaries of the Bank as disclosed in Note 10	Subsidiaries
Associates of the Bank as disclosed in Note 11	Associates
Key management personnel	Refer to below

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****34 Significant related party transactions and balances (Continued)****(a) Related parties and relationship (Continued)**

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Bank either directly or indirectly. The key management personnel of the Group and the Bank include all the Directors of the Bank and employees of the Bank who make certain critical decisions in relation to the strategic direction of the Bank.

(b) Related party transactions

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. Interest rates on fixed and short-term deposits were at agreed rates.

	Ultimate holding company	Immediate holding company	Other related companies
The Group and the Bank	RM'000	RM'000	RM'000
2021			
Income:			
Service charges and fee income	265	-	80,706
Interest income	-	-	3,843
Interest income for financial assets at fair value through profit or loss	-	-	56
Commission income	-	-	22,646
Rental income	-	-	3,930
Income from asset management and securities services	304	-	1,471
Net Income from Islamic Banking operations	-	-	16,281
	<u>569</u>	<u>-</u>	<u>128,933</u>
Expenditure:			
Interest expense	-	-	49
Service expenses	-	-	36,849
Dividend paid	-	50,820	-
	<u>-</u>	<u>50,820</u>	<u>36,898</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****34 Significant related party transactions and balances (Continued)****(b) Related party transactions (continued)**

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. Interest rates on fixed and short-term deposits were at normal commercial rates. (continued)

	Ultimate holding company RM'000	Immediate holding company RM'000	Other related companies RM'000
The Group and the Bank 2020			
Income:			
Service charges and fee income	950	-	90,708
Interest income	-	-	5,678
Interest income for financial assets at fair value through profit or loss	-	-	25
Commission income	-	-	15,969
Rental income	-	-	3,930
Income from asset management and securities services	300	-	1,569
Net Income from Islamic Banking operations	-	-	1,527
	1,250	-	119,406
Expenditure:			
Interest expense	-	-	71
Establishment - others	-	-	11
Service expenses	-	-	33,013
Dividend paid	-	68,000	-
	-	68,000	33,095

The breakdown of expenditure by geographical is as follows:

	The Group and the Bank			
	Interest expense	Establishment - others	Service expenses	Dividend paid
	RM'000	RM'000	RM'000	RM'000
2021				
Malaysia	49	-	32,019	50,820
Hong Kong	-	-	(34)	-
Singapore	-	-	4,864	-
	49	-	36,849	50,820
2020				
Malaysia	71	-	27,792	68,000
Hong Kong	-	-	881	-
Singapore	-	11	4,340	-
	71	11	33,013	68,000

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****34 Significant related party transactions and balances (Continued)****(c) Related party balances**

The Group and the Bank	Other related companies	
	31 December 2021 RM'000	31 December 2020 RM'000
Amount due from:		
Cash and balances with banks and other financial institutions	5,645	3,131
Money at call and deposit placements maturing within one month	208,030	193,119
Reverse repurchase agreements	-	53,670
Financial investments at fair value through profit or loss	-	1,978
Other assets	11,507	-
	<u>225,182</u>	<u>251,898</u>
The Group and the Bank		
Amount due to:		
Deposits and placements of banks and other financial institutions	801	840
Other liabilities	5,423	8,324
	<u>6,224</u>	<u>9,164</u>

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

(d) Key management personnel

<u>Key management compensation</u>	The Group		The Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Salaries and other employee benefits #	<u>50,981</u>	<u>43,735</u>	<u>26,618</u>	<u>25,520</u>
Shares of ultimate holding company awarded from EOP (units)	<u>304,408</u>	<u>3,734,824</u>	<u>66,212</u>	<u>887,882</u>
Shares of ultimate holding company awarded from LTIP (units)				
- ESOS	<u>1,627,000</u>	-	<u>2,180,000</u>	-
- SGP	<u>118,000</u>	-	<u>158,000</u>	-

includes compensation paid by other related companies

Included in the above table is the Executive Directors' compensation which is disclosed in Note 29. The share options and shares granted are on the same terms and conditions as those offered to other employees of the Group and the Bank as disclosed in Note 35 to the Financial Statements.

During the financial year, share based payment expenses to key management personnel of the Group and the Bank amounted to RM 259,000 and RM 347,000 respectively.

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

34 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	
	31 December	31 December
	2021	2020
	RM'000	RM'000
Outstanding credit exposures with connected parties	9,989	42,463
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	1.7%	6.2%
Percentage of outstanding credit exposures with connected parties which is impaired or in default	0.0%	0.0%

(f) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 25.7% of the issued capital of the ultimate holding company (2020: 27.2%). KNB is an entity controlled by the Malaysian Government. The Group and the Bank consider that, for the purpose of MFRS 124 "Related Party Disclosures", KNB and the Malaysian Government is 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
- Lending to government-related entities
- Deposit placing with and deposit taking from government-related entities

These transactions are conducted in the ordinary course of the Group's and the Bank's business on agreed terms and consistently applied in accordance with the Group's and the Bank's internal policies and processes. These rates do not depend on whether the counterparties are government-related entities or not.

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

35 Employee benefits

(a) 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 in the Group. Under the EOP, earmarked portions of variable remuneration of selected employees of the Group 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 subsequent to the purchase date, subject to continue employment. A related company will act on behalf of CIMB Group to administer the EOP and to hold the shares in trust up to the pre-determined transfer dates. The eligibility of participation in the EOP shall be at the discretion of the Group Compensation Review Committee of CIMB Group.

Upon termination of employment other than retirement, disability or death, any unreleased shares will cease to be transferable to the employee and will be disposed accordingly. In the event of retirement, disability or death of the eligible employee, the release of shares will be accelerated to the date of termination of employment and the shares will be assigned to the designated beneficiary.

The total share-based payment expense recognised in statement of income for the Group and the Bank during the financial year amounted to RM1,557,000 (31 December 2020: RM 3,718,000).

The weighted average fair value of shares awarded under EOP which were purchased over a period of 10 trading days was RM4.21 per ordinary share (31 December 2020: RM3.53 per ordinary share), based on observable market price.

Movements in the number of the ultimate holding company’s ordinary shares awarded are as follows:

	The Group and the Bank	
	2021	2020
	Unit	Unit
	'000	'000
Shares		
At 1 January	1,175	1,026
Awarded	30	895
Released	(718)	(746)
At 31 December	487	1,175

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

35 Employee benefits (Continued)

(b) 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), and the LTIP Committee may, at any time within the duration of the LTIP, grant an SGP award to eligible employees, subject to the terms and conditions of the by-laws. The SGP shares may be settled through issuance and transfer of new shares, or other modes of settlement as provided by the by-laws.

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****35 Employee benefits (Continued)****(b) Long Term Incentive Plan (“LTIP”) (Continued)**

(i) Details of ESOS shares awarded:

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

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

Award Date	Outstanding as at 1-Jan-21	Movement during the year		Outstanding as at 31-Dec-21
	(Units'000)	Awarded (Units'000)	Forfeited (Units'000)	(Units'000)
9 June 2021	-	4,047	-	4,047

The fair value of ESOS shares awarded was determined using the Black Scholes model based on the terms and conditions of ESOS awards. The fair value of ESOS shares measured, closing share price at grant date and the valuation assumptions are as follows:

	Award Date 9 June 2021
Fair value of ESOS shares (RM)	0.45
Exercise Price (RM)	4.96
Closing share price at award date (RM)	4.65
Option term	From award date until 8 June 2028
Expected volatility (%)	23.6
Risk-free rate (%)	2.87
Discounted dividend flow	2.05

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****35 Employee benefits (Continued)****(b) Long Term Incentive Plan (“LTIP”) (Continued)**

(ii) Details of SGP shares awarded

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

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

Award Date	Outstanding as at 1-Jan-21	Movement during the year		Outstanding as at 31-Dec-21
	(Units'000)	Awarded (Units'000)	Forfeited (Units'000)	(Units'000)
9 June 2021	-	293	-	293

The fair value of SGP shares awarded was determined using the closing market price of CIMB shares on the award date, as shown below:

	Award Date 9 June 2021
Fair value of SGP Shares (RM)	4.65
Closing share price at award date (RM)	4.65

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

36 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	31 December
	2021	2020
	RM'000	RM'000
Authorised and contracted for	1,622	12,252
Authorised but not contracted for	13,139	336
	<u>14,761</u>	<u>12,588</u>
The capital commitments are attributed to:		
- property, plant and equipment	<u>14,761</u>	12,588
	<u>14,761</u>	<u>12,588</u>

37 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.

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

	The Group and the Bank	
	31 December	31 December
	2021	2020
	Principal	Principal
	RM'000	RM'000
<u>Credit-related</u>		
Obligations under underwriting agreement	14,044	-
	<u>14,044</u>	<u>-</u>

38 Significant events during the financial year

There are no significant events during the financial year.

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****39 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, 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 is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework ("CAF") ("Capital Components") and Capital Adequacy Framework for Islamic Banks ("CAFIB") ("Capital Components") of which the latest revisions were issued on 9 December 2020. The revised guidelines took effect on 9 December 2020. The revised guideline 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 are computed in accordance with the Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and CAFIB (Basel II – Risk Weighted Assets) of which the latest revisions were issued on 3 May 2019.

The Standardised Approach is applied for Credit Risk and Market Risk while Operational Risk is based on Basic Indicator Approach.

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

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Before deducting proposed dividend				
Common Equity Tier 1 ratio	93.350%	91.131%	93.285%	92.472%
Tier 1 ratio	93.350%	91.131%	93.285%	92.472%
Total capital ratio	93.365%	91.131%	93.301%	92.472%
After deducting proposed dividend				
Common Equity Tier 1 ratio	88.272%	83.181%	88.165%	84.382%
Tier 1 ratio	88.272%	83.181%	88.165%	84.382%
Total capital ratio	88.288%	83.181%	88.181%	84.382%

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****39 Capital adequacy (Continued)**

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

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	RM'000	RM'000	RM'000	RM'000
Credit risk	117,258	168,269	115,739	168,418
Market risk	32,214	11,261	32,214	11,261
Operational risk	450,794	459,765	447,351	448,522
Total risk-weighted assets	600,266	639,295	595,304	628,201

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

	The Group		The Bank	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	RM'000	RM'000	RM'000	RM'000
<u>Common Equity Tier 1 capital</u>				
Ordinary share capital	100,000	100,000	100,000	100,000
Other reserves	510,698	530,947	498,513	519,681
Less : Proposed dividends	(30,480)	(50,820)	(30,480)	(50,820)
Common Equity Tier 1 capital before regulatory adjustments	580,218	580,127	568,033	568,861
<u>Less : Regulatory adjustments</u>				
Deferred tax assets	(11,431)	(9,551)	(11,431)	(9,551)
Deduction in excess of Tier 2 Capital	-	(1,943)	-	(1,943)
Investments in capital instruments of unconsolidated financial and insurance/ takaful entities	(7,169)	(9,580)	-	-
Intangible assets	(31,659)	(27,280)	(31,659)	(27,280)
Regulatory reserve	(93)	-	(93)	-
Common Equity Tier 1 capital after regulatory adjustments/ total Tier 1 capital	529,866	531,773	524,850	530,087
<u>Tier 2 Capital</u>				
Redeemable Preference Shares	1	2	1	2
Regulatory reserves	93	-	93	-
Tier 2 capital before regulatory adjustments	94	2	94	2
<u>Less : Regulatory adjustments</u>				
Investments in capital instruments of unconsolidated financial and insurance/ takaful entities	-	(1,945)	-	(1,945)
Total Tier 2 capital	94	-	94	- NI
Total capital base	529,960	531,773	524,944	530,087

NI The excess of deductions over available Tier 2 capital was deducted under Common Equity Tier 1 capital.

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****40 Non-current assets held for sale**

	The Group		The Bank	
	2021	2020	2021	2020
Non-current assets held for sale:	RM'000	RM'000	RM'000	RM'000
Investment property (Note 15)	15,832	-	15,832	-
Total non-current assets held for sale	<u>15,832</u>	<u>-</u>	<u>15,832</u>	<u>-</u>

On 19 November 2021, the Bank had signed an agreement with a buyer to sell a parcel of land together with the office building which were previously classified as investment property for a cash consideration of RM32,000,000. The deposit has been received on October 2021 and the disposal is expected to be completed in April 2022.

As per the signed agreement, the Bank will still be receiving the rental income and incurring the operating expense arising from this property until the completion of disposal. For the financial year ended 31 December 2021, the Bank has received RM3,930,000 of rental income and incurred RM1,357,000 of operating expenses which have been reflected in the income statement.

41 Financial Risk Management**(a) Financial risk management objectives and policies**

The Group embraces risk management as an integral part of the Group's business, operations and decision-making process. In ensuring that the Group achieves optimum returns whilst operating within a sound business environment, the risk management teams are involved at the early stage of the risk-taking process by providing independent inputs, including relevant valuations, credit evaluations, new product assessments and quantification of capital requirements. These inputs enable the business units to assess the risk-vs-reward value of their propositions, thus enabling risk to be priced appropriately in relation to the return.

Generally, the objectives of the Group's risk management activities are to:

- identify the various risk exposures and capital requirements;
- ensure risk-taking activities are consistent with risk policies and the aggregated risk position are within the risk appetite as approved by the Board; and
- create shareholder and stakeholder value through a sound risk management framework.

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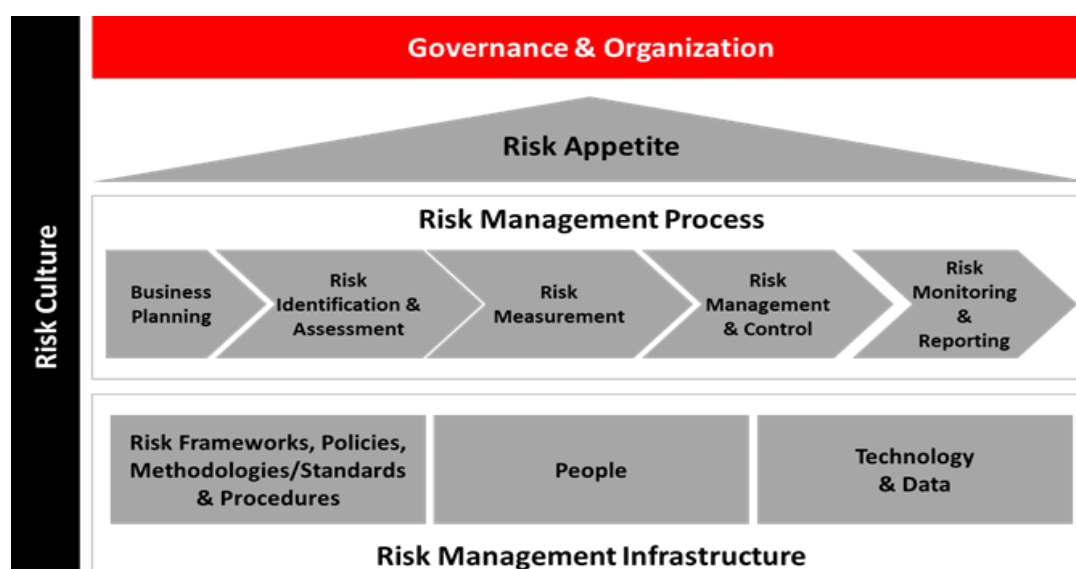
Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

41 Financial Risk Management (Continued)

(b) Enterprise Wide Risk Management Framework (“EWRM”)

The Group employs a Group 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, external environment and/ or regulatory environment.

The key components of the Group’s EWRM framework are represented in the diagram below:



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

The key features of the Group EWRM framework include:

i) **Risk Culture:**

The Group embraces risk management as an integral part of its culture and decision-making processes. The Group’s risk management philosophy is embodied in the Three Lines-of-Defence approach, whereby risks are initially managed at the point of risk-taking activities. There is clear accountability of risk ownership across the Group.

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

41 Financial Risk Management (Continued)

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

ii) Governance & Organisation:

A strong governance structure is important to ensure an effective and consistent implementation of the Group EWRM framework. The Board is ultimately responsible for the Group’s strategic directions, which is supported by the risk appetite and risk management frameworks, policies and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group’s risk management framework is effectively implemented.

iii) Risk Appetite:

It is defined as the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk.

(iv) Risk Management Process:

- **Business Planning:** Risk management is central to the business planning process, including setting framework for risk appetite, risk posture and new product/new business activities
- **Risk Identification & Assessment:** Risks are systematically identified and assessed through the robust application of the Group’s risk policies, methodologies/standards and procedures.
- **Risk Measurement:** Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.
- **Risk Management and Control:** Risk management limits and controls are used to manage risk exposures within the risk appetite set by the Board. Risk management limits and controls are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- **Risk monitoring and Reporting:** Risks on an individual as well as on a portfolio basis are regularly monitored and reported to ensure they remain within the Group’s risk appetite.

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

41 Financial Risk Management (Continued)

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

(v) Risk Management Infrastructure

- Risk Framework, Policies, Methodologies/Standards and Procedures addressing all areas of material risks: Frameworks provide broad objectives and overarching risk management architecture for managing risks. Well-defined risk policies by risk type provide the principles by which the Group manages its risks. Methodologies/Standards provide specific directions that help support and enforce policies. Procedures provide more detailed guidance to assist with the implementation of policies.
- People: Attracting the right talent and skills is key to ensuring a well-functioning Group EWRM framework. The organisation continuously evolves and proactively responds to the increasing complexity of the Group as well as the economic and regulatory environment.
- Technology and Data: Appropriate technology and sound data management support risk management activities.

(c) Risk Governance

At the apex of the governance structure are the respective Boards, 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 Group’s risk strategies and policies, keeping them aligned with the principles within the risk appetite. The BRCC also oversees the implementation of the Group EWRM framework, provides strategic guidance and reviews the decisions of the Group Risk and Compliance Committee (“GRCC”).

To facilitate the effective implementation of the Group EWRM framework, BRCC has established various specialised/sub-risk committees within the Group, each with distinct lines of responsibilities and functions, which are clearly defined in the terms of reference.

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

41 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The responsibility of risk management supervision and control is delegated to GRCC which reports directly to the BRCC. GRCC comprised of senior management of the Group, performs the oversight function for the overall management of risks. GRCC is supported by specialised/sub-risk committees, namely Group Credit Committee (“GCC”), Group Market Risk Committee (“GMRC”), Group Operational & Resiliency Risk Committee, Group Asset Liability Management Committee (“GALMC”) and Group Asset Quality Committee (“GAQC”), each addressing one or more of the following:

- (i) Credit risk, defined as the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;
- (ii) Market risk, defined as fluctuations in the value of financial instruments due to changes in market risk factors such as interest/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;
- (iii) Liquidity and funding risk, defined as the current and potential risk to earnings, shareholders’ funds or reputation arising from the inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses;
- (iv) Interest rate/rate of return risk in the banking book, which is the current and potential risk to the Group’s earning and economic value arising from movement in interest rates/profit rates;
- (v) Operational risk, defined as the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. . It includes legal risk but excludes strategic and Shariah non-compliance risks;
- (vi) Capital risk, defined as the risk of a bank not having sufficient capital to withstand potential losses suffered in its operations. Capital is important as it can be used to repay depositors, customers, creditors, and other claimants in case there is insufficient liquidity during a crisis;

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

41 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The responsibility of risk management supervision and control is delegated to the GRCC which reports directly to the BRCC. GRCC comprised of senior management of the Group, performs the oversight function for the overall management of risks. GRCC is supported by specialised/sub-risk committees, namely Group Credit Committee (“GCC”), Group Market Risk Committee (“GMRC”), Group Operational & Resiliency Risk Committee, Group Asset Liability Management Committee (“GALMC”) and Group Asset Quality Committee (“GAQC”), each addressing one or more of the following: (Continued)

- (vii) 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; and
- (viii) 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.
- (ix) Outsourcing risk, defined as the risk emanating from outsourcing arrangements that could result in a disruption to business operations, financial loss or reputational damage to the Group;
- (x) Shariah Non-Compliance (“SNC”) risk, defined as the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the Group may suffer arising from failure to comply with Shariah requirements determined by Shariah Advisory Council (“SAC”) of BNM and Securities Commission (SC), including standards on Shariah matters issued by BNM pursuant to Section 29(1) of the IFSA, or decisions or advice of the Board Shariah Committee (“BSC”) of the CIMB Islamic Bank or other Shariah regulatory authorities of the jurisdictions in which the Group operates; and
- (xi) Sustainability risk defined as the risk of financial and non-financial impact arising from environmental, social and ethical issues stemming from transactions and/or activities associated with a business relation and its operations, and/or the Group’s own internal operations and employees.

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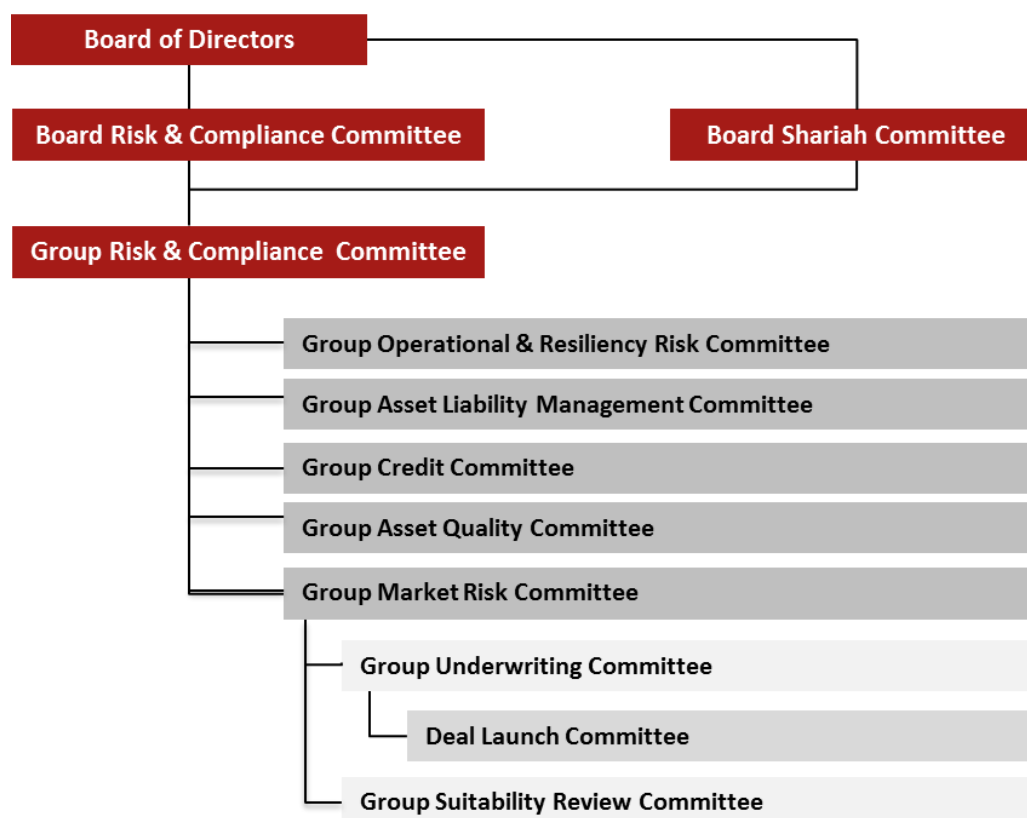
Notes to the Financial Statements for the financial year ended 31 December 2021 (Continued)

41 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

The responsibility of risk management supervision and control is delegated to the GRCC which reports directly to the BRCC. GRCC comprised of senior management of the Group, performs the oversight function for the overall management of risks. GRCC is supported by specialised/sub-risk committees, namely Group Credit Committee (“GCC”), Group Market Risk Committee (“GMRC”), Group Operational & Resiliency Risk Committee, Group Asset Liability Management Committee (“GALMC”) and Group Asset Quality Committee (“GAQC”), each addressing one or more of the following: (Continued)

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



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

41 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

Three Lines-of-Defence

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

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 risk exposures within the Board approved risk appetite statement.

Group Risk is headed by the Group CRO, appointed by our Board to lead the Group-wide risk management functions, including implementation of the Group EWRM framework. The Group CRO:

- a) actively engages the respective boards and senior management on risk management issues and initiatives; and
- b) maintains an oversight on risk management functions across all entities within the Group. In each key country of operations, there is a local CRO or a local Head of Risk Management, whose main functions are to assess and manage the enterprise risk and liaise with regulators in the respective countries.

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

41 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

The organisational structure of GRD is made up of two major components, namely the Chief Risk Officers (“CRO”) and the Risk Centres of Excellence (“CoE”):

(i) CRO

- 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.
- The CRO is supported by the CRO International Offices, who oversee the risk management functions of the regional offices e.g. branches.
- For countries where a CRO is not present and/or not required, a local Head of Risk Management is appointed to be the overall risk coordinator for that country.

(ii) Risk Centres of Excellence

- These are specialised teams of risk officers responsible for the active oversight of Group-wide functional risk management and the teams support respective CROs in the various geographies.
- The Risk CoEs consist of Risk Analytics, Credit Risk Infrastructure, Market Risk, Non-Financial Risk Management (comprising Operational, Shariah, Business Continuity Management, Technology, Outsourcing & Fraud Risk Management), Asset Liability Management and Credit Risk CoEs.

(1) Asset Liability Management CoE

The Asset Liability Management CoE recommends the framework and policies for the independent assessment, measurement and monitoring of liquidity risk and interest rate/rate of return risk in the banking book. It conducts regular stress testing on the Group’s liquidity and interest rate risk/rate of return profile, by leveraging on the standardised infrastructure it has designed, built and implemented across the region. It provides the framework and tools for maintenance of the early warning system indicators and contingency funding plan by business owners across the Group.

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

41 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

The organisational structure of Group Risk is made of two major components, namely the Chief Risk Officers (“CRO”) and the Risk Centres of Excellence (“CoE”) (Continued):

(ii) Risk Centres of Excellence (Continued)

(2) Credit Risk CoE

The Credit Risk CoE function include areas ranging from development of credit risk policies, procedures and standards to advance portfolio analytics, and implementation of credit risk modelling (this includes rollout of challenger Alternate Credit Underwriting models leveraging on non-traditional/alternate data for some of our Retail portfolios).

(3) Market Risk CoE

The Market Risk CoE recommends the framework and policies for the independent assessment, measurement and monitoring of market risk. This is operationalised through the review of treasury positions versus limits, performing mark-to-market valuation, calculating Value-at-Risk (“VAR”) and market risk capital as well as performing stress testing.

(4) Non-Financial Risk Management CoE

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

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

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

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

41 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

The organisational structure of Group Risk is made of two major components, namely the Chief Risk Officers (“CRO”) and the Risk Centres of Excellence (“CoE”) (Continued):

(ii) Risk Centres of Excellence (Continued)

(1) Risk Analytics CoE

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

(2) Credit Risk Infrastructure CoE

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

In ensuring a standardised approach to risk management across the Group, all risk management teams within the Group are required to conform to the Group EWRM framework, subject to necessary adjustments required for local regulations.

Strategies and Processes for Various Risk Management

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

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

41 Financial Risk Management (Continued)

41.1 Credit risk

Credit risk is defined as the possibility of losses due to an obligor or market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group.

Credit Risk 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 from the point of risk-taking activities, the Group implemented the risk-based delegated authority framework. This framework promotes clarity of risk accountability whereby the business unit, being the first line of defence, manages risk in a proactive manner with Group Risk as a function independent from the business units as the second line-of-defence. This enhances the collaboration between Group Risk and the business units.

The risk-based delegated authority framework encompass joint delegated authority, enhanced credit approval process and outlines a clear set of policies and procedures that defines the limits and types of authority designated to the specific individuals.

The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities holders between business units and Group Risk, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units.

The GRCC with the support of GCC, GAQC, other relevant credit committees as well as Group Risk is responsible for ensuring adherence to the Board's approved risk appetite and risk posture. This, amongst others, includes reviewing and analysing portfolio trends, asset quality, watch-list reporting and policy reviews. It is also responsible for articulating key credit risks and mitigating controls.

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

41 Financial Risk Management (Continued)

41.1 Credit risk (Continued)

Credit Risk Management (Continued)

Adherence to and compliance with single customer, country and global counterparty limits, are approaches adopted to address concentration risk to any large sector or industry, or to a particular counterparty group or individual.

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

It is the Group policy that all exposures must be rated or scored based on the appropriate internal rating models, where available. Retail exposures are managed on a portfolio basis and the risk rating models are designed to assess the credit worthiness and the likelihood of the obligors to repay their debts, performed by way of statistical analysis from credit bureau and demographic information of the obligors. The risk rating models for non-retail exposures are designed to assess the credit worthiness of the corporations or entities in paying their obligations, derived from both quantitative and qualitative risk factors such as financial history and demographics or company profile. These rating models are developed and implemented to standardise and enhance the credit underwriting and decision-making process for the Group's retail and non-retail exposures.

Credit reviews and rating are conducted on the credit exposures at minimum on an annual basis and more frequently when material information on the obligor or other external factors come to light.

The exposures are actively monitored, reviewed on a regular basis and reported regularly to GRCC and BRCC. Asset quality is closely monitored so that deteriorating exposures are identified, analysed and discussed with the relevant business units for appropriate remedial actions including recovery actions, if required.

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

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

41 Financial Risk Management (Continued)

41.1 Credit risk (Continued)

Credit Risk Mitigation

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

i) Collaterals/Securities

All extension of secured credit facilities as deemed prudent, 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 is empowered to approve any inclusion of new acceptable collaterals/securities.

Recognised collaterals include both financial and physical assets. Financial collaterals consist of mainly cash deposits, quoted shares, unit trusts and debt securities, while physical collateral includes land and buildings and vehicles. Guarantors accepted are in line with BNM's CAF (Basel II – Risk-Weighted Assets) and CAFIB (Risk-Weighted Assets) guidelines. Eligible credit protection is also used to mitigate credit losses in the event that the obligor/counterparty defaults.

ii) Collateral Valuation and Management

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

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

41 Financial Risk Management (Continued)

41.1 Credit risk (Continued)

Credit Risk Mitigation (Continued)

iii) Netting

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

iv) Portfolio diversification for better clarity

The Group avoids unwanted credit or market risk concentrations by diversifying its portfolios through a number of measures. Amongst others, there are guidelines in place relating to maximum exposure to any products, counterparty, sectors and country.

Credit Risk Measurement

The measurement of expected credit loss allowance under the MFRS 9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instrument for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration in credit risk shall be recognised with 12-month expected credit loss allowance.

Under the three-stage approach, the financial instrument is allocated into three stages based on the relative movement of the credit risk.

- Stage 1 includes financial instruments that neither have a significant increase in credit risk since initial recognition nor credit-impaired as at reporting date. For these assets, 12-month expected credit loss allowance are recognised.
- Stage 2 includes financial instruments that have had a significant increase in credit risk since initial recognition but do not have objective evidence of impairment. For these assets, lifetime expected credit loss allowance are recognised.
- Stage 3 includes financial instruments that have objective evidence of impairment at the reporting date. For these assets, lifetime expected credit loss allowance are recognised.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their expected credit loss allowance is always measured on a lifetime basis (Stage 3).

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

41 Financial Risk Management (Continued)

41.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

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

(i) Significant increase in credit risk (“SICR”)

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. The Group uses simplified approach on receivables where the entity do not require to track changes in credit risk but instead requires an entity to recognized a loss allowance based on lifetime ECL at each reporting date. The Group applies a provision matrix which uses historical loss experience on its trade receivables and adjust historical loss rate to reflect (i) information about current conditions and (ii) reasonable and supportable forecasts of future economic conditions.

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

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

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

For individual assessment, the ECL allowance is determined by comparing the outstanding exposure with the present value of cash flow which is expected to be received from the borrower.

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

41 Financial Risk Management (Continued)

41.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

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

(ii) **Measuring ECL - inputs, assumptions and estimation techniques (Continued)**

Probability of Default

The PD represents the likelihood of a borrower will be unable to meet its financial obligation either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.

The PD is derived based on the modelling approach of which statistical analysis and expert judgement was performed to identify the risk parameters which correlate with the historical observed default. The model relies on the risk parameters and its correlation with the historical observed default to predict the 12-month PD.

Loss Given Default

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

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

- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGD's are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGD's are influenced by collection strategies, including contracted debt sales and price.

The assumptions underlying the ECL calculation are monitored and reviewed periodically. There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

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

41 Financial Risk Management (Continued)

41.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

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

(iii) 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 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 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 and external research house.

The Group applies three economic scenarios to reflect an unbiased probability-weighted range of possible future outcome in estimating ECL:

Base case: This represents "most likely outcome" of future economic conditions which is aligned with information used by the Group for other purposes such as budgeting and stress testing.

Best and Worst case: This represent the 'upside' and 'downside' outcome of future economic conditions.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to some degree of inherent uncertainty and therefore the actual outcomes may be different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and are appropriately representative of the range of possible scenarios. The scenario weightage, number of scenarios and their attributes are reassessed periodically.

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

41 Financial Risk Management (Continued)

41.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

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

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

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.

(iv) **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.

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 receivable is deemed uncollectible, it is written off against the related allowance for impairment. Such receivables 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.

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

41 Financial Risk Management (Continued)

41.1 Credit risk (Continued)

Credit Risk Measurement (Continued)

Modification of receivables

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

- If the receivable is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the receivable 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.
- Significant extension of the credit term when the receivable is not in financial difficulty.
- Change in the currency the receivable is denominated in.
- Insertion of collateral, other security or credit enhancements that significant affect the credit risk associated with the receivable.

The risk of default of such receivable 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 debt. The Group monitors the subsequent performance of modified assets.

41.1.1 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 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.

31 December 2021	The Group	The Bank
	RM'000	RM'000
Credit related commitments and contingencies	14,044	14,044
	<hr/> <hr/>	<hr/> <hr/>
31 December 2020	The Group	The Bank
	RM'000	RM'000
Credit related commitments and contingencies	-	-
	<hr/> <hr/>	<hr/> <hr/>

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

41 Financial Risk Management (Continued)

41.1 Credit risk (Continued)

41.1.2 Offsetting financial assets and financial liabilities

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

	The Group and the Bank			Related amounts not set off in the Statements of Financial Position		
	Gross amounts of recognised financial assets in the Statements of Financial Position RM'000	Gross amounts of recognised financial liabilities set off in the Statements of Financial Position RM'000	Net amounts of financial assets presented in the Statements of Financial Position RM'000	Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
31 December 2020						
<u>Financial assets</u>						
Reverse repurchase agreements	53,670	-	53,670	-	(53,670)	-
Total	53,670	-	53,670	-	(53,670)	-

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

41 Financial Risk Management (Continued)

41.1 Credit Risk (Continued)

41.1.3 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 for the Group as at 31 December 2021 and 31 December 2020 are as follows:

31 December 2021	The Group					Total RM'000
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000	
Cash and short term funds	578,653	-	-	10,496	4,096	593,245
Deposits and placements with banks and other financial institutions	10	-	-	-	-	10
Other assets	25,240	-	-	-	129	25,369
Amounts due from ultimate holding company and related companies	8,867	-	-	873	21	9,761
Credit related commitments and contingencies	14,044	-	-	-	-	14,044
Total credit exposures	626,814	-	-	11,369	4,246	642,429

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

41 Financial Risk Management (Continued)

41.1 Credit Risk (Continued)

41.1.3 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 for the Group as at 31 December 2021 and 31 December 2020 are as follows: (Continued)

31 December 2020	The Group					Total RM'000
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000	
Cash and short term funds	526,540	-	-	10,191	7,869	544,600
Reverse repurchase agreements	53,670	-	-	-	-	53,670
Deposits and placements with banks and other financial institutions	10	-	-	-	-	10
Financial investments at fair value through profit or loss	1,978	-	-	-	-	1,978
Other assets	23,776	-	32	17	177	24,002
Amounts due from ultimate holding company and related companies	39,396	-	-	897	20	40,313
Total credit exposures	645,370	-	32	11,105	8,066	664,573

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

41 Financial Risk Management (Continued)

41.1 Credit Risk (Continued)

41.1.3 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 for the Bank as at 31 December 2021 and 31 December 2020 are as follows:

31 December 2021	The Bank					Total RM'000
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000	
Cash and short term funds	574,375	-	-	10,496	4,096	588,967
Other assets	24,429	-	-	-	129	24,558
Amounts due from ultimate holding company and related companies	8,867	-	-	873	21	9,761
Credit related commitments and contingencies	14,044	-	-	-	-	14,044
Total credit exposures	621,715	-	-	11,369	4,246	637,330

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

41 Financial Risk Management (Continued)

41.1 Credit Risk (Continued)

41.1.3 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 for the Bank as at 31 December 2021 and 31 December 2020 are as follows: (Continued)

31 December 2020	The Bank					Total RM'000
	Malaysia RM'000	Indonesia RM'000	Thailand RM'000	Singapore RM'000	Other countries RM'000	
Cash and short term funds	525,598	-	-	10,191	7,869	543,658
Reverse repurchase agreements	53,670	-	-	-	-	53,670
Financial investments at fair value through profit or loss	1,978	-	-	-	-	1,978
Other assets	22,962	-	32	17	177	23,188
Amounts due from ultimate holding company and related companies	39,396	-	-	897	20	40,313
Total credit exposures	643,604	-	32	11,105	8,066	662,807

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

41 Financial Risk Management (Continued)

41.1 Credit Risk (Continued)

41.1.3 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 positions as at 31 December 2021 and 31 December 2020, based on the industry sectors of the counterparty are as follows:

	The Group						Total RM'000
	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments at fair value through profit or loss RM'000	Other financial assets * RM'000	Credit related commitments and contingencies RM'000	
31 December 2021							
Primary agriculture	-	-	-	-	111	-	111
Manufacturing	-	-	-	-	1,550	-	1,550
Electricity, gas and water	-	-	-	-	8,058	-	8,058
Construction	-	-	-	-	2,228	-	2,228
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	70	14,044	14,114
Transport, storage and communications	-	-	-	-	871	-	871
Finance, insurance and business services	593,245	-	10	-	21,247	-	614,502
Education and health	-	-	-	-	518	-	518
Others	-	-	-	-	477	-	477
	593,245	-	10	-	35,130	14,044	642,429

* Other financial assets include other assets and amounts due from ultimate holding company and related companies.

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

41 Financial Risk Management (Continued)

41.1 Credit Risk (Continued)

41.1.3 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 positions as at 31 December 2021 and 31 December 2020, based on the industry sectors of the counterparty are as follows: (Continued)

	The Group					
	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial investments at fair value through profit or loss RM'000	Other financial assets *	Total RM'000
31 December 2020						
Primary agriculture	-	-	-	-	361	361
Manufacturing	-	-	-	-	3,009	3,009
Electricity, gas and water	-	-	-	-	231	231
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	-	35	35
Transport, storage and communications	-	-	-	-	339	339
Finance, insurance and business services	544,600	53,670	10	1,978	60,340	660,598
	<u>544,600</u>	<u>53,670</u>	<u>10</u>	<u>1,978</u>	<u>64,315</u>	<u>664,573</u>

* Other financial assets include other assets and amounts due from ultimate holding company and related companies.

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

41 Financial Risk Management (Continued)

41.1 Credit Risk (Continued)

41.1.3 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 positions as at 31 December 2021 and 31 December 2020, based on the industry sectors of the counterparty are as follows: (Continued)

	The Bank					Total
	Cash and short term funds	Reverse repurchase agreements	Financial investments at fair value through profit or loss	Other financial assets *	Credit related commitments and contingencies	
31 December 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary agriculture	-	-	-	111	-	111
Manufacturing	-	-	-	1,550	-	1,550
Electricity, gas and water	-	-	-	8,058	-	8,058
Construction	-	-	-	2,228	-	2,228
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	70	14,044	14,114
Transport, storage and communications	-	-	-	871	-	871
Finance, insurance and business services	588,967	-	-	20,436	-	609,403
Education and health	-	-	-	518	-	518
Others	-	-	-	477	-	477
	588,967	-	-	34,319	14,044	637,330

* Other financial assets include other assets and amounts due from ultimate holding company and related companies.

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41 Financial Risk Management (Continued)

41.1 Credit Risk (Continued)

41.1.3 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 positions as at 31 December 2021 and 31 December 2020, based on the industry sectors of the counterparty are as follows: (Continued)

	Cash and short term funds RM'000	Reverse repurchase agreements RM'000	The Bank Financial investments at fair value through profit or loss RM'000	Other financial assets * RM'000	Total RM'000
31 December 2020					
Primary agriculture	-	-	-	361	361
Manufacturing	-	-	-	3,009	3,009
Electricity, gas and water	-	-	-	231	231
Wholesale & Retail trade, and Restaurant & Hotels	-	-	-	35	35
Transport, storage and communications	-	-	-	339	339
Finance, insurance and business services	543,658	53,670	1,978	59,526	658,832
	<u>543,658</u>	<u>53,670</u>	<u>1,978</u>	<u>63,501</u>	<u>662,807</u>

* Other financial assets include other assets and amounts due from ultimate holding company and related companies.

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41 Financial Risk Management (Continued)

41.1 Credit Risk (Continued)

41.1.4 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, as summarised below:

Other financial instruments

Rating classification	New internal rating label*	Previous internal rating label
Investment Grade (IG)	1 to 10	1 to 6
Non-Investment Grade	11 to 25	7a to 13e
Impaired	26 and above	14a and above

Other financial instruments includes cash and short-term funds, deposits and placement with banks and other financial institutions, reverse repurchase agreements at amortised cost and amounts due from ultimate holding company and related companies.

* Effective September 2021, the rating grade label was revised to have only numeric instead of alpha numeric for simplicity. The change in rating grade label does not change the number of 25 performing grades and 3 non-performing grades and does not impact the Obligor Risk Rating (“ORR”) risk criteria.

Credit quality description can be summarised as follows:

Good – There is a high likelihood of the asset being recovered in full and therefore, of no cause for concern to the Group and the 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 interest.

Investment Grade – It refers to the credit quality of the financial asset where there is a relatively low risk of credit default as the issuer of the financial asset has a high likelihood to meet payment obligations.

Non-investment Grade – There is concern over the credit quality of the financial asset due to the issuer’s ability to repay its obligation when due.

No rating – This includes exposures under the Standardised Approach and those where ratings are not available and portfolio average were applied.

Impaired – Refers to the assets that is being impaired.

Sovereign – Refers to exposures relate to government and central bank.

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for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.1 Credit Risk (Continued)****41.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance (“ECL”) is recognised.

The Group 2021	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchase or Originated credit- impaired RM'000	Total RM'000
Cash and short-term fund and deposits and placements with banks and other financial institutions					
Investment grade	13,820	-	-	-	13,820
No rating	579,435	-	-	-	579,435
Gross carrying amount	593,255	-	-	-	593,255
Total ECL	-	-	-	-	-
Net carrying amount	593,255	-	-	-	593,255
Amounts due from ultimate holding company and related companies					
No rating	9,761	-	-	-	9,761
Gross carrying amount	9,761	-	-	-	9,761
Less: ECL	-	-	-	-	-
Net carrying amount	9,761	-	-	-	9,761
Loan commitments and Financial guarantee contracts					
No rating	14,044	-	-	-	14,044
Gross carrying amount	14,044	-	-	-	14,044
Total ECL	-	-	-	-	-
Net carrying amount	14,044	-	-	-	14,044

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for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.1 Credit Risk (Continued)****41.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance (“ECL”) is recognised. (Continued)

The Group 2020	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchase or Originated credit- impaired RM'000	Total RM'000
Cash and short-term fund and deposits and placements with banks and other financial institutions					
Investment grade	11,549	-	-	-	11,549
No rating	533,061	-	-	-	533,061
Gross carrying amount	544,610	-	-	-	544,610
Total ECL	-	-	-	-	-
Net carrying amount	544,610	-	-	-	544,610
Reverse repurchase agreements, at amortised cost					
Investment grade	53,670	-	-	-	53,670
Gross carrying amount	53,670	-	-	-	53,670
Total ECL	-	-	-	-	-
Net carrying amount	53,670	-	-	-	53,670
Amounts due from ultimate holding company and related companies					
No rating	40,313	-	-	-	40,313
Gross carrying amount	40,313	-	-	-	40,313
Less: ECL	-	-	-	-	-
Net carrying amount	40,313	-	-	-	40,313

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.1 Credit Risk (Continued)****41.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance (“ECL”) is recognised. (Continued)

The Bank 2021	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchase or Originated credit- impaired RM'000	Total RM'000
Cash and short-term fund and deposits and placements with banks and other financial institutions					
Investment grade	9,532	-	-	-	9,532
No rating	579,435	-	-	-	579,435
Gross carrying amount	588,967	-	-	-	588,967
Total ECL	-	-	-	-	-
Net carrying amount	588,967	-	-	-	588,967
Amounts due from ultimate holding company and related companies					
No rating	9,761	-	-	-	9,761
Gross carrying amount	9,761	-	-	-	9,761
Less: ECL	-	-	-	-	-
Net carrying amount	9,761	-	-	-	9,761
Loan commitments and Financial guarantee contracts					
No rating	14,044	-	-	-	14,044
Gross carrying amount	14,044	-	-	-	14,044
Total ECL	-	-	-	-	-
Net carrying amount	14,044	-	-	-	14,044

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The following tables are analysis of the credit risk exposure of financial assets for which an expected credit losses allowance (“ECL”) is recognised. (Continued)

The Bank 2020	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit-impaired (Stage 2) RM'000	Lifetime ECL credit-impaired (Stage 3) RM'000	Purchase or Originated credit- impaired RM'000	Total RM'000
Cash and short-term fund and deposits and placements with banks and other financial institutions					
Investment grade	10,609	-	-	-	10,609
No rating	533,049	-	-	-	533,049
Gross carrying amount	543,658	-	-	-	543,658
Total ECL	-	-	-	-	-
Net carrying amount	543,658	-	-	-	543,658
Reverse repurchase agreements, at amortised cost					
Investment grade	53,670	-	-	-	53,670
Gross carrying amount	53,670	-	-	-	53,670
Total ECL	-	-	-	-	-
Net carrying amount	53,670	-	-	-	53,670
Amounts due from ultimate holding company and related companies					
No rating	40,313	-	-	-	40,313
Gross carrying amount	40,313	-	-	-	40,313
Less: ECL	-	-	-	-	-
Net carrying amount	40,313	-	-	-	40,313

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

41 Financial Risk Management (Continued)

41.1 Credit Risk (Continued)

41.1.4 Credit quality of financial assets (Continued)

(b) Financial assets using simplified approach

(i) Analysis of other assets by credit rating

The credit quality of other assets are assessed by reference to internal rating system adopted by the Group. Where internal rating system is not applied, external credit rating by major credit rating agencies will be adopted, as summarised below:

The Group and the Bank

Rating classification	New internal rating label*	Previous internal rating label	External credit rating
Investment grade (IG)	1 to 10	1 - 6	AAA to BBB-
Non-investment grade	11 to 28	7a – 14c	BB+ and below

* Effective September 2021, the rating grade label was revised to have only numeric instead of alpha numeric for simplicity. The change in rating grade label does not change the number of 10 Investment grades and 18 non-investment grades and does not impact the Obligor Risk Rating (“ORR”) risk criteria.

Credit quality description can be summarised below:

Investment Grade – It refers to the credit quality of the financial asset where there is a relatively low risk of credit default as the issuer of the financial asset has a high likelihood to meet payment obligations.

Non-investment Grade – There is concern over the credit quality of the financial asset due to the issuer’s ability to repay its obligation when due.

No rating – This includes exposures where ratings are not available and portfolio average were applied.

Sovereign – Refers to exposures relate to government and central bank.

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

The Group 2021	Gross carrying amount			Net carrying amount
	No rating		ECL	
	RM'000	RM'000	RM'000	
Other assets	37,311	37,311	(11,942)	25,369
Total	37,311	37,311	(11,942)	25,369

The Group 2020	Gross carrying amount			Net carrying amount
	No rating		ECL	
	RM'000	RM'000	RM'000	
Other assets	32,129	32,129	(8,127)	24,002
Total	32,129	32,129	(8,127)	24,002

The Bank 2021	Gross carrying amount			Net carrying amount
	No rating		ECL	
	RM'000	RM'000	RM'000	
Other assets	36,500	36,500	(11,942)	24,558
Total	36,500	36,500	(11,942)	24,558

The Bank 2020	Gross carrying amount			Net carrying amount
	No rating		ECL	
	RM'000	RM'000	RM'000	
Other assets	31,315	31,315	(8,127)	23,188
Total	31,315	31,315	(8,127)	23,188

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41 Financial Risk Management (Continued)

41.2 Market Risk

Market risk is defined as fluctuation in the market value of financial instruments due to changes in market risk factors such as interest rates/profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatilities.

Market Risk Management (“MRM”)

The Group adopts various measures as part of risk management process. The GRCC with the assistance of GMRC and its delegated committees ensure that the risk exposures undertaken by the Group is within the risk appetite approved by the Board.

Market Risk CoE is responsible for measuring and controlling the Group’s market risk through robust measurement and market risk limit monitoring while facilitating business growth within a controlled and transparent risk management framework.

Market Risk CoE evaluates the market exposures using the applicable market price and pricing model. The valuation process is carried out with the independent price verification requirements to ensure that financial assets/liabilities are recorded at fair value. The valuation methods and models used are validated by risk management quantitative analysts to assess their applicability relative to market conditions.

The Group adopts the VaR methodology as an approach in the measurement of market risk. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. The usage of market VaR by risk type based on 1-day holding period of the Group’s trading exposures as at financial year are shown in Note 41.2.1.

Stress testing is conducted to capture the potential market risk exposures from an unexpected market movement. In formulating stress scenarios, consideration is given to various aspects of the market; for example, identification of areas where unexpected losses can occur and areas where historical correlation may no longer hold true.

In addition to the above, Market Risk CoE undertakes the monitoring and oversight process at Treasury & Markets’ trading floors, which include reviewing and analysing treasury trading activities vis-à-vis changes in the financial markets, assessing limits adequacy and verifying transaction prices.

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At present, the Group adopts the Standardised Approach to compute market risk capital requirement under BNM’s guidelines on Capital Adequacy Framework (“CAF”) (Basel II – Risk-Weighted Assets) and Capital Adequacy Framework for Islamic Banks (“CAFIB”) (Risk Weighted Assets).

41.2.1 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 as below:

	The Group	
	31 December 2021	31 December 2020
	RM’000	RM’000
VaR		
Foreign exchange risk	<u>51</u>	<u>65</u>
Total	<u><u>51</u></u>	<u><u>65</u></u>
Total shareholders fund (RM’000)	610,708	630,957
Percentage of shareholders funds	0.01%	0.01%

	The Bank	
	31 December 2021	31 December 2020
	RM’000	RM’000
VaR		
Foreign exchange risk	<u>51</u>	<u>65</u>
Total	<u><u>51</u></u>	<u><u>65</u></u>
Total shareholders fund (RM’000)	598,523	619,691
Percentage of shareholders funds	0.01%	0.01%

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

41 Financial Risk Management (Continued)

41.2 Market Risk (Continued)

41.2.2 Interest rate risk

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

(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates

The table below summarise the Group’s financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates.

	The Group							Trading book RM’000	Total RM’000
	←	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-interest sensitive RM’000		
Financial assets									
Cash and short term funds	571,940	-	-	-	-	-	21,312	-	593,252
Deposits and placements with banks and other financial institutions	-	10	-	-	-	-	-	-	10
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	867	-	867
Other assets	-	-	-	-	-	-	25,369	-	25,369
Amounts due from ultimate holding company and related companies	-	-	-	-	-	-	9,761	-	9,761
Total financial assets	571,940	10	-	-	-	-	57,309	-	629,259

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

	The Group							Trading book RM'000	Total RM'000
	←	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-interest sensitive RM'000		
Financial liabilities									
Deposits from customers	35,000	-	-	-	-	-	32	-	35,032
Deposits and placements of banks and other financial institutions	10,801	-	-	-	-	-	21	-	10,822
Other liabilities	-	-	-	-	-	-	63,284	-	63,284
Lease liabilities	-	-	-	170	6,846	-	-	-	7,016
Amounts due to subsidiaries and related companies	-	-	-	-	-	-	9,694	-	9,694
Total financial liabilities	45,801	-	-	170	6,846	-	73,031	-	125,848
Net interest sensitivity gap	526,139	10	-	(170)	(6,846)	-		-	
Credit related commitments and contingencies	-	-	-	-	-	-	14,044		

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**Notes to the Financial Statements
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The table below summarise the Group's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates. (Continued)

	The Group							Trading book RM'000	Total RM'000
	←	Non-trading book					→		
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		
31 December 2020									
Financial assets									
Cash and short term funds	523,024	-	-	-	-	-	21,582	-	544,606
Reverse repurchase agreements	-	53,466	-	-	-	-	204	-	53,670
Deposits and placements with banks and other financial institutions	-	10	-	-	-	-	-	-	10
Financial investments at fair value through profit or loss	-	-	-	-	-	-	-	1,978	1,978
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	867	-	867
Other assets	-	-	-	-	-	-	24,002	-	24,002
Amounts due from ultimate holding company and related companies	-	-	-	-	-	-	40,313	-	40,313
Total financial assets	523,024	53,476	-	-	-	-	86,968	1,978	665,446

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.2 Market Risk (Continued)****41.2.2 Interest rate risk (Continued)****(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)**

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

	The Group							Trading book RM'000	Total RM'000
	←	Non-trading book					→		
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		
31 December 2020									
Financial liabilities									
Deposits from customers	45,000	-	-	-	-	-	61	-	45,061
Deposits and placements of banks and other financial institutions	840	25,000	-	-	-	-	20	-	25,860
Other liabilities	-	-	-	-	-	-	67,045	-	67,045
Lease liabilities	-	-	-	285	10,778	-	-	-	11,063
Amounts due to subsidiaries and related companies	-	-	-	-	-	-	9,946	-	9,946
Total financial liabilities	45,840	25,000	-	285	10,778	-	77,072	-	158,975
Net interest sensitivity gap	477,184	28,476	-	(285)	(10,778)	-	-	1,978	-

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for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.2 Market Risk (Continued)****41.2.2 Interest rate risk (Continued)****(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)**

The table below summarise the Bank's financial assets and financial liabilities at their full carrying amounts, analysed by the earlier of contractual repricing or maturity dates.

	The Bank							Trading book	Total
	Non-trading book								
	← Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2021									
Financial assets									
Cash and short term funds	568,020	-	-	-	-	-	20,955	-	588,975
Other assets	-	-	-	-	-	-	24,558	-	24,558
Amounts due from ultimate holding company and related companies	-	-	-	-	-	-	9,761	-	9,761
Total financial assets	568,020	-	-	-	-	-	55,274	-	623,294

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for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.2 Market Risk (Continued)****41.2.2 Interest rate risk (Continued)****(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)**

The table below summarise the 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							Trading book RM'000	Total RM'000
	Non-trading book								
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		
31 December 2021									
Financial liabilities									
Deposits from customers	35,000	-	-	-	-	-	32	-	35,032
Deposits and placements of banks and other financial institutions	10,801	-	-	-	-	-	21	-	10,822
Other liabilities	-	-	-	-	-	-	63,257	-	63,257
Lease liabilities	-	-	-	170	6,846	-	-	-	7,016
Amounts due to subsidiaries and related companies	-	-	-	-	-	-	9,687	-	9,687
Total financial liabilities	45,801	-	-	170	6,846	-	72,997	-	125,814
Net interest sensitivity gap	522,219	-	-	(170)	(6,846)	-	-	-	-
Credit related commitments and contingencies	-	-	-	-	-	-	14,044	-	-

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The table below summarise the 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							Trading book	Total
	Non-trading book								
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	Non-interest sensitive		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2020									
Financial assets									
Cash and short term funds	522,110	-	-	-	-	-	21,554	-	543,664
Reverse repurchase agreements	-	53,466	-	-	-	-	204	-	53,670
Financial investments at fair value through profit or loss	-	-	-	-	-	-	-	1,978	1,978
Other assets	-	-	-	-	-	-	23,188	-	23,188
Amounts due from ultimate holding company and related companies	-	-	-	-	-	-	40,313	-	40,313
Total financial assets	522,110	53,466	-	-	-	-	85,259	1,978	662,813

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.2 Market Risk (Continued)****41.2.2 Interest rate risk (Continued)****(a) Financial assets and financial liabilities analysed by the earlier of contractual repricing or maturity dates (Continued)**

The table below summarise the 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							Trading book RM'000	Total RM'000
	←	Non-trading book					→		
31 December 2020	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000		
Financial liabilities									
Deposits from customers	45,000	-	-	-	-	-	61	-	45,061
Deposits and placements of banks and other financial institutions	840	25,000	-	-	-	-	20	-	25,860
Other liabilities	-	-	-	-	-	-	67,039	-	67,039
Lease liabilities	-	-	-	285	10,778	-	-	-	11,063
Amounts due to subsidiaries and related companies	-	-	-	-	-	-	9,924	-	9,924
Total financial liabilities	45,840	25,000	-	285	10,778	-	77,044	-	158,947
Net interest sensitivity gap	476,270	28,466	-	(285)	(10,778)	-		1,978	

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.2 Market Risk (Continued)****41.2.2 Interest rate risk (Continued)****(b) Sensitivity of profit**

The table below shows the sensitivity of the Group's and the Bank's profit/loss to movement in interest rates:

	The Group			
	31 December 2021		31 December 2020	
	Increase/(decrease)		Increase/(decrease)	
	+100 basis point	-100 basis point	+100 basis point	-100 basis point
	RM'000	RM'000	RM'000	RM'000
Impact to profit (after tax)	3,712	(3,712)	3,815	(3,815)

	The Bank			
	31 December 2021		31 December 2020	
	Increase/(decrease)		Increase/(decrease)	
	+100 basis point	-100 basis point	+100 basis point	-100 basis point
	RM'000	RM'000	RM'000	RM'000
Impact to profit (after tax)	3,656	(3,656)	3,803	(3,803)

Sensitivity is measured using the EaR methodology. The treatments and assumptions applied are based on the contractual repricing and remaining maturity of the products, whichever is earlier. Items with indefinite repricing maturity are treated based on the earliest possible repricing date. The actual dates may vary from the repricing profile allocated due to factors such as pre-mature withdrawals, prepayment and others.

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on profit in the next 12 months from policy rate change.

The projection assumes that interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on profit of some rates changing while others remain unchanged. The projections also assume all other variables are held constant and are based on a constant reporting date position and that all positions run to maturity.

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.2 Market Risk (Continued)****41.2.3 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, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank.

31 December 2021	The Group						Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	Others RM'000		
Financial assets								
Cash and short term funds	578,503	-	-	10,496	3,730	523	14,749	593,252
Deposits and placements with banks and other financial institutions	10	-	-	-	-	-	-	10
Equity instruments at fair value through other	-	867	-	-	-	-	867	867
Other assets	23,488	-	-	4	1,877	-	1,881	25,369
Amounts due from ultimate holding company and related companies	8,877	-	-	-	677	207	884	9,761
	610,878	867	-	10,500	6,284	730	18,381	629,259
Financial liabilities								
Deposits from customers	35,032	-	-	-	-	-	-	35,032
Deposits and placements of banks and other financial institutions	10,021	-	-	-	-	801	801	10,822
Other liabilities	63,284	-	-	-	-	-	-	63,284
Lease liabilities	7,016	-	-	-	-	-	-	7,016
Amounts due to subsidiaries and related companies	294	-	1,011	8,389	-	-	9,400	9,694
	115,647	-	1,011	8,389	-	801	10,201	125,848
Credit related commitments and contingencies	14,044	-	-	-	-	-	-	14,044
	14,044	-	-	-	-	-	-	14,044

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.2 Market Risk (Continued)****41.2.3 Foreign exchange risk (Continued)**

- (a) The table below summarises the financial assets, financial liabilities, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank. (Continued)

31 December 2020	The Group						Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	Others RM'000		
Financial assets								
Cash and short term funds	526,524	-	-	10,191	7,500	391	18,082	544,606
Reverse repurchase agreements	53,670	-	-	-	-	-	-	53,670
Deposits and placements with banks and other financial institutions	10	-	-	-	-	-	-	10
Financial investments at fair value through profit or loss	1,978	-	-	-	-	-	-	1,978
Equity instruments at fair value through other comprehensive income	-	867	-	-	-	-	867	867
Other assets	23,890	-	-	2	110	-	112	24,002
Amounts due from ultimate holding company and related companies	36,977	-	-	888	2,428	20	3,336	40,313
	643,049	867	-	11,081	10,038	411	22,397	665,446
Financial liabilities								
Deposits from customers	45,061	-	-	-	-	-	-	45,061
Deposits and placements of banks and other financial institutions	25,020	-	-	-	-	840	840	25,860
Other liabilities	67,045	-	-	-	-	-	-	67,045
Lease liabilities	11,063	-	-	-	-	-	-	11,063
Amounts due to subsidiaries and related companies	193	-	-	9,753	-	-	9,753	9,946
	148,382	-	-	9,753	-	840	10,593	158,975

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.2 Market Risk (Continued)****41.2.3 Foreign exchange risk (Continued)**

- (a) The table below summarises the financial assets, financial liabilities, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank. (Continued)

31 December 2021	The Bank					Total non-MYR RM'000	Grand total RM'000	
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000			Others RM'000
Financial assets								
Cash and short term funds	574,226	-	-	10,496	3,730	523	14,749	588,975
Other assets	22,677	-	-	4	1,877	-	1,881	24,558
Amounts due from ultimate holding company and related companies	8,877	-	-	-	677	207	884	9,761
	605,780	-	-	10,500	6,284	730	17,514	623,294
Financial liabilities								
Deposits from customers	35,032	-	-	-	-	-	-	35,032
Deposits and placements of banks and other financial institutions	10,021	-	-	-	-	801	801	10,822
Other liabilities	63,257	-	-	-	-	-	-	63,257
Lease liabilities	7,016	-	-	-	-	-	-	7,016
Amounts due to subsidiaries and related companies	287	-	1,011	8,389	-	-	9,400	9,687
	115,613	-	1,011	8,389	-	801	10,201	125,814
Credit related commitments and contingencies	14,044	-	-	-	-	-	-	14,044
	14,044	-	-	-	-	-	-	14,044

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.2 Market Risk (Continued)****41.2.3 Foreign exchange risk (Continued)**

- (a) The table below summarises the financial assets, financial liabilities, items not recognised in the statements of financial position and net open position by currency of the Group and the Bank. (Continued)

31 December 2020	The Bank						Total non-MYR RM'000	Grand total RM'000
	MYR RM'000	IDR RM'000	THB RM'000	SGD RM'000	USD RM'000	Others RM'000		
Financial assets								
Cash and short term funds	525,582	-	-	10,191	7,500	391	18,082	543,664
Reverse repurchase agreements	53,670	-	-	-	-	-	-	53,670
Financial investments at fair value through profit or loss	1,978	-	-	-	-	-	-	1,978
Other assets	23,076	-	-	2	110	-	112	23,188
Amounts due from ultimate holding company and related companies	36,977	-	-	888	2,428	20	3,336	40,313
	<u>641,283</u>	<u>-</u>	<u>-</u>	<u>11,081</u>	<u>10,038</u>	<u>411</u>	<u>21,530</u>	<u>662,813</u>
Financial liabilities								
Deposits from customers	45,061	-	-	-	-	-	-	45,061
Deposits and placements of banks and other financial institutions	25,020	-	-	-	-	840	840	25,860
Other liabilities	67,039	-	-	-	-	-	-	67,039
Lease liabilities	11,063	-	-	-	-	-	-	11,063
Amounts due to subsidiaries and related companies	171	-	-	9,753	-	-	9,753	9,924
	<u>148,354</u>	<u>-</u>	<u>-</u>	<u>9,753</u>	<u>-</u>	<u>840</u>	<u>10,593</u>	<u>158,947</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.2 Market Risk (Continued)****41.2.3 Foreign exchange risk (Continued)****(b) Sensitivity of profit**

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

	The Group and the Bank			
	31 December 2021		31 December 2020	
	Increase/(decrease)		Increase/(decrease)	
	1% appreciation in foreign currency RM'000	1% depreciation in foreign currency RM'000	1% appreciation in foreign currency RM'000	1% depreciation in foreign currency RM'000
Impact to profit (after tax)	61	(61)	41	(41)

The impact on profit arises from transactional exposures.

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.

41.3 Liquidity Risk

Liquidity risk is defined as the current and potential risk to earnings, shareholders fund or the Group's reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they 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 (BAU) and stress conditions. Due to its large delivery network and marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand and term deposits, thus providing the Group with a stable large funding base. Our Group maintains some buffers of liquidity throughout the year to ensure safe and sound operations from a strategic, structural and tactical perspective.

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

41 Financial Risk Management (Continued)

41.3 Liquidity Risk (Continued)

The day-to-day responsibility for liquidity risk management and control is delegated to Group Asset Liability Management Committee (GALCO). GALCO meets at least once a month to discuss the liquidity risk and funding profile of the Group. The key liquidity risk metrics comprise of internal liquidity gaps or cashflow maturity profile mismatches under business-as-usual and stress scenarios, regulatory liquidity coverage ratio (“LCR”) and Net Stable Funding Ratio (“NSFR”) which are measured and monitored regularly. LCR is a quantitative regulatory requirement which seeks to ensure that banking institutions hold sufficient High Quality Liquid Assets (“HQLA”) to withstand an acute liquidity stress scenario over a 30-calendar-days horizon. Our Group monitors and reports LCR and NSFR based on the BNM LCR and NSFR Policy Document dated 25 August 2016 and 31 July 2019 respectively. The effective date for NSFR is 1 July 2020. As part of its ordinary course of business, our Group maintains the LCR and NSFR above the regulatory requirements. In addition, liquidity risk stress testing under various scenarios covering bank-specific (idiosyncratic), market-wide and combined crises is performed regularly to identify sources of potential liquidity strain. Liquidity risk positions based on balance sheet forecasts and relevant risk drivers are projected to help in business planning.

In addition to regulatory limits, liquidity risk undertaken by our Group is governed by a set of established liquidity risk limits and appetite. Management Action Triggers (“MATs”) have been established to alert the Management to potential and emerging liquidity pressures. Our Group’s liquidity risk management policy is subjected to periodic review. The assumptions, risk limits and appetite are regularly reviewed in response to regulatory changes, changing business needs and market conditions.

The Asset-Liability Management function, which is responsible for the independent monitoring of our Group’s liquidity risk profile, works closely with Group Treasury and Markets in its surveillance on market conditions. Business units are responsible for establishing and maintaining strong business relations with their respective depositors and key providers of funds. Group Treasury and Markets only acts as a global provider of funds on a need-to or contingency basis. The Group has to prudently manage its liquidity position to meet its daily operating needs.

Our Group’s Contingency Funding Plan (“CFP”) is in place to alert and enable the senior management to act effectively and efficiently during a liquidity or funding crisis and under adverse market conditions. The CFP is subjected to regular testing and review.

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

41 Financial Risk Management (Continued)

41.3 Liquidity risk (Continued)

41.3.1 Contractual maturity of assets and liabilities

(a) The table below analyses the assets and liabilities of the Group based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of BNM guidelines:

	The Group							Total RM'000
	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	
31 December 2021								
Assets								
Cash and short term funds	593,252	-	-	-	-	-	-	593,252
Deposits and placements with banks and other financial institutions	-	10	-	-	-	-	-	10
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	867	867
Other assets	26,831	-	-	-	-	-	-	26,831
Deferred tax assets	-	-	-	-	-	-	11,431	11,431
Tax recoverable	-	-	-	-	-	-	24,624	24,624
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	50	50
Investment in associates	-	-	-	-	-	-	6,304	6,304
Property, plant and equipment	-	-	-	-	-	-	9,877	9,877
Intangible assets	-	-	-	-	-	-	31,659	31,659
Right-of-use assets	-	-	-	-	-	-	6,337	6,337
Amounts due from ultimate holding company and related companies	9,761	-	-	-	-	-	-	9,761
Non-current assets held for sale	-	-	-	-	-	-	15,832	15,832
Total assets	629,844	10	-	-	-	-	106,981	736,835

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.3 Liquidity risk (Continued)****41.3.1 Contractual maturity of assets and liabilities (Continued)**

- (a) The table below analyses the assets and liabilities of the Group based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of BNM guidelines (Continued):

	The Group							Total
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	
31 December 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	35,032	-	-	-	-	-	-	35,032
Deposits and placements of banks and other financial institutions	10,822	-	-	-	-	-	-	10,822
Other liabilities	63,563	-	-	-	-	-	-	63,563
Amounts due to subsidiaries and related companies	9,694	-	-	-	-	-	-	9,694
Lease liabilities	-	-	-	170	6,846	-	-	7,016
Total liabilities	119,111	-	-	170	6,846	-	-	126,127
Net liquidity gap	510,733	10	-	(170)	(6,846)	-	106,981	

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.3 Liquidity risk (Continued)****41.3.1 Contractual maturity of assets and liabilities (Continued)**

- (a) The table below analyses the assets and liabilities of the Group based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of BNM guidelines (Continued):

	The Group							Total RM'000
	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	
31 December 2020								
Assets								
Cash and short term funds	544,606	-	-	-	-	-	-	544,606
Reverse repurchase agreements	-	53,670	-	-	-	-	-	53,670
Deposits and placements with banks and other financial institutions	-	10	-	-	-	-	-	10
Financial investments at fair value through profit or loss	-	-	-	1,978	-	-	-	1,978
Equity instruments at fair value through other comprehensive income	-	-	-	-	-	-	867	867
Other assets	30,402	-	-	-	-	-	-	30,402
Deferred tax assets	-	-	-	-	-	-	9,551	9,551
Tax recoverable	-	-	-	-	-	-	32,216	32,216
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	50	50
Investment in associates	-	-	-	-	-	-	8,714	8,714
Property, plant and equipment	-	-	-	-	-	-	14,744	14,744
Intangible assets	-	-	-	-	-	-	27,280	27,280
Right-of-use assets	-	-	-	-	-	-	10,390	10,390
Amounts due from ultimate holding company and related companies	40,313	-	-	-	-	-	-	40,313
Investment properties	-	-	-	-	-	-	16,304	16,304
Total assets	615,321	53,680	-	1,978	-	-	120,116	791,095

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.3 Liquidity risk (Continued)****41.3.1 Contractual maturity of assets and liabilities (Continued)**

(a) The table below analyses the assets and liabilities of the Group based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of BNM guidelines (Continued):

	The Group							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
31 December 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	45,061	-	-	-	-	-	-	45,061
Deposits and placements of banks and other financial institutions	840	25,020	-	-	-	-	-	25,860
Other liabilities	68,208	-	-	-	-	-	-	68,208
Amounts due to subsidiaries and related companies	9,946	-	-	-	-	-	-	9,946
Lease liabilities	-	-	-	285	10,778	-	-	11,063
Total liabilities	124,055	25,020	-	285	10,778	-	-	160,138
Net liquidity gap	491,266	28,660	-	1,693	(10,778)	-	120,116	

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

41 Financial Risk Management (Continued)

41.3 Liquidity risk (Continued)

41.3.1 Contractual maturity of assets and liabilities (Continued)

- (b) The table below analyses the assets and liabilities of the Bank based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of BNM guidelines:

	The Bank							Total RM'000
	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	
31 December 2021								
Assets								
Cash and short term funds	588,975	-	-	-	-	-	-	588,975
Other assets	26,020	-	-	-	-	-	-	26,020
Deferred tax assets	-	-	-	-	-	-	11,431	11,431
Tax recoverable	-	-	-	-	-	-	24,624	24,624
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	50	50
Investment in subsidiaries	-	-	-	-	-	-	50	50
Property, plant and equipment	-	-	-	-	-	-	9,877	9,877
Intangible assets	-	-	-	-	-	-	31,659	31,659
Right-of-use assets	-	-	-	-	-	-	6,337	6,337
Amounts due from ultimate holding company and related companies	9,761	-	-	-	-	-	-	9,761
Non-current assets held for sale	-	-	-	-	-	-	15,832	15,832
Total assets	624,756	-	-	-	-	-	99,860	724,616

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.3 Liquidity risk (Continued)****41.3.1 Contractual maturity of assets and liabilities (Continued)**

- (b) The table below analyses the assets and liabilities of the Bank based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of BNM guidelines (Continued):

	The Bank							Total
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	
31 December 2021	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	35,032	-	-	-	-	-	-	35,032
Deposits and placements of banks and other financial institutions	10,822	-	-	-	-	-	-	10,822
Other liabilities	63,536	-	-	-	-	-	-	63,536
Amounts due to subsidiaries and related companies	9,687	-	-	-	-	-	-	9,687
Lease liabilities	-	-	-	170	6,846	-	-	7,016
Total liabilities	119,077	-	-	170	6,846	-	-	126,093
Net liquidity gap	505,679	-	-	(170)	(6,846)	-	99,860	

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.3 Liquidity risk (Continued)****41.3.1 Contractual maturity of assets and liabilities (Continued)**

(b) The table below analyses the assets and liabilities of the Bank based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of BNM guidelines (Continued):

	The Bank							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	Total
31 December 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short term funds	543,664	-	-	-	-	-	-	543,664
Reverse repurchase agreements	-	53,670	-	-	-	-	-	53,670
Financial investments at fair value through profit or loss	-	-	-	1,978	-	-	-	1,978
Other assets	29,591	-	-	-	-	-	-	29,591
Deferred tax assets	-	-	-	-	-	-	9,551	9,551
Tax recoverable	-	-	-	-	-	-	32,216	32,216
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	50	50
Investment in subsidiaries	-	-	-	-	-	-	50	50
Property, plant and equipment	-	-	-	-	-	-	14,744	14,744
Intangible assets	-	-	-	-	-	-	27,280	27,280
Right-of-use assets	-	-	-	-	-	-	10,390	10,390
Amounts due from ultimate holding company and related companies	40,313	-	-	-	-	-	-	40,313
Investment properties	-	-	-	-	-	-	16,304	16,304
Total assets	613,568	53,670	-	1,978	-	-	110,585	779,801

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

41 Financial Risk Management (Continued)

41.3 Liquidity risk (Continued)

41.3.1 Contractual maturity of assets and liabilities (Continued)

(b) The table below analyses the assets and liabilities of the Bank based on the remaining period at the end of the reporting period to the contractual maturity date in accordance with the requirement of BNM guidelines (Continued):

	The Bank							Total RM'000
	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	
31 December 2020								
Liabilities								
Deposits from customers	45,061	-	-	-	-	-	-	45,061
Deposits and placements of banks and other financial institutions	840	25,020	-	-	-	-	-	25,860
Other liabilities	68,202	-	-	-	-	-	-	68,202
Amounts due to subsidiaries and related companies	9,924	-	-	-	-	-	-	9,924
Lease liabilities	-	-	-	285	10,778	-	-	11,063
Total liabilities	124,027	25,020	-	285	10,778	-	-	160,110
Net liquidity gap	489,541	28,650	-	1,693	(10,778)	-	110,585	

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.3 Liquidity risk (Continued)****41.3.2 Contractual maturity of financial liabilities on an undiscounted basis****Non-derivative financial liabilities**

The tables below present the cash flows payable by the Group 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							Total RM'000
	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	
31 December 2021								
Non-derivative financial liabilities								
Deposits from customers	35,084	-	-	-	-	-	-	35,084
Deposits and placements of banks and other financial institutions	10,835	-	-	-	-	-	-	10,835
Other liabilities	63,284	-	-	-	-	-	-	63,284
Lease liabilities	-	651	651	1,288	4,803	-	-	7,393
Amounts due to subsidiaries and related companies	9,694	-	-	-	-	-	-	9,694
	118,897	651	651	1,288	4,803	-	-	126,290
<u>Commitments and contingencies</u>								
Credit related commitments and contingencies	14,044	-	-	-	-	-	-	14,044
	14,044	-	-	-	-	-	-	14,044

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

41 Financial Risk Management (Continued)

41.3 Liquidity risk (Continued)

41.3.2 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 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							Total
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	
31 December 2020	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Non-derivative financial liabilities								
Deposits from customers	45,098	-	-	-	-	-	-	45,098
Deposits and placements of banks and other financial institutions	840	25,082	-	-	-	-	-	25,922
Other liabilities	67,045	-	-	-	-	-	-	67,045
Lease liabilities	-	789	789	1,541	8,756	-	-	11,875
Amounts due to subsidiaries and related companies	9,946	-	-	-	-	-	-	9,946
	122,929	25,871	789	1,541	8,756	-	-	159,886

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.3 Liquidity risk (Continued)****41.3.2 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 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 Bank							Total RM'000
	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	
31 December 2021								
Non-derivative financial liabilities								
Deposits from customers	35,084	-	-	-	-	-	-	35,084
Deposits and placements of banks and other financial institutions	10,835	-	-	-	-	-	-	10,835
Other liabilities	63,257	-	-	-	-	-	-	63,257
Lease liabilities	-	651	651	1,288	4,803	-	-	7,393
Amounts due to subsidiaries and related companies	9,687	-	-	-	-	-	-	9,687
	118,863	651	651	1,288	4,803	-	-	126,256
<u>Commitments and contingencies</u>								
Credit related commitments and contingencies	14,044	-	-	-	-	-	-	14,044
	14,044	-	-	-	-	-	-	14,044

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****41 Financial Risk Management (Continued)****41.3 Liquidity risk (Continued)****41.3.2 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 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)

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	The Bank		Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
				> 6 – 12 months RM'000	> 1 – 5 years RM'000			
31 December 2020								
Non-derivative financial liabilities								
Deposits from customers	45,098	-	-	-	-	-	-	45,098
Deposits and placements of banks and other financial institutions	840	25,082	-	-	-	-	-	25,922
Other liabilities	67,039	-	-	-	-	-	-	67,039
Lease liabilities	-	789	789	1,541	8,756	-	-	11,875
Amounts due to subsidiaries and related companies	9,924	-	-	-	-	-	-	9,924
	122,901	25,871	789	1,541	8,756	-	-	159,858

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

41 Financial Risk Management (Continued)

41.4 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.

41.4.1 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: <ul style="list-style-type: none">• Quoted prices for similar assets and liabilities in active markets; or• Quoted prices for identical or similar assets and liabilities in non-active markets; or• Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.
Level 3	One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Assets/liabilities are classified as Level 1 when the valuation is based on quoted prices for identical assets or liabilities in active markets.

Assets/liabilities are regarded as being quoted in an active market if the prices are readily available from a published and reliable source and those prices represent actual and regularly occurring market transactions on an arm's length basis.

When fair value is determined using quoted prices of similar assets/liabilities in active markets or quoted prices of identical or similar assets and liabilities in non-active markets, such assets/liabilities are classified as Level 2. In cases where quoted prices are generally not available, the Group determines fair value based upon valuation techniques that use market parameters as inputs. Most valuation techniques employ observable market data, including but not limited to yield curves, equity prices, volatilities and foreign exchange rates.

Assets/liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data. Such inputs are determined based on observable inputs of a similar nature, historical observations or other analytical techniques.

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters.

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

41 Financial Risk Management (Continued)

41.4 Fair value estimation (Continued)

41.4.1 Determination of fair value and fair value hierarchy (Continued)

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 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;
- Model risk and unobservable parameter reserve must be considered to provide for the uncertainty of the model assumptions;
- The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer; and
- Independent price verification process shall be carried out by Market Risk Management to ensure that financial assets/liabilities are recorded at fair value.

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

41 Financial Risk Management (Continued)

41.4 Fair value estimation (Continued)

41.4.1 Determination of fair value and fair value hierarchy (Continued)

The following table represents financial assets measured at fair value and classified by level with the following fair value hierarchy:

	The Group				The Bank			
	Fair Value			Carrying amount	Fair Value			Carrying amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	
31 December 2021								
<i>Recurring fair value measurement</i>								
<u>Financial assets</u>								
Equity instruments at fair value through other comprehensive income								
- Unquoted securities	-	-	867	867	-	-	-	-
Total	-	-	867	867	-	-	-	-

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

41 Financial Risk Management (Continued)

41.4 Fair value estimation (Continued)

41.4.1 Determination of fair value and fair value hierarchy (Continued)

The following table represents financial assets measured at fair value and classified by level with the following fair value hierarchy (Continued):

	The Group				The Bank			
	Fair Value			Carrying amount	Fair Value			Carrying amount
	Level 1	Level 2	Level 3		Level 1	Level 2	Level 3	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
31 December 2020								
<i>Recurring fair value measurement</i>								
<u>Financial assets</u>								
Financial investments at fair value through profit or loss								
- Unquoted securities	-	1,978	-	1,978	-	1,978	-	1,978
Equity instruments at fair value through other comprehensive income								
- Unquoted securities	-	-	867	867	-	-	-	-
Total	-	1,978	867	2,845	-	1,978	-	1,978

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

41 Financial Risk Management (Continued)

41.4 Fair value estimation (Continued)

41.4.1 Determination of fair value and fair value hierarchy (Continued)

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2021 and 31 December 2020 for the Group and the Bank.

	The Group Financial Investments - Equity instruments at fair value through other comprehensive income RM'000	Total RM'000
2021		
At 1 January/31 December	867	867
	<hr/>	
	The Group Financial Investments - Equity instruments at fair value through other comprehensive income RM'000	Total RM'000
2020		
At 1 January	844	844
Total gain recognised in other comprehensive income	23	23
At 31 December	867	867
	<hr/>	

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

41 Financial Risk Management (Continued)

41.4 Fair value estimation (Continued)

41.4.1 Determination of fair value and fair value hierarchy (Continued)

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2021 and 31 December 2020 for the Group and the Bank. (Continued)

	The Bank Financial Investments - Equity instruments at fair value through other comprehensive income RM'000	Total RM'000
2021		
At 1 January/31 December	-	-
	-	-
	-	-
2020		
At 1 January/31 December	-	-
	-	-
	-	-

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

41 Financial Risk Management (Continued)

41.4 Fair value estimation (Continued)

41.4.2 Fair value of financial assets and liabilities measured at amortised cost

The fair values are based on the following methodologies and assumptions:

Short-term funds and placements with financial institutions and reverse repurchase Agreements

For short term funds, placements with financial institutions and reverse repurchase agreements with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, the estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

Other assets

The fair value of other assets approximates the carrying value less expected credit losses at the statement of financial position date.

Amount due (to)/from subsidiaries and related companies and amount due from holding company and ultimate holding company

The estimated fair values of the amount due (to)/from subsidiaries and related companies and amount due 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 loans.

Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are a reasonable estimate of their fair value. For deposit with maturities of six months or more, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

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

41 Financial Risk Management (Continued)

41.4 Fair value estimation (Continued)

41.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)

The fair values are based on the following methodologies and assumptions (Continued):

Deposits and placements of banks and other financial institutions

The estimated fair values of deposits and placements of banks and other financial institutions with maturities of less than six months approximate the carrying values. For deposits and placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market interest rates for deposits and placements with similar remaining period to maturities.

Other liabilities

The fair value of liabilities approximates the carrying value at the statement of financial position date.

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.

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

41 Financial Risk Management (Continued)

41.4 Fair value estimation (Continued)

41.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3)

The Group 31 December 2021

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity instruments at fair value through other comprehensive income	867	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

31 December 2020

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity instruments at fair value through other comprehensive income	867	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

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

41 Financial Risk Management (Continued)

41.4 Fair value estimation (Continued)

41.4.3 Quantitative information about fair value measurements using significant unobservable inputs (Level 3) (Continued)

The Bank 31 December 2021

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity instruments at fair value through other comprehensive income	-	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

31 December 2020

Description	Fair value assets (RM'000)	Valuation technique(s)	Unobservable input	Range of unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Equity instruments at fair value through other comprehensive income	-	Net tangible asset	Net tangible asset	Not applicable	Higher net tangible assets results in higher fair value

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****42 The operations of Islamic Banking****Statements of Financial Position as at 31 December 2021**

	The Group and the Bank	
	31 December 2021	31 December 2020
Note	RM'000	RM'000
Assets		
Cash and short term funds	(a) 87,417	80,087
Other assets	(b) 878	421
Deferred tax assets	(c) 104	102
Property, plant and equipment	(d) 3	5
Intangible assets	(e) -	-
Amounts due from related companies	(f) 82	375
Total assets	88,484	80,990
Liabilities and Islamic Banking capital funds		
Other liabilities	(g) 8,503	4,102
Amounts due to related companies	(f) 727	101
Total liabilities	9,230	4,203
Islamic Banking capital funds	55,696	55,696
Reserves	23,558	21,091
Total Islamic Banking capital funds	79,254	76,787
Total liabilities and Islamic Banking capital funds	88,484	80,990

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****42 The operations of Islamic Banking (Continued)****Statements of Income for the financial year ended 31 December 2021**

	Note	The Group and the Bank	
		2021 RM'000	2020 RM'000
Income derived from investment of shareholders' funds	(h)	27,749	23,802
Expected credit losses written back on trade receivables		18	291
Total attributable income		27,767	24,093
Personnel expenses	(i)	(662)	(691)
Other overheads and expenditures	(j)	(7,090)	(6,533)
Profit before taxation		20,015	16,869
Taxation	(k)	(4,918)	(4,231)
Profit after taxation/total comprehensive income for the financial year		15,097	12,638
Total net income		27,767	24,093
Add : Expected credit losses written back on trade receivables		(18)	(291)
Income from Islamic Banking operations		27,749	23,802

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****42 The operations of Islamic Banking (Continued)****Statements of Changes in Equity for the financial year ended 31 December 2021**

	Islamic Banking capital fund RM'000	Retained profits RM'000	Total RM'000
The Group and the Bank			
At 1 January 2021	55,696	21,091	76,787
Net profit for the financial year	-	15,097	15,097
Total comprehensive income for the financial year	-	15,097	15,097
Interim dividend paid in respect of the financial year ended 31 December 2020	-	(12,630)	(12,630)
At 31 December 2021	55,696	23,558	79,254
At 1 January 2020	55,696	68,453	124,149
Net profit for the financial year	-	12,638	12,638
Total comprehensive income for the financial year	-	12,638	12,638
Interim dividend paid in respect of the financial year ended 31 December 2019	-	(60,000)	(60,000)
At 31 December 2020	55,696	21,091	76,787

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****42 The operations of Islamic Banking (Continued)****Statements of Cash Flows for the financial year ended 31 December 2021**

	Note	The Group and the Bank	
		2021 RM'000	2020 RM'000
Cash flows from operating activities			
Profit before taxation from :			
Continuing operations		20,015	16,869
Add/(less) adjustments:			
Unrealised foreign exchange loss/(gain)		28	(23)
Expected credit losses written back on other receivables		(18)	(291)
Depreciation of property, plant and equipment		3	1
Cash flow from operating profit before changes in operating assets and liabilities		20,028	16,556
(Increase)/decrease in operating assets			
Other assets		(467)	6,357
Amounts due from related companies		293	(120)
Increase/(decrease) in operating liabilities			
Other liabilities		(519)	136
Amounts due to related companies		626	101
Cash flow generated from operating activities		19,961	23,030
Taxation paid		-	-
Net cash generated from operating activities		19,961	23,030
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		(1)	(3)
Net cash used in investing activities		(1)	(3)
Cash flows from financing activities			
Dividends paid		(12,630)	(60,000)
Net cash used in financing activities		(12,630)	(60,000)
Net increase/(decrease) in cash and cash equivalents during the financial year			
		7,330	(36,973)
Cash and cash equivalents at beginning of the financial year		80,087	117,060
Cash and cash equivalents at end of the financial year	(a)	87,417	80,087

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****42 The operations of Islamic Banking (Continued)**

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
(a) Cash and short term funds		
Cash and balances with banks and other financial institutions	393	33
Money at call and deposit placements maturing within one month	87,024	80,054
	<u>87,417</u>	<u>80,087</u>

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
(b) Other assets		
Other debtors, deposits and prepayments	878	421
	<u>878</u>	<u>421</u>

(c) 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 statement of financial position, after offsetting:

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
Deferred tax assets	<u>104</u>	<u>102</u>

The gross movement on the deferred taxation account are as follows:

	The Group and the Bank	
	31 December 2021	31 December 2020
	RM'000	RM'000
Deferred tax assets		
Other temporary differences	119	119
Property, plant and equipment	(15)	(17)
	<u>104</u>	<u>102</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****42 The operations of Islamic Banking (Continued)****(c) Deferred taxation (Continued)**

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

	Accelerated tax depreciation RM'000	Other temporary differences RM'000	Total RM'000
The Group and the Bank			
<u>Deferred tax assets</u>			
At 1 January 2021	(17)	119	102
Charged to statements of income	2	-	2
At 31 December 2021	<u>(15)</u>	<u>119</u>	<u>104</u>
	Accelerated tax depreciation RM'000	Other temporary differences RM'000	Total RM'000
The Group and the Bank			
<u>Deferred tax assets</u>			
At 1 January 2020	66	119	185
Credited to statements of income	(83)	-	(83)
At 31 December 2020	<u>(17)</u>	<u>119</u>	<u>102</u>

(d) Property, plant and equipment

	Office equipment and furniture and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
The Group and the Bank					
31 December 2021					
Cost					
At 1 January 2021/ 31 December 2021	<u>233</u>	<u>116</u>	<u>119</u>	<u>216</u>	<u>684</u>
Accumulated depreciation					
At 1 January 2021	231	112	119	216	678
Charge for the financial year	-	3	-	-	3
At 31 December 2021	<u>231</u>	<u>115</u>	<u>119</u>	<u>216</u>	<u>681</u>
Net book value as at 31 December 2021	<u>2</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>3</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****42 The operations of Islamic Banking (Continued)****(d) Property, plant and equipment (Continued)**

The Group and the Bank	Office equipment and furniture and fittings RM'000	Computer equipment and hardware RM'000	Motor vehicles RM'000	Renovation RM'000	Total RM'000
31 December 2020					
Cost					
At 1 January 2020	231	129	119	216	695
Additions	2	-	-	-	2
Transfer to intangible asset	-	(13)	-	-	(13)
At 31 December 2020	233	116	119	216	684
Accumulated depreciation					
At 1 January 2020	231	125	119	216	691
Charge for the financial year	1	-	-	-	1
Transfer to intangible assets	-	(13)	-	-	(13)
At 31 December 2020	232	112	119	216	679
Net book value as at 31 December 2020	1	4	-	-	5

(e) Intangible assets

The Group and the Bank	Computer software RM'000	Total RM'000
31 December 2021		
Cost		
At 1 January 2021/31 December 2021	13	13
Accumulated depreciation		
At 1 January 2021/31 December 2021	13	13
Net book value as at 31 December 2021	-	-

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

42 The operations of Islamic Banking (Continued)

(e) Intangible assets (Continued)

	Computer software RM'000	Total RM'000
The Group and the Bank		
31 December 2020		
Cost		
At 1 January 2020	-	-
Transfer from property, plant and equipment	13	13
At 31 December 2020	13	13
Accumulated depreciation		
At 1 January 2020	-	-
Transfer from property, plant and equipment	13	13
At 31 December 2020	13	13
Net book value as at 31 December 2020	-	-

	The Group and the Bank 31 December 2021 RM'000	31 December 2020 RM'000
(f) Amounts due from/(to) related companies		
Amounts due from:		
-Related companies	82	375
Amounts due to:		
-Related companies	(727)	(101)

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****42 The operations of Islamic Banking (Continued)**

		The Group and the Bank	
		31 December	31 December
		2021	2020
		RM'000	RM'000
(g) Other liabilities			
	Sundry Creditors	1,111	-
	Other liabilities	7,392	4,102
		8,503	4,102
		The Group and the Bank	
		2021	2020
		RM'000	RM'000
(h) Income derived from investment of shareholders' funds			
	Finance income and hibah:		
	Money at call and deposit and placements with financial institutions	1,398	1,671
	Fee and commission income:		
	Advisory fees	350	2,015
	Placement fees	5,335	11,231
	Underwriting fees	602	1,126
	Others	20,159	7,736
		26,446	22,108
	Other income:		
	Foreign exchange (loss)/gain	(96)	23
	Others	1	-
		(95)	23
		27,749	23,802

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****42 The operations of Islamic Banking (Continued)**

		The Group and the Bank	
		2021	2020
		RM'000	RM'000
(i) Personnel expenses			
- Salaries, allowances and bonuses		622	654
- EPF		40	37
		<u>662</u>	<u>691</u>
(j) Other overheads and expenditure			
Establishment expenses			
- Depreciation of property, plant and equipment		3	1
- Rental		220	235
- Others		80	85
		<u>303</u>	<u>321</u>
Marketing expenses			
- Others		16	7
		<u>16</u>	<u>7</u>
Administration and general expenses			
- Legal and professional fees		25	2
- Others		32	44
		<u>57</u>	<u>46</u>
Shared services cost			
- Personnel cost		293	12
- Establishment cost		148	12
- Administration and general expenses		6,273	6,135
		<u>6,714</u>	<u>6,159</u>
Other overheads and expenditures		<u>7,090</u>	<u>6,533</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****42 The operations of Islamic Banking (Continued)**

		The Group and the Bank	
		2021	2020
		RM'000	RM'000
(k)	Taxation		
	(i) Tax expense for the financial year		
	Current year tax		
	- Malaysian income tax	4,920	4,148
	Deferred tax (Note c)	(2)	83
		<u>4,918</u>	<u>4,231</u>
	(ii) Numerical reconciliation of income tax expense		
	The explanation on the relationship between tax expense and profit before taxation is as follows:		
		The Group and the Bank	
		2021	2020
		RM'000	RM'000
	Profit before taxation	20,015	16,869
	Tax calculated at tax rate of 24% (2020:24%)	4,804	4,049
	Expenses not deductible for tax purposes	114	182
	Tax expense	<u>4,918</u>	<u>4,231</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****42 The operations of Islamic Banking (Continued)****(I) Related party transactions and balances****(i) Related parties and relationships**

The related parties of, and their relationship with the Bank, is disclosed in Note 34(a).

(ii) Significant related party transactions and balances

In addition to related party disclosures mentioned elsewhere in the Financial Statements, set out below are other significant related party transactions. Interest rates on fixed and short-term deposits were at normal commercial rates.

	31 December 2021	31 December 2020
	Other related companies RM'000	Other related companies RM'000
The Group and the Bank		
Income:		
Fee income	14,962	2,296
Dividend income	1,319	1,527
	<u>16,281</u>	<u>3,823</u>
Expenses:		
Dividend paid	12,630	60,000
	<u>12,630</u>	<u>60,000</u>
	RM'000	RM'000
The Group and the Bank		
Amounts due from:		
Cash and short term funds	87,024	1,050
	<u>87,024</u>	<u>1,050</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2021 (Continued)****42 The operations of Islamic Banking (Continued)****(m) Capital adequacy ratio**

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

	The Group and the Bank	
	31 December 2021	31 December 2020
Before deducting proposed dividend		
Common Equity Tier 1 Ratio	115.139%	134.826%
Tier 1 ratio	115.139%	134.826%
Total capital ratio	115.139%	134.826%
After deducting proposed dividend		
Common Equity Tier 1 Ratio	93.319%	112.620%
Tier 1 ratio	93.319%	112.620%
Total capital ratio	93.319%	112.620%

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

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Credit risk	17,638	831
Operational risk	51,105	56,046
Total risk-weighted assets	68,743	56,877

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

	The Group and the Bank	
	31 December 2021 RM'000	31 December 2020 RM'000
Common Equity Tier 1 capital		
Islamic Banking capital funds	55,696	55,696
Other reserves	23,558	21,091
Less : Proposed dividends	(15,000)	(12,630)
Common Equity Tier 1 capital / Total Tier 1 Capital	64,254	64,157
Less: Regulatory adjustments		
Deferred Tax Assets	(104)	(102)
Common equity Tier 1 capital after regulatory adjustments / Total Tier 1 capital	64,150	64,055
Total capital base	64,150	64,055

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

43 Client trust accounts

As at 31 December 2021, cash held in trust for clients by the Group and the Bank amounted to RM 7,239,050,559 respectively (31 December 2020: RM 7,414,182,360 respectively). These amounts are not recognised in the financial statements as the Group and the Bank held them in a fiduciary capacity.

44 Authorisation for issue of Financial Statements

The Financial Statements have been authorised for issue in accordance with a resolution of the Board of Directors on 14 March 2022.