



AL RAJHI BANKING & INVESTMENT CORPORATION (MALAYSIA) BHD.
(Incorporated in Malaysia)
Co. Reg. No. 200501036909 (719057-X)

FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Registered Office

Ground Floor, East Block
Wisma Golden Eagle Realty
142-B Jalan Ampang
50450 Kuala Lumpur

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PERFORMANCE OVERVIEW 2021

The Bank represents Al Rajhi Banking & Investment Corporation (Malaysia) Bhd., while the Group represents both the Bank and its wholly-owned subsidiary, Al Rajhi Nominee (Tempatan) Sdn Bhd.

The Group and the Bank recorded a profit before zakat and taxation of RM12.1 million (2020: loss before zakat and tax of RM66.0 million) and RM12.3 million (2020: loss before zakat and tax of RM66.0 million) respectively for the financial year ended 31 December 2021.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of the Bank ("the Board") recognises the importance of corporate governance as set out in the Malaysian Code on Corporate Governance 2021 ("the Code") and Bank Negara Malaysia's ("BNM") Policy on Corporate Governance in discharging its responsibilities to enhance shareholders' value and safeguard the profits of other stakeholders towards enhancing business prosperity and corporate accountability. This also means inculcating a culture that seeks to balance conformance requirements with the need to deliver long term strategic success through performance, predicated on entrepreneurship, control and ownership, without compromising personal or corporate ethics and integrity.

BOARD OF DIRECTORS

(i) Board Composition and Its Roles and Responsibilities

At the date of this report, the Board consists of five (5) Directors which include three (3) independent Non-Executive Directors and two (2) non-independent Executive Director. The Non-Executive Directors shall not engage in the day to day management of the Bank and shall not participate in any business dealings and shall not be involved in any other relationship with the Bank. This ensures that the independent Non-Executive Directors remain free from conflict of interest and facilitates them to carry out their roles and responsibilities. The appointment of independent Non-Executive Directors facilitates the exercise of independent evaluation in Board deliberations and decision-making, and thus providing check and balance in the Board.

The Board is responsible for the overall corporate governance, including its strategic direction, establishing goals for management and monitoring the achievement of these goals. The roles and responsibilities of the Chairman and the Chief Executive Officer ("CEO") are clearly separated, to institute an appropriate balance of power and authority. The Chairman is responsible for ensuring the effectiveness of the Board as well as representing the Board to the Shareholders.

The Directors, with their different backgrounds and specialisations, collectively bring with them a wide range of experience and expertise. The CEO is responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies. The independent Non-Executive Directors bring an independent judgement to the decision making of the Board and provide a review and challenge on the performance of the management.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

BOARD OF DIRECTORS (Continued)

(i) Board Composition and Its Roles and Responsibilities (Continued)

As a principle of good governance, all Directors are subject to re-election at regular intervals. The Bank's constitution also provide for the retirement of Directors by rotation and, under BNM's guidelines, all appointment and re-appointment of Directors have to be approved by BNM.

(ii) Board of Directors' Profile

The Directors' profiles are as follows:

Mr. John Roger Winfield
Chairman, Independent Non-Executive Director

John Roger Winfield was appointed as the Independent Non-Executive Director of the Board of Al Rajhi Bank Malaysia on 15 January 2021 and subsequently appointed as Chairman effective 17 March 2021. He is of British nationality.

Roger's banking career has spanned a period of over forty-eight years. After an initial induction period in London with Lloyds Banking Group ("Lloyds"), he was asked by Lloyds to take up a role in South Korea in 1984 and subsequently in Japan, Taiwan and Singapore. In 1992, he joined Deutsche Bank in Singapore and then from 1999 to 2004, he was appointed as a Chief Executive Officer for Deutsche Bank in Mauritius, which he established from scratch, including obtaining separate banking and trust company licences. After joining HSBC at start of 2005, he moved to the United Arab Emirates in 2006 and then from March 2015 until his retirement early in 2021, Roger was the Chief Executive Officer of HSBC Kuwait.

In addition to his two Country CEO roles, Roger has worked in many areas of banking during his career, including senior positions in commercial banking, trade finance, project finance, financial institutions, wholesale market risk and private banking, where he was the Regional Head for the Southern Gulf region for HSBC.

Some of his accreditations includes President, Association of Offshore Banks, Mauritius (2000 and 2001), appointed by Minister of Finance, Republic of Mauritius to be a Non-Executive Director Financial Services Promotion Agency, Mauritius (December 2001 to December 2004), elected as Charter Member of TiE Dubai (The Indus Entrepreneurs) in June 2008, appointed as HSBC's representative to the British Business Group, Northern Emirates, United Arab Emirates in March 2014 and appointed as Deputy Chairman and Treasurer, Board of Governors, The English School, and Kuwait from March 2015 until January 2021.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

BOARD OF DIRECTORS (Continued)

(ii) Board of Directors' Profile (Continued)

En. Zulkiflee Bin Hashim
Independent Non-Executive Director

Encik Zulkiflee Hashim was appointed as an Independent Non-Executive Director of Al Rajhi Bank Malaysia on 15 January 2021.

Encik Zulkiflee has over 35 years of experience in the banking industry. He started his career with Citibank Malaysia in 1979 and left his position as Vice President in November 1991. From December 1991 to November 1997, Encik Zulkiflee was with Deutsche Bank Malaysia. He was the Deputy Managing Director responsible for Corporate Banking, International Trade Finance, Operations and Transaction Banking Services. From July 1998 to October 2011, Encik Zulkiflee was the Executive Director of Hong Leong Bank Berhad ("HLB"). Prior to his retirement in 2015, he was HLB's Chief Operating Officer, Group Strategic Support from November 2011 to January 2015. During the tenure with HLB, he was given the responsibility to oversee various areas such as Branch and Banking Operations, Integrated Risk Management, Credit Management, Information Technology, Islamic Banking, Wholesale Operations, Retail Operations, Legal and Corporate Communications & Public Relations.

Encik Zulkiflee is presently an independent Non-Executive Director of Small Medium Enterprise Development Bank Malaysia Berhad ("SME Bank"), Hong Leong MSIG Takaful Berhad and GuocoLand (Malaysia) Berhad. He was previously a member of Hong Leong Bank Berhad Board of Directors.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

BOARD OF DIRECTORS (Continued)

(ii) Board of Directors' Profile (Continued)

En. Abdulrahman Abdullah Al Fadda
Non- Independent Executive Director

Abdulrahman is presently the Chief Financial Officer of Al Rajhi Bank, Riyadh and was recently appointed as Non-Independent Executive Director of Al Rajhi Bank Malaysia on 15 January 2021.

He joined the Bank in September 2015 as General Manager of Group Treasury and a member of the High Management Committee. In September 2017, he was appointed and continues to be a member of the Board Investment Committee of Al Rajhi Company for Cooperative Insurance.

Abdulrahman holds a Bachelor of Science in Electrical Engineering from King Fahd University of Petroleum and Mineral, Dhahran. He started his career in Samba Financial Group, Riyadh in 1997 where he spent 14 years in various desks within its Treasury Division, which later saw his posting to its office in the United Kingdom. He played a key role in the subsequent centralisation of Samba's London Treasury activities in Riyadh. In September 2011, he left his position as Head of Trading to join National Commercial Bank, Riyadh as Deputy Treasurer. In June 2012, he joined Saudi Investment Bank, Riyadh where he spent 3 years as Treasurer.

Abdulrahman is also the Chairman of Al Rajhi Financial Markets Board and sits on various other Boards namely Emkan Finance Company, Al Rajhi Development Company and Al Rajhi Company for Management Services.

En.Lim Jit Jee
Independent Non-Executive Director

Lim Jit Jee ("JJ") was appointed as the Independent Non-Executive Director of Al Rajhi Bank Malaysia effective 6 October 2021.

JJ's vast experience lies in various disciplines across capital markets and financial services, with an illustrious career spanning a period of more than four decades. Throughout the years, he has held many roles ranging from securities operations, business development, critical project management, as well as advisory and consultancy.

As the Technology Advisor for Waafi Bank Ltd (Labuan), and previously the Chief Technology Officer of Affin Hwang Investment Bank, and the Consultant/Member of two of Bursa Malaysia's Board Task Force, he successfully spearheaded numerous technology-based initiatives in moving these organisations to the next level.

JJ had joined Bursa Malaysia as the Head of Exchanges Operations of Market Operations before he was appointed as the Chief Information Officer to lead Bursa Malaysia's technology and systems in 2008. Prior to Bursa Malaysia, JJ was the Executive Director of the Association of Stockbroking Companies of Malaysia.

JJ graduated with a Bachelor of Science in Computer Science from Sonoma State University, California, United States of America. The information technology professional has also served on the Board of several renowned organisations in Malaysia including JP Morgan Securities Sdn Bhd and Assunta Hospital.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

BOARD OF DIRECTORS (Continued)

(ii) Board of Directors' Profile (Continued)

En. Hossam Essam Al Basrawi
Non- Independent Executive Director

Hossam Essam Al Basrawi is presently the General Manager Corporate Banking of Al Rajhi Bank, Riyadh and was recently appointed as the Non-Independent Executive Director of Al Rajhi Bank Malaysia effective 1 March 2022.

Hossam joined the Bank in year 2020 as the General Manager Corporate Banking and a member of Executive Management. A seasoned banker, Hossam has over 25 years of experience in various areas ranging from strategic planning, financial analysis, sales management, credit, organizational transformation, to management of special attention credits.

He started his career in Saudi Hollandi Bank, Western Region in 1996 as the Regional Remedial Unit Head and in 2001, he was a Relationship Manager where he started his journey under the Corporate Banking Group. In 2002, he joined Saudi Investment Bank, Western Region as the Relationship Officer. In the same year, he joined Banque Saudi Fransi, Riyadh where he spent 16 years in various desks within its Corporate Banking Group.

He holds a Bachelor of Law from Cairo University, Egypt.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

BOARD OF DIRECTORS (Continued)

(iii) Board Meetings

Board meetings for the ensuing financial year are scheduled in advance before the end of the current financial year to facilitate the Directors to plan and organise next year's Board meetings into their respective schedules.

For the financial year 2021, eight (8) Board meetings were held and the attendance by Directors at the board meetings were as follows:

Members	No. of meetings attended/held
John Roger Winfield (Appointed w.e.f. 15 January 2021) Chairman, Independent Non-Executive Director	8/8
Zulkiflee bin Hashim (Appointed w.e.f. 15 January 2021) Independent Non-Executive Director	8/8
Abdulrahman Abdullah Al Fadda (Appointed w.e.f. 15 January 2021) Non-Independent Executive Director	8/8
Lim Jit Jee (Appointed w.e.f. 6 October 2021) Independent Non-Executive Director	2/2
Hossam Essam Al Basrawi (Appointed w.e.f. 1 March 2022) Non-Independent Executive Director	-
Stefano Paolo Bertamini (Resigned w.e.f. 28 February 2022) Non-Independent Non-Executive Director	8/8
Ow Chee Hong (Resigned w.e.f. 6 October 2021) Independent Non-Executive Director	6/6

At the Board meetings, the Board reviews various management reports on the business performance of the Bank and the minutes of meetings of the Board Committees are tabled for review by members of the Board.

Members of the Board shall deliberate and in the process, evaluate the potential risks and viability of business propositions and corporate proposals that have significant impact on the Bank's business or on its financial position.

Board meetings are governed by a structured format agenda and the agenda for each Board meeting and papers relating to the agenda items are forwarded to all Directors in advance prior to the scheduled Board meetings for their perusal.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

BOARD OF DIRECTORS (Continued)

(iv) Board Committees

Minutes of every Board meeting are circulated to all the Directors for their perusal prior to confirmation of the minutes at the following Board meeting.

Board Committees were established to assist the Board in the running of the Bank. The following are the Board Committees with their specific terms of reference and functions:

Board Audit Committee

The composition of the Board Audit Committee and the attendance by members at the Board Audit Committee meetings held in 2021 are as follows:

Members	No. of meetings attended/held
Zulkiflee bin Hashim Chairman (Appointed w.e.f. 6 October 2021)	5/5
John Roger Winfield Member (Appointed w.e.f. 15 January 2021)	5/5
Lim Jit Jee Member (Appointed w.e.f. 6 October 2021)	2/2
Ow Chee Hong Chairman (Resigned w.e.f. 6 October 2021)	3/3

The primary function of the Audit Committee is to assist the Board in discharging its responsibilities by providing independent oversight of the Bank's financial reporting, the internal control system, the effectiveness of internal audit function and risk management system. The Audit Committee also provides, by way of regular meetings, a line of communication between the Board, the internal and external auditors.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

BOARD OF DIRECTORS (Continued)

(iv) Board Committees (Continued)

Board Risk Management and Compliance Committee

The composition of the Board Risk Management and Compliance Committee and the attendance by members at the Board Risk Management and Compliance Committee meetings held in 2021 are as follows:

Members	No. of meetings attended/held
Zulkiflee bin Hashim Chairman (Appointed w.e.f. 15 January 2021)	7/7
John Roger Winfield Member (Appointed w.e.f. 15 January 2021)	7/7
Lim Jit Jee Member (Appointed w.e.f. 6 October 2021)	2/2
Ow Chee Hong Member (Resigned w.e.f. 6 October 2021)	5/5

STATEMENT OF CORPORATE GOVERNANCE (Continued)

BOARD OF DIRECTORS (Continued)

(iv) Board Committees (Continued)

Risk Management Committee

The objective of the Risk Management Committee is to establish a forum for deliberation and consideration of risks which the Bank is exposed to, its strategic direction and objectives while overseeing to ensure that the risk management systems, policies and procedures are in place and functioning.

Nominating Remuneration Committee

The composition of the Nominating Remuneration Committee and the attendance by members at the Board Committee meetings held in 2021 are as follows:

Members	No. of meetings attended/held
Lim Jit Jee (Appointed w.e.f. 6 October 2021) Chairman, Independent Non-Executive Director	2/2
John Roger Winfield (Appointed w.e.f. 15 January 2021) Independent Non-Executive Director	6/6
Zulkiflee Bin Hashim (Appointed w.e.f. 15 January 2021) Independent Non-Executive Director	6/6
Ow Chee Hong (Resigned w.e.f. 6 October 2021) Chairman, Independent Non-Executive Director	4/4

The responsibility of the Nominating Remuneration Committee is to support the Board in carrying out its functions in appointments/removals, composition, performance evaluation and development and fit and proper assessments concerning the Board of Directors, Senior Management and Company Secretary. The Committee is also responsible to support the Board in overseeing the design and operation of the Bank's remuneration system and ensuring that the remuneration is competitive and consistent with the Bank's objective and strategy.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

INTERNAL AUDIT AND INTERNAL CONTROL ACTIVITIES

The Code and BNM's Policy on Corporate Governance require banks to maintain a sound system of internal control to safeguard shareholders' investments and the Bank's assets.

Responsibility of the Board

The Board recognises the importance of maintaining a sound system of internal control to safeguard shareholders' investments and the Bank's assets. The Board is also responsible for the Bank's system of internal controls and its effectiveness. It includes reviewing the adequacy and integrity of controls relating to financial, operational, risk management and compliance with applicable laws and

The system is designed to manage the Bank's risks within an acceptable risk profile and the Board acknowledges that the system, by its nature, can only provide reasonable assurance and not absolute assurance against material misstatement of financial information and records or against financial losses or fraud.

Key Internal Control Elements

The Bank has put in place on-going internal control processes for identifying, evaluating, managing and reporting on the significant risks that may affect the achievement of its business objectives throughout the financial year under review. The key internal control elements in the processes are described below:

(i) Clear Line of Responsibilities

The management of the Bank is primarily delegated to the CEO and its Management Committee, whose responsibilities are set by the Board. The management assists the Board in the implementation of the policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operation and monitoring of suitable internal controls to mitigate and control these risks.

(ii) Risk Management Framework

Risk Management Division is established to assist the Board in the development of general risk policies and procedures, monitor and evaluate material risks that may arise from the Bank's business activities. The Board with the assistance of the Risk Management Division, has established an enterprise-wide risk management framework that details a holistic risk management governance structure for risk management which balances risks and returns, as well as integrated risk management processes for credit risk, market risk, liquidity risk, technology risk and operational risk.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

INTERNAL AUDIT AND INTERNAL CONTROL ACTIVITIES (Continued)

Key Internal Control Elements (Continued)

(iii) Internal Audit Activities

On-going reviews of the internal control system are carried out by the internal auditor to test controls effectiveness in the Bank. Results of such reviews are reported to the Audit Committee. The internal audit activities revolve primarily on areas of priority as identified by risk analysis and in accordance with the annual internal audit plan as approved by the Audit Committee.

(iv) Annual Business Plan

A detailed budgeting process is established requiring all key business units in the Bank to prepare budgets annually which are discussed and approved by the Board. Regular reporting on actual performance against approved budgets is in place and significant variances shall be followed up by the management and to be reported to the Board.

(v) Management Reporting

The Board also receives and reviews reports from the management on a regular basis in ensuring the effectiveness of the Bank's daily operations and that the Bank's operations are in accordance with the established goals.

(vi) Policies and Procedures

There are policies, procedures and authority limits imposed on the management in respect of the day-to-day operations. Compliance with internal controls and the relevant laws and regulations are also set out in operations manuals, guidelines and directives which are updated from time to time.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

RISK MANAGEMENT

Audited information according to MFRS 7 and MFRS 101

Risk management disclosures provided in line with the requirements of the Malaysian Financial Reporting Standard ("MFRS") 7 *Financial Instruments: Disclosures*, and disclosures on capital management as required by MFRS 101 *Presentation of Financial Statements* form part of the financial statements audited by the Bank's independent auditors, Ernst & Young PLT.

Risk management plays a substantial role in the governance of the Bank as the Bank recognises the diversity and complexity of banking operations and the exposure to various kinds of risks mainly on credit risk, market risk, liquidity risk, technology risk and operational risk.

The Bank recognises the importance of an effective risk management and control measures to ensure the Bank's corporate value, sustained profitability and continued enhancement of shareholder value.

A risk conscious corporate culture and pre-emptive actions of employees are also crucial for an effective risk management. The risk conscious corporate culture is met through communication, training, policies, procedures, and organisational structures, roles and responsibilities.

Overall Risk Management Framework

Risk Management Governance Structure and Processes

The Bank has established within its risk management framework a holistic risk management governance structure for risk management which balances risks and returns, as well as integrated risk management processes for credit risk, market risk, liquidity risk, technology risk and operational risk. The risk management governance structure provides clear accountabilities and responsibilities for risk management processes throughout the organisation at the Board level, at the Executive Management level and at the business unit and support unit level. The risk management processes encompass four (4) broad processes, namely risk identification, risk assessment and measurement, risk control and mitigation and risk monitoring.

Stress test and scenario analysis serves as important risk management tools as part of the Bank's risk assessment process and are used to assess the financial risks management capability of the Bank to continue to operate effectively under different stressed scenarios. The stress test and scenario analysis will assist the Bank in the following:

- (a) Evaluating the optimal capitalisation level for the Bank to weather extreme banking scenarios;
- (b) Understanding the nature and key risk profile of the Bank;
- (c) Estimating the adequacy of liquidity contingency planning; and
- (d) Assessing the effectiveness of risk mitigation which is already established.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

RISK MANAGEMENT (Continued)

Credit Risk Management

Credit risk is defined as the risk of potential losses arising from a customer default or deterioration in the credit standing of a customer with whom the Bank has entered transactions into.

The Bank establishes policies and procedures for credit origination, scoring, rating, approval, monitoring, collection and recovery. Credit approval authorities are delegated to committees and individuals in accordance to the risk appetite of the Board. Regular analysis and reporting of risk profile covering credit exposure, movements of non-performing financings ("NPFs"), concentration of credit exposure, adequacy of specific provision for NPFs and capital adequacy is updated to the management, the Risk Management Committee and the Board.

Market and Liquidity Risk Management

Market risk is defined as the risk that the Bank could incur losses due to changes in the value of assets and liabilities (including off-balance sheet items) caused by fluctuations in the market risk factors such as profit rates and foreign exchange rates. Meanwhile, liquidity risk is defined as the risk of losses arising from funding difficulties to raise the necessary funds, or when it is forced to obtain funds at much higher rates than usual.

The Bank establishes policies and procedures for monitoring, reporting and controlling of market and liquidity risks including setting appropriate management trigger and exposure limits and performing regular stress testing. The Asset and Liability Committee ("ALCO") is established to monitor, deliberate and make decisions on matters related to funding, liquidity as well as asset and liability mismatch risks management. The Bank manages its liquidity in compliance to BNM's Basel III liquidity requirements. Regular analysis and reporting of market and liquidity risks profile is updated to the ALCO, the Risk Management Committee and the Board.

Operational Risk Management

Operational risk is defined as the risk of loss, whether direct or indirect, to which the Bank is exposed due to inadequacy or failure of processes, procedures, systems or control and external events. Operational risk, in some form, exists in each of the Bank's business and support activities and can result in direct and indirect financial loss, regulatory sanctions, customer dissatisfaction and damage to the Bank's reputation.

STATEMENT OF CORPORATE GOVERNANCE (Continued)

RISK MANAGEMENT (Continued)

Operational Risk Management (Continued)

The management of operational risk is an important priority for the Bank. To mitigate such operational risks, the Bank has developed an operational risk program and essential methodologies that enable identification, measurement, monitoring, and reporting of inherent and emerging operational risks.

The day-to-day management of operational risk exposures is through the development and maintenance of comprehensive internal controls and procedures based on segregation of duties, independent checks, segmented system access control and multi-tier authorisation processes. An incident reporting process is also established to capture and analyse frauds and control lapses.

A periodic self-risk and control assessment is established for business and support units to pro-emptively identify risks and evaluate control effectiveness. Action plans are developed for the control issues identified.

Technology Risk Management

As financial institution leverages more on technology to provision its services and the growing sophistication of cyber threats, there is a greater need for the Bank to strengthen its technology risk and resilience management.

The Bank has in-line with regulatory requirements established technology and cyber resilience framework to ensure continuous availability of its financial services to customers and protection of customers data at all times.

CAPITAL ADEQUACY FRAMEWORK INITIATIVES

In line with the Basel II Pillar 1 on minimum capital requirement, the Bank has implemented the Capital Adequacy Framework for Islamic Banks ("CAFIB") issued by BNM by adopting the following approaches:

- a) Credit Risk Charge - Standardised Approach
- b) Market Risk Charge - Standardised Approach
- c) Operational Risk Charge - Basic Indicator Approach

The Bank has developed a framework for Internal Capital Adequacy and Assessment Process ("ICAAP"). The ICAAP goes one step further in ensuring that the Bank has in place a structured process for assessing the adequacy of its internal capital levels relative to its risk profile and appetite that covers all material risks beyond those specified in Pillar 1.

DIRECTORS' REPORT

The Directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Bank for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The Bank is principally engaged in Islamic Banking business and the provision of related financial services under the Islamic Financial Services Act 2013.

The principal activity of the subsidiary is disclosed in Note 13 to the financial statements.

There were no significant changes to these principal activities during the financial year.

FINANCIAL RESULTS

	Group	Bank
	RM'000	RM'000
Net profit for the financial year	<u>12,096</u>	<u>12,330</u>

There were no material transfers to or from reserves, provisions or allowances during the financial year other than those disclosed in the statement of changes in equity and in Notes 7, 8, 9 and 10 of the financial statements.

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

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, in the opinion of the Directors, to affect substantially the results of the operations of the Group and of the Bank for the current financial year in which this report is made.

DIVIDEND

No dividend has been paid or declared by the Bank since the end of the previous financial year.

The Directors do not recommend the payment of any dividend for the current financial year.

DIRECTORS OF THE BANK

The names of the Directors of the Bank in office since the date of the last report and at the date of this report are as follows:

John Roger Winfield (appointed w.e.f. 15 January 2021)
Zulkiflee Bin Hashim (appointed w.e.f. 15 January 2021)
Abdulrahman Abdullah Al Fadda (appointed w.e.f. 15 January 2021)
Lim Jit Jee (appointed w.e.f. 6 October 2021)
Hossam Essam Al Basrawi (appointed w.e.f. 1 March 2022)
Ow Chee Hong (resigned w.e.f. 6 October 2021)
Stefano Paolo Bertamini (resigned w.e.f. 28 February 2022)

The directors of the subsidiary are disclosed in Note 13 to the financial statements.

DIRECTORS' INTERESTS IN SHARES

According to the register of Directors' shareholding, none of the Directors holding office as at 31 December 2021 held any shares in the Bank or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received nor become entitled to receive any benefit (other than directors' remuneration as disclosed in Note 32 of the financial statements or amount of emoluments received or due and receivable by the Directors from fixed salaries as full time employees of related corporations) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Directors are a member, or with a company in which the Directors have a substantial financial profit.

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangements to which the Bank or its subsidiary is a party whereby Directors might acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other corporate body.

During the financial year, the total amount of directors' and officers' liability Takaful coverage was RM10,000,000 and Takaful contribution paid for the Directors and the officers of the Group and of the Bank was RM35,625.

ISSUE OF SHARES

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

COMPLIANCE WITH BANK NEGARA MALAYSIA'S GUIDELINES ON FINANCIAL REPORTING

In the preparation of the financial statements of the Group and of the Bank, the Directors have taken reasonable steps to ensure that Bank Negara Malaysia's expectations on financial reporting have been complied with, including those as set out in the Guidelines on Financial Reporting for Islamic Banking Institutions.

BAD AND DOUBTFUL FINANCING

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ascertain that proper actions had been taken in relation to the writing off of bad financing and the making of allowance for doubtful financing and have satisfied themselves that all bad financing have been written-off and that adequate allowance had been made for doubtful financing.

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

CURRENT ASSETS

Before the financial statements of the Group and of the Bank were made out, the Directors took reasonable steps to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business, had been written down to an amount which they 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 the 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 methods of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

- (i) any charge on the assets of the Group and of the Bank which has arisen since the end of the financial year and which secures the liabilities of any other person; or
- (ii) any contingent liability in respect of the Group and of the Bank that has arisen since the end of the financial year other than in the ordinary course of the banking business.

No contingent liability or other liability of the Group and of 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 Group and of the Bank to meet its obligations as and 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, which would render any amount stated in the financial statements misleading.

BUSINESS PLAN AND OUTLOOK FOR 2022

The expansion in global economy and improved domestic economic activities have placed Malaysia on the right path towards recovery with domestic economy expected to grow between 5% and 7% in 2022. This is further solidified from the expected impact of Budget 2022, the largest budget in Malaysian history; the introduction of stimulus packages for the rakyat (or the people) and businesses impacted by COVID-19; and the 12th Malaysia Plan.

Furthermore, the improving external demands from trading partners, increase in commodity pricing, rapid transition to digitisation and investments in infrastructure projects which provide multiplier economic effects will further complement the expected economic growth.

With the expected growth in Malaysia's economy, the Bank is taking steps to seize growth opportunities by embarking on a bank-wide transformative journey with the development of the new digital bank and focusing on the corporate business in a selective manner. Internally, the Bank will continue to strengthen its governance, rejuvenate and up-skill its talent pool, and further optimise its costs.

DISCLOSURE OF SHARIAH BOARD

The Shariah Board reports to the Board of Directors and its main duty and responsibility is to oversee the Bank's activities and operations, investments and prudent development to ensure compliance with Shariah principles.

(a) Shariah Board Profiles

The profiles of the Shariah Board members are as follows:

Sheikh Wan Rumaizi Wan Husin **Chairman**

Sheikh Wan Rumaizi Wan Husin has been with the Bank for eight years and served in the capacity of Shariah Committee Member. Recently, he has been appointed as the new Chairman of the Shariah Committee of Al Rajhi Bank Malaysia effective 1 January 2022.

Sheikh Wan Rumaizi Bin Wan Husin is a former lecturer at the Department of Fiqh and Usul al-Fiqh at the Kulliyah of Islamic Revealed Knowledge and Human Sciences of International Islamic University Malaysia ("IIUM"). He holds a Master's Degree in Fiqh and Usul al-Fiqh from IIUM. Prior to that, he obtained his Bachelor's Degree in the same specialisation from Ali Bayt University of Jordan. He joined the Shariah Board of Al Rajhi Bank Malaysia as member in July 2015.

(a) Shariah Board Profiles (Continued)

The profiles of the Shariah Board members are as follows (Continued):

Sheikh Prof. Dr. Younes Soualhi
Deputy Chairman

Prof. Dr. Younes Soualhi was appointed as Deputy Chairman of the Shariah Committee of Al Rajhi Bank Malaysia effective 1 January 2022. Currently, he is the Senior Researcher, the Deputy Director of Research and Innovation and the Head of Islamic Banking Unit at the International Shariah Research Academy for Islamic Finance (ISRA). Prof. Younes also teaches at INCEIF, the Global University of Islamic Finance, Malaysia.

A distinguished subject matter expert, Prof Younes was previously Chairman of the Shariah Committee of HSBC Amanah Malaysia Berhad, and currently Chairman of the Shariah Committee of Munich Re Retakaful, Chairman of the Shariah Council of Experts for Salam Takaful (Nigeria), Deputy Chairman of the Shariah Committee of ABC Bahrain Bank, Algeria, the sole Shariah Advisor for Kuwait Retakaful (Labuan, Malaysia), and Shariah Committee member of Bursa Malaysia. At the moment, he sits on the Shariah Sub-Committee (Malaysia region) of the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI). He is also a registered financial planner (RFP, MFPC-Malaysia).

As a keen writer and researcher, Prof. Younes published many books and articles on Islamic Banking and Finance. With an extensive working experience of 26 years in academia, he taught various courses on Islamic Finance, Usul al-Fiqh, and Fiqh al Muamalat at both undergraduate and postgraduate (M.A. and Ph.D.) levels.

He graduated with B.A. in Shariah from Emir Abdulqadir University for Islamic Sciences (Algeria). He received his M.A. from International Islamic University Malaysia and Ph.D. from University Malaya, Malaysia. He also holds a Diploma in Human Sciences.

Sheikh Lokmanulhakim Bin Hussain
Member

Sheikh Lokmanulhakim Bin Hussain is a former researcher of International Shari'ah Research Academy for Islamic Finance ("ISRA"). He obtained his first class honours in both Bachelor of Arts degree in Shariah and a Master's degree in Fiqh from Islamic University of Medina, Kingdom of Saudi Arabia. He sits as a member of Shariah Board of Al Rajhi Bank Malaysia since 2014.

(a) Shariah Board Profiles (Continued)

The profiles of the Shariah Board members are as follows (Continued):

**Sheikh Dr. Habeebullah Zakariyah
Member**

Dr. Habeebullah Zakariyah was appointed as Member of the Shariah Committee of Al Rajhi Bank Malaysia effective 1 January 2022. He is currently the Senior Lecturer and Deputy Dean, Academic and Internationalization at the IIUM Institute of Islamic Banking and Finance, International Islamic University Malaysia (IIUM).

His areas of expertise and interests include Transactions in Islamic Banking and Finance, Islamic Social Finance, Islamic Capital Market, Takaful and Retakaful, Islamic Wealth Management, and Principles of Islamic Jurisprudence. Dr. Habeebullah has published and joint published numerous articles and book chapters on these subject matters in highly reputable academic journals.

He holds L.L.B in Shariah and Law from Omdurman Islamic University, Sudan, Master's Degree and Ph.D. in Muamalat (Islamic Law of Transactions) from International Islamic University Malaysia. As an accomplished speaker, Dr. Habeebullah actively shares his knowledge and insights through regular participation in local and international conferences.

**Sheikh Dr. Ashurov Sharofiddin
Member**

Dr. Ashurov Sharofiddin was appointed as Member of the Shariah Committee of Al Rajhi Bank Malaysia, effective 1 April 2022. He is currently the Assistant Professor at the International Islamic University of Malaysia's (IIUM) Institute of Islamic Banking and Finance, and the Chairman of the Committee of Islamic Financial Services (CIFS). Dr. Ashurov is also a Shariah Advisor at Alif Bank, and Head of Due Diligence and the Central Asia Representative for Searaven Global Corp Ltd.

The composition of the Shariah Board Committee and the attendance by members at the Shariah Board meetings held in 2021 are as follows:

Shariah Board Members	Shariah Board Meeting	Shariah Extensive Meeting
Sheikh Wan Rumaizi Bin Wan Husin (Chairman)	43/44	98%
Sheikh Prof. Dr. Younes Soualhi (Deputy Chairman) (Appointed w.e.f 1 January 2022)	-	-
Sheikh Lokmanulhakim Bin Hussain (Member)	43/44	98%
Sheikh Dr. Habeebullah Zakariyah (Member) (Appointed w.e.f 1 January 2022)	-	-
Sheikh Dr. Ashurov Sharofiddin (Member) (Appointed w.e.f 1 April 2022)	-	-
Sheikh Prof. Dr. Saleh Abdullah S. Al Lheidan (Resigned w.e.f. 31 December 2021)	43/44	98%
Sheikh Assoc. Prof. Dr. Azman Mohd Noor (Resigned w.e.f. 31 December 2021)	44/44	100%
Sheikh Dr. Mohammed Hael Ghilan Al-Madhagi (Resigned w.e.f. 31 December 2021)	43/44	98%

DISCLOSURE OF SHARIAH BOARD (Continued)

(b) Shariah Board and Its Roles and Responsibilities

The duties and responsibilities of the Shariah Board amongst others are as follows:

- (i) To advise the Board of Directors on Shariah matters in order to ensure that the business operations of the Bank comply with the Shariah principles at all times;
- (ii) To endorse the Shariah Compliance Manual. The manual specifies the manner in which a submission or request for advice be made to Shariah Board, the conduct of the Shariah Board's meeting and the manner of compliance with any Shariah decision;
- (iii) To ensure that the Bank complies with Shariah principles in all aspects and to decide consequential action upon any violation;
- (iv) To ensure that the products of the Bank comply with Shariah principles in all aspects, the Shariah Board must endorse the following:
 - (a) the terms and conditions contained in the proposal form, contract, agreement or other legal documentation used in executing the transactions; and
 - (b) the product manual, marketing advertisement, sales illustrations and brochures used to describe the product;
- (v) To provide assistance to related parties such as legal counsel, auditor or consultant on Shariah matters so that compliance with Shariah principles can be assured completely;
- (vi) To provide written Shariah opinion and to record any opinion given under the following circumstances:
 - (a) where the Bank makes reference to the Shariah Advisory Council ("SAC") of Bank Negara Malaysia for advice; and
 - (b) where the Bank submits applications to Bank Negara Malaysia for new products approval in accordance with guidelines on product approval issued by Bank Negara Malaysia; and
- (vii) To advise on matters to be referred to the SAC which have not been resolved or endorsed. The Shariah Board is also expected to assist the SAC on any matters referred by the Bank.

SUBSEQUENT EVENT

Subsequent event during the financial year ended 31 December 2021 is disclosed in Note 43.

AL RAJHI BANKING & INVESTMENT CORPORATION (MALAYSIA) BHD.
(Incorporated in Malaysia)
Co. Reg. No. 200501036909 (719057-X)

DIRECTORS' REPORT (Continued)

AUDITORS

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office. The auditors' remuneration is disclosed in Note 31 to the Financial Statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated **23 MAY 2022**


JOHN ROGER WINFIELD
DIRECTOR

Kuala Lumpur, Malaysia


ZULKIFLEE BIN HASHIM
DIRECTOR

AL RAJHI BANKING & INVESTMENT CORPORATION (MALAYSIA) BHD.
(Incorporated in Malaysia)
Co. Reg. No. 200501036909 (719057-X)

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT, 2016**

We, John Roger Winfield and Zulkiflee Bin Hashim, being two of the directors of Al Rajhi Banking and Investment Corporation (Malaysia) Bhd., do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 30 to 158 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2021 and of the results and the cash flows of the Group and the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated **23 MAY 2022**


JOHN ROGER WINFIELD
DIRECTOR


ZULKIFLEE BIN HASHIM
DIRECTOR

Kuala Lumpur, Malaysia

**STATUTORY DECLARATION
PURSUANT TO SECTION 251(1)(b) OF THE COMPANIES ACT, 2016**

I, SHAMSUL ANUAR BIN DATO' HAJI MOHD RASEP @ HAJI ABDUL RASHID (MIA Membership No. 29481), being the officer primarily responsible for the financial management of Al Rajhi Banking and Investment Corporation (Malaysia) Bhd., do solemnly and sincerely declare that the accompanying financial statements set out on pages 30 to 158 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed SHAMSUL ANUAR BIN
DATO' HAJI MOHD RASEP @ HAJI
ABDUL RASHID at Kuala Lumpur
on **23 MAY 2022**


SHAMSUL ANUAR BIN DATO' HAJI MOHD RASEP
@ HAJI ABDUL RASHID

Before me,


FAIRUZ SYAFIQA BINTI MOHAMAD ASRI
Advocate and Solicitor
Kuala Lumpur
(BC/F/900)



TETUAN FAHMI ZAFRI ASHRAF & CO
PEGUAMBELA & PEGUAMCARA
1-1, PERDANA THE PLACE
JALAN PJU 8/5G, DAMANSARA PERDANA
47820 PETALING JAYA, SELANGOR

REPORT OF SHARIAH BOARD



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

All praise is due to Allah, prayers and peace be upon the last Prophet Mohammad, and be upon his relatives and all his companions; now therefore,

السَّلَامُ عَلَيْكُمْ وَرَحْمَةُ اللَّهِ وَبَرَكَاتُهُ

In carrying out the roles and responsibilities of Shariah Board of Al Rajhi Banking and Investment Corporation (Malaysia) Bhd., we hereby submit the following report on Shariah Compliance of Al Rajhi Banking and Investment Corporation (Malaysia) Bhd.'s ("the Bank"), activities and operations for the financial year ended 31 December 2021.

Products Endorsement and Issuance of Shariah Rulings

We have reviewed and approved the products and the contracts relating to the transactions undertaken by the Bank during the year ended 31 December 2021. We have also conducted our review to form an opinion as to whether the Bank has complied with the Shariah rulings issued by us. For the financial year ended 31 December 2021, we have issued 81 Shariah rulings on products and services proposed and submitted by the Bank.

Assessment of the Work Carried Out by Shariah Supervision and Shariah Audit

We have assessed the plans, assignments and findings prepared, performed and submitted by Shariah Supervision, and Shariah Audit which includes examining, on a sample basis, various types of transactions, relevant documentations and procedures adopted by the Bank.

Shariah Risk Function

We have assessed the function of Shariah Risk in monitoring and controlling Shariah non-compliance risks, and therefore mitigate or minimise the occurrence of Shariah non-compliances. This will enable the Bank to continue its operations and activities effectively without exposing the Bank to unacceptable levels of risk.

Shariah Training and Awareness

To enhance the understanding of the Bank's employees on the rulings issued by Shariah Board, we have ensured series of trainings on Shariah rulings conducted by Shariah Division to mitigate the risk of Shariah non-compliance.

REPORT OF SHARIAH BOARD (Continued)

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank during the year ended 31 December 2021 that we have reviewed are in general compliant with the Shariah principles;
2. The allocation of profit and charging of losses relating to investment accounts conform to the basis that had been approved by us in accordance with Shariah principles; and
3. In accordance with the Shariah non-compliance reporting requirements and imposed by Islamic Financial Services Act 2013 ("IFSA"), the Shariah non-compliance event(s) were presented to us for confirmation and the rectification plans were presented accordingly to us and to the Board of Directors for approval. The Bank has rectified the Shariah non-compliance event(s) and has taken preventive actions to avoid the recurrence of the events.

We the undersigned, Sheikh Wan Rumaizi Wan Husin and Sheikh Lokmanulhakim Bin Hussain, on behalf of Shariah Board members of Al Rajhi Banking & Investment Corporation (Malaysia) Bhd., to the best of our knowledge, do hereby confirm that the operations of the Bank to the best of its effort for the financial year ended 31 December 2021 have, in general, been conducted in compliance with Shariah except for some minor remarks which the Bank has already rectified in line with the Shariah requirements.

And prayers and peace be upon the last Prophet Mohammad, and be upon his relatives and all his companions.

On behalf of the Shariah Board,



Sheikh Wan Rumaizi Wan Husin
Chairman



Sheikh Lokmanulhakim Bin Hussain
Member

200501036909 (719057-X)

**Independent auditors' report to the member of
Al Rajhi Banking & Investment Corporation (Malaysia) Bhd.
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Al Rajhi Banking & Investment Corporation (Malaysia) Bhd., which comprise the statements of financial position as at 31 December 2021 of the Group and of the Bank, and statements of profit or loss and other 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 30 to 158.

In our opinion, the accompanying financial statements 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.

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 audit 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 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.

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 Report of Shariah Board, 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.

200501036909 (719057-X)

**Independent auditors' report to the member of
Al Rajhi Banking & Investment Corporation (Malaysia) Bhd. (Continued)
(Incorporated in Malaysia)**

Information other than the financial statements and auditors' report thereon (Continued)

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 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.

200501036909 (719057-X)

**Independent auditors' report to the member of
Al Rajhi Banking & Investment Corporation (Malaysia) Bhd. (Continued)
(Incorporated in Malaysia)**

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:

- 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 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.
- 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.
- 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.

200501036909 (719057-X)

**Independent auditors' report to the member of
Al Rajhi Banking & Investment Corporation (Malaysia) Bhd. (Continued)
(Incorporated in Malaysia)**

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

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

Other matters

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



Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants



Lee Pei Yin
No. 03189/05/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
23 May 2022

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	Group		Bank	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds	4	70,277	80,991	70,277	80,991
Deposits and placements with banks and other financial institutions	5	445,674	378,940	445,674	378,940
Derivatives assets	6	86	155	86	155
Financial investments at amortised cost	7	675,817	739,095	675,817	739,095
Financial investments at fair value through other comprehensive income ("FVOCI")	8	1,658,821	647,547	1,658,821	647,547
Financing and advances	9	5,970,108	5,054,253	5,970,108	5,054,253
Other assets	10	37,707	17,242	37,749	17,218
Statutory deposit with Bank Negara Malaysia	11	11,514	7,217	11,514	7,217
Deferred tax assets	12	49,497	49,497	49,497	49,497
Investment in a subsidiary	13	-*	-*	-*	-*
Investment properties	14	95,400	95,400	95,400	95,400
Property and equipment	15	12,324	15,132	12,324	15,132
Intangible assets	16	73,755	30,909	73,755	30,909
Right-of-use assets	17	10,446	11,693	10,446	11,693
Total Assets		9,111,426	7,128,071	9,111,468	7,128,047
Liabilities					
Deposits from customers	18	6,466,046	5,234,489	6,466,046	5,234,489
Deposits and placements of banks and other financial institutions	19	1,319,221	751,239	1,319,221	751,239
Bills and acceptances payable		2,596	4,812	2,596	4,812
Other liabilities	20	69,813	58,421	69,793	58,569
Lease liabilities	21	12,297	13,607	12,297	13,607
Subordinated sukuk	22	554,816	374,843	554,816	374,843
Total Liabilities		8,424,789	6,437,411	8,424,769	6,437,559

* The amount is significantly below the rounding threshold. Refer to Note 13 for the details.

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (CONTINUED)

	Note	Group		Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Shareholder's equity					
Share capital	23	1,000,000	1,000,000	1,000,000	1,000,000
Reserves	24	(313,363)	(309,340)	(313,301)	(309,512)
Total Shareholder's Equity		686,637	690,660	686,699	690,488
Total Liabilities and Shareholder's Equity					
		9,111,426	7,128,071	9,111,468	7,128,047
COMMITMENTS AND CONTINGENCIES					
	36	2,853,734	1,662,327	2,853,734	1,662,327
CAPITAL ADEQUACY					
CET 1/Core capital ratio	40	9.473%	11.596%	9.474%	11.593%
Risk-weighted capital ratio		18.798%	19.509%	18.799%	19.506%

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

STATEMENTS OF INCOME OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Operating revenue	25	348,779	305,409	348,293	305,088
Income derived from investment of depositors' funds and others	26	295,518	282,582	295,518	282,582
Income derived from investment of shareholder's funds	27	53,261	22,827	52,775	22,506
Allowance for expected credit losses on financial assets	28	(4,268)	(27,278)	(4,268)	(27,278)
Total distributable income		344,511	278,131	344,025	277,810
Income attributable to depositors	29	(124,947)	(147,629)	(124,947)	(147,629)
Total net income		219,564	130,502	219,078	130,181
Personnel expenses	30	(124,812)	(117,997)	(124,700)	(117,891)
Other overheads and expenditures	31	(82,656)	(78,513)	(82,048)	(78,257)
Profit/(loss) before zakat and taxation		12,096	(66,008)	12,330	(65,967)
Taxation	33	-	-	-	-
Net profit/(loss) for the financial year		12,096	(66,008)	12,330	(65,967)
Basic/diluted earnings per share (cent)		1.21	(6.60)	1.23	(6.60)

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

STATEMENTS OF COMPREHENSIVE INCOME OR LOSS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Bank	
	Note	2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial year		12,096	(66,008)	12,330	(65,967)
Other comprehensive (loss)/income					
Items that may be reclassified					
subsequently to profit or loss					
Financial investment held at fair value					
through other comprehensive income:					
- Net unrealised (loss)/gain on changes					
in fair value	24	(16,119)	3,303	(16,119)	3,303
Other comprehensive (loss)/income for the					
financial year net of tax		(16,119)	3,303	(16,119)	3,303
Total comprehensive loss for the					
financial year		<u>(4,023)</u>	<u>(62,705)</u>	<u>(3,789)</u>	<u>(62,664)</u>
Total comprehensive loss for the					
financial year attributable to equity					
holder of the Bank		<u>(4,023)</u>	<u>(62,705)</u>	<u>(3,789)</u>	<u>(62,664)</u>

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

**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

	Share capital RM'000 (Note 23)	Statutory reserve RM'000 (Note 24)	Regulatory reserve RM'000 (Note 24)	Fair value reserve of financial investment ("FVOCI") RM'000 (Note 24)	Accumulated losses RM'000 (Note 24)	Total RM'000
Group						
At 1 January 2020	1,000,000	13,206	4,500	(542)	(263,799)	753,365
Total comprehensive loss for the financial year	-	-	-	3,303	(66,008)	(62,705)
Transfer from Regulatory reserve	-	-	(4,500)	-	4,500	-
At 31 December 2020	1,000,000	13,206	-	2,761	(325,307)	690,660
At 1 January 2021	1,000,000	13,206	-	2,761	(325,307)	690,660
Total comprehensive loss for the financial year	-	-	-	(16,119)	12,096	(4,023)
At 31 December 2021	1,000,000	13,206	-	(13,358)	(313,211)	686,637
Bank						
At 1 January 2020	1,000,000	13,206	4,500	(542)	(264,012)	753,152
Total comprehensive loss for the financial year	-	-	-	3,303	(65,967)	(62,664)
Transfer from Regulatory reserve	-	-	(4,500)	-	4,500	-
At 31 December 2020	1,000,000	13,206	-	2,761	(325,479)	690,488
At 1 January 2021	1,000,000	13,206	-	2,761	(325,479)	690,488
Total comprehensive loss for the financial year	-	-	-	(16,119)	12,330	(3,789)
At 31 December 2021	1,000,000	13,206	-	(13,358)	(313,149)	686,699

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group		Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) before zakat and taxation		12,096	(66,008)	12,330	(65,967)
Adjustments for:					
Depreciation of property and equipment	15	5,695	5,975	5,695	5,975
Depreciation of right-of-use ("ROU") assets	17	7,431	7,704	7,431	7,704
Amortisation of intangible assets	16	11,639	12,528	11,639	12,528
Finance charges on lease liabilities	21	459	566	459	566
Loss from changes in fair value of investment properties	27	-	9,600	-	9,600
Allowance for expected credit losses on financial assets	28	4,268	27,278	4,268	27,278
Allowance for doubtful debt	31	217	607	217	607
Gain on disposal of financial investments at amortised cost	27	(23,191)	-	(23,191)	-
Gain on disposal of financial investments at FVOCI	27	(2,608)	(10,745)	(2,608)	(10,745)
Unrealised gain from foreign exchange translations	27	(865)	(1,673)	(865)	(1,673)
Operating cash flow before working capital changes		15,141	(14,168)	15,375	(14,127)
(Decrease)/Increase in operating activities					
Deposits and placements with banks and other financial institutions		(53,694)	12,595	(53,694)	12,595
Derivatives assets		69	(121)	69	(121)
Financing and advances		(920,402)	185,335	(920,402)	185,335
Other assets		(20,682)	3,595	(20,749)	3,614
Statutory deposit with Bank Negara Malaysia		(4,297)	128,683	(4,297)	128,683
Decrease/(Increase) in operating liabilities					
Deposits from customers		1,231,557	(511,004)	1,231,557	(511,004)
Deposits and placements of banks and other financial institutions		567,982	385,482	567,982	385,482
Bills and acceptances payable		(2,216)	(61)	(2,216)	(61)
Other liabilities		17,618	(5,405)	17,451	(5,465)
Cash generated from operating activities		831,076	184,931	831,076	184,931
Tax paid		-	-	-	-
Net cash generated from operating activities		831,076	184,931	831,076	184,931

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 (CONTINUED)

	Note	Group		Bank	
		2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment	15	(2,887)	(2,329)	(2,887)	(2,329)
Purchase of intangible assets	16	(54,485)	(6,421)	(54,485)	(6,421)
Purchase of ROU assets	17	(6,184)	(4,094)	(6,184)	(4,094)
Proceeds from disposal of financial investments at amortised cost		741,415	-	741,415	-
Proceeds from disposal of financial investments at FVOCI		564,423	420,345	564,423	420,345
Repayment of financial investments at amortised cost		(654,795)	-	(654,795)	-
Purchase of financial investments at FVOCI		(1,589,123)	(740,405)	(1,589,123)	(740,405)
Net cash used in investing activities		<u>(1,001,636)</u>	<u>(332,904)</u>	<u>(1,001,636)</u>	<u>(332,904)</u>
CASH FLOWS FROM FINANCING ACTIVITY					
Lease payments	21	(7,952)	(8,265)	(7,952)	(8,265)
Issuance of Subordinated Sukuk Mudharabah	22	167,798	-	167,798	-
Net cash used in financing activities		<u>159,846</u>	<u>(8,265)</u>	<u>159,846</u>	<u>(8,265)</u>
Net decrease in cash and cash equivalents					
		(10,714)	(156,238)	(10,714)	(156,238)
Cash and cash equivalents at 1 January		80,991	237,229	80,991	237,229
Cash and cash equivalents at 31 December	4	<u>70,277</u>	<u>80,991</u>	<u>70,277</u>	<u>80,991</u>
Cash and cash equivalents comprise:					
Cash and short-term funds		70,277	72,948	70,277	72,948
Deposits and placements with banks and other financial institutions		445,674	386,983	445,674	386,983
		<u>515,951</u>	<u>459,931</u>	<u>515,951</u>	<u>459,931</u>
Less:					
Deposits and placements with banks and other financial institutions, with original maturity of more than one month		(445,674)	(378,940)	(445,674)	(378,940)
Cash and cash equivalents at 31 December		<u>70,277</u>	<u>80,991</u>	<u>70,277</u>	<u>80,991</u>

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Bank is principally engaged in Islamic banking business which refers generally to the acceptance of deposits and granting of financing under the principles of Shariah as well as the provision of related financial services. The principal activities of the subsidiary are set out in Note 13.

There have been no significant changes to these principal activities during the financial year.

The Bank is a licensed Islamic Bank under the Islamic Financial Services Act 2013, incorporated and domiciled in Malaysia. The registered office of the Bank is located at the Ground Floor, East Block, Wisma Golden Eagle Realty, 142-B Jalan Ampang, 50450 Kuala Lumpur.

The holding company of the Bank is Al Rajhi Banking and Investment Corporation, Saudi Joint Stock Company, a public limited liability company, incorporated in Riyadh on 23 June 1987. The registered office is located at PO Box 28, Riyadh 11411, Kingdom of Saudi Arabia ("Saudi Arabia").

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently in the preparation of these financial statements to all periods presented in these financial statements.

2.1 BASIS OF PREPARATION

The financial statements of the Group and of the Bank have been prepared in accordance with 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 the historical cost convention, unless otherwise indicated in the financial statements.

The Group and the Bank present their statements of financial position in the order of liquidity.

The preparation of financial statements is in conformity with MFRS and requires the use of certain critical accounting estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and the reported amount of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's and the Bank's accounting policies. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.

Certain qualitative disclosures under MFRS 7 *Financial Instruments: Disclosures* about the nature and extent of risks and disclosures on capital management as required by MFRS 101 *Presentation of Financial Statements* have been included in the "Risk Management" section in the Statement of Corporate Governance.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand (RM'000) except otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following MFRS and changes in the accounting policy on business model classification as follows.

MFRSs, Amendments to MFRSs and Interpretations	Effective for financial period beginning on or after
<i>Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition & Measurement, MFRS 7 Financial Instruments: Disclosures, MFRS 4 Insurance Contracts and MFRS 16 Leases)</i>	
- <i>Interest Rate Benchmark Reform — Phase 2</i>	1 January 2021
<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 Leases)</i>	1 April 2021

The adoption of the new standards, interpretations and amendments do not have any impact on the financial results of the Group and of the Bank.

Other than the adoption of the above MFRS, there were changes in the accounting policy arising from the changes in the classification of the business model.

During the financial year, there was a change in business model for the overall Sukuk portfolio in order to mitigate market risk and impact on capital. Based on the change in business model, Sukuks with longer tenure i.e. maturity 6 years and above will be measured and classified as amortised cost portfolio whilst the FVOCI Sukuks portfolio will only consist of Sukuks with maturity of less than 6 years.

As a result of change in business model, the Group and the Bank had disposed RM710.0 million worth of amortised cost Sukuk with tenure of less than 6 years resulted in a realised gain of RM23.2 million. The Group and the Bank had also reclassified a total of RM240.0 million FVOCI Sukuks into amortised cost Sukuk portfolio.

The following are the accounting standards, interpretations and amendments of MFRSs that are issued, but not yet effective up to the date of issuance of the Group's and the Bank's financial statements as disclosed below. The Group and the Bank intend to adopt these standards, if applicable, when they become effective.

	Effective for financial period beginning on or after
<i>Annual Improvements to MFRS Standards 2018-2020</i>	1 January 2022
<i>Amendments to MFRS 3 Business Combinations:</i>	
- <i>Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment,</i>	
- <i>Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets:</i>	
- <i>Onerous Contracts—Cost of Fulfilling a Contract</i>	1 January 2022
<i>Amendments to MFRS 101:</i>	
- <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
<i>Amendments to MFRS 101</i>	
- <i>Disclosure of Accounting Policies</i>	1 January 2023
<i>Amendments to MFRS 108</i>	
- <i>Definition of Accounting Estimates</i>	1 January 2023
<i>Amendments to MFRS 112</i>	
- <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
<i>Amendments to MFRS 10 and MFRS 128:</i>	
- <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

During the financial year, significant and regulatory changes have been adopted by the Bank as follows:

Measures announced by Bank Negara Malaysia ("BNM") to assist individuals, small-medium enterprises ("SMEs") and corporates affected by COVID-19

During the financial year ended 31 December 2021, BNM and Ministry of Finance ("MOF") had announced the extension of regulatory measures to provide assistance and facilitate those customers affected by COVID-19 pandemic in line with the Government economic stimulus package. The significant and regulatory changes have been adopted by the bank as follows:

a) Targeted repayment assistance ("TRA") and moratorium

(i) *Enhanced targeted repayment assistance under Perlindungan Ekonomi and Rakyat Malaysia ("PERMAI")*

An extension of TRA under PERMAI was announced on 18 January 2021. The extension applied to all TRA schemes announced previously, where customers are allowed to apply the extension for 3-months deferment of instalment or 50% reduction in their monthly instalment payment for a period of 6 months.

The TRA was applicable to all B40 (who registered in Bantuan Sara Hidup ("BSH") or Bantuan Prihatin Rakyat ("BPR")), M40 individuals (who are recipient of Bantuan Prihatin Nasional ("BPN") and microenterprises with financing and advances facilities of not more than RM150,000 whose financing and advances facilities were approved on or before 30 September 2020 and with condition of not in arrears for more than 90 days. These are in addition to those previously announced and specifically for individuals who have lost their jobs, and for individuals and SMEs whose income have been affected by the pandemic.

(ii) *Enhanced targeted repayment assistance ("ETRA") under Program Strategik Memperkasa Rakyat dan Ekonomi Tambahan ("PEMERKASA+")*

ETRA under PEMERKASA+ was announced on 31 May 2021. The TRA was applicable to all customers who have lost their employment, B40 customers registered under BSH/BPR, SMEs and microenterprises with financing and advances facilities of not more than RM150,000 whose financing and advances facilities were approved on or before 30 June 2021 and not in arrears for more than 90 days.

All affected customers may opt for 3-months deferment of instalment or a 50% reduction in their monthly payment for a period of 6 months.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

a) Targeted repayment assistance ("TRA") and moratorium (Continued)

(iii) *Six-months moratorium under Perlindungan Rakyat and Pemulihan Ekonomi ("PEMULIH")*

The six-months moratorium under PEMULIH was announced by MOF on 28 June 2021. The moratorium applies to ringgit and foreign currency denominated financing and advances approved on or before 30 June 2021, not in arrears exceeding 90 days and customers must not be adjudicated bankrupts or be under bankruptcy proceedings. It is applicable to all individuals, SMEs and microenterprises. They may opt for 6-months deferment of instalments or 50% reduction in their monthly instalment payment for a period of 6 months. For fixed rate financing, the customers can choose to either reschedule or restructure their financings of which additional profit is charged by the Bank and spread throughout the remaining tenure.

Credit risk monitoring, stress testing and classification in the Central Credit Reference Information System ("CCRIS")

The repayment assistance/moratorium does not automatically result in a stage transfer under MFRS 9 in the absence of other factors indicating evidence of significant increase in credit risk ("SICR"). The Group and the Bank will continue to apply judgement and perform comprehensive assessment of all relevant indicators and information in particular historical repayment and delinquency trend in determining SICR.

Those financing and advances that were approved under repayment assistance on or before 31 December 2021 are exempted to be indicated as rescheduling and restructuring ("R&R") in CCRIS. Nevertheless, the Group and the Bank are required to report the credit-impaired status consistently with the accounting classification.

Financial management and resilience programme ("URUS")

Subsequent to the financial period ended 30 September 2021, pursuant to the statement issued by the Prime Minister on 13 October 2021, banking industry, represented collectively by The Association of Banks in Malaysia ("ABM") and Association of Islamic Banking and Financial Institutions Malaysia ("AIBIM") and Association of Development Finance Institutions of Malaysia ("ADFIM") had on 14 October 2021 announced its continued support to individual customers. The Bank has worked alongside with Agensi Kaunseling dan Pengurusan Kredit ("AKPK") to offer a comprehensive extended financial assistance scheme called Financial Management and Resilience Programme ("URUS").

The scheme is open to individual customers, on application, who are under an existing repayment assistance (e.g. Targeted Repayment Assistance, PEMERKASA+, PEMULIH, the Bank's own rescheduling and restructuring and etc.) as at 30 September 2021 and meet the following criteria:

- (i) From B50 income segment i.e. customers with household income of RM5,880 or lower based on definition by the Department of Statistics Malaysia.
- (ii) Have experienced either loss of employment or reduction of income of at least 50%; and
- (iii) Whose financing and advances is still performing (not in arrears exceeding 90 days) as at the date of their application.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 BASIS OF PREPARATION (Continued)

Financial management and resilience programme ("URUS") (Continued)

Under URUS, AKPK will provide the customers with a personalised financial plan that encompass the following options:

- (a) A profit waiver for a period of 3 months, commencing the month following the customer's onboarding into the scheme; or
- (b) A 3-months profit waiver together with reduced instalments for a period of up to 24 months. This option will also benefit customers with unsecured personal financing and advances.

Individual customers who fulfill the above-mentioned criteria can apply for URUS effective 15 November 2021 until 31 March 2022.

Subsequently on 25 January 2022, it was announced in a joint press release by the banking associations and AKPK that the application for URUS has been extended from 31 January 2022 to 31 March 2022.

In addition, for eligible B50 customers who have signed up for the banks' flood relief assistance programmes, the URUS application closing date has been extended to 31 July 2022, or upon the expiry of the flood relief assistance programme, whichever is earlier.

Overlays and adjustments for expected credit loss amid COVID-19 environment

In view of the unprecedented and ongoing COVID-19 pandemic in the current and prior financial years, the Group and the Bank continue to assimilate management overlays to accommodate the impact in the measurement of expected credit losses ("ECL").

Such management overlays were taken to reflect the latest macroeconomic outlook that was not captured in the modelled outcome and the potential impact to delinquencies and defaults under targeted relief assistance.

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

The customers who have received relief assistance remained in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status.

Total overlays for ECL maintained by the Group and the Bank as at 31 December 2021 are RM30.4 million (2020: RM21.0 million). Further details are as disclosed in Note 39(c)(viii).

During the financial year, the Bank has recognised an unwinding of modification loss of RM3.5 million (2020: modification loss of RM21.1 million) from the previous year cash flow modification on the financing under moratorium arrangement. This was set out as per Note 26(ii) of financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2.2 SUBSIDIARIES AND BASIS OF CONSOLIDATION

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank and its subsidiary as at 31 December 2021. The financial statements of the Bank's subsidiary are prepared at the same reporting date as the Bank, using consistent accounting policies to liken transactions and events in similar circumstances.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Bank obtains control and continues to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intra-group balances, income and expenses and unrealised gain and losses resulting from intra-group transactions are eliminated in full.

A change in the ownership profit of a subsidiary, without loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- Derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts;
- Derecognises the carrying amount of any non-controlling profit in the former subsidiary;
- Derecognises the cumulative foreign exchange translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained in the former subsidiary;
- Recognises any surplus or deficit in the profit or loss; and
- Reclassifies the parent's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, if required in accordance with other MFRSs.

Subsidiaries are entities over which the Bank is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Bank controls an investee if and only if the Bank has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 SUBSIDIARIES AND BASIS OF CONSOLIDATION (Continued)

(b) Investment in subsidiaries

When the Bank has less than a majority of the voting or similar rights of an investee, the Bank considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Bank's voting rights and potential voting rights

The Bank re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

In the Bank's separate financial statements, investment in subsidiaries is stated at cost less impairment losses. On disposal of such investment, the difference between the net disposal proceeds and their carrying amount is included in profit or loss.

2.3 FINANCIAL INSTRUMENTS

Financial assets and liabilities, with the exception of financing and advances to customers and balances due to customers, are initially recognised on the trade date, i.e. the date that the Group and the Bank becomes a party to the contractual provisions of the instrument. This includes regular way trades: purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. Financing and advances to customers are recognised when funds are transferred to the customers' accounts. The Group and the Bank recognises balances due to customers when funds are transferred to the Group and the Bank.

(a) Financial assets

The Group and the Bank classify their financial assets in the following categories: at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition. Regular purchases and sales of financial assets are recognised on the trade date.

Initial recognition and subsequent measurement

The classification of financial assets at initial recognition depend on the financial asset's contractual cash flow characteristics and business model for managing them.

With the exception of trade receivables that do not contain a significant financing component or for which the Group and the Bank have applied the practical expedient, the Group and the Bank initially measure a financial asset at its fair value plus, in the case of financial asset not at fair value through profit or loss, transaction costs.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets (Continued)

Initial recognition and subsequent measurement (Continued)

Trade receivables that do not contain a significant financing component or for which the Group and the Bank have applied the practical expedient are measured at the transaction price determined under MFRS 15.

Business model assessment

The Group and the Bank determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

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

- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed;
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected); and
- The expected frequency, value and timing of sales are also important aspects of the Group and the Bank's assessment.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Group and the Bank's original expectations, the Group and the Bank does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

The Solely Payments of Principal and Profit ("SPPP") test

As a second step of its classification process, the Group and the Bank assesses the contractual terms of financial assets to identify whether they meet the SPPP test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets (Continued)

Initial recognition and subsequent measurement (Continued)

The Solely Payments of Principal and Profit ("SPPP") test (Continued)

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

In contrast, contractual terms that introduce a more than de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic financing arrangement do not give rise to contractual cash flows that are solely payments of principal and profit on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

For purpose of subsequent measurement, financial assets are classified in three categories:

(i) Financial assets at amortised cost (debt instruments)

This category is relevant to the Group and the Bank. The Group and the Bank measure financial assets at amortised cost if the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and profit on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective profit rate ("EPR") and subject to impairment. Any gains or losses are recognised in profit or loss when the assets are derecognised, modified or impaired.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets (Continued)

Initial recognition and subsequent measurement (Continued)

The Solely Payments of Principal and Profit ("SPPP") test (Continued)

(ii) FVOCI (debt instruments)

The Group and the Bank measure financial assets at FVOCI if the following conditions are met:

- The financial asset is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flow that are solely payments of principal and profit on the principal amount outstanding.

For debt instrument at "FVOCI", profit income, foreign exchange revaluation and impairment losses or reversals are recognised at amortised cost. The remaining fair value changes are recognised in other comprehensive income ("OCI"). Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group and the Bank does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group and the Bank acquires, disposes of or terminates a business line. Financial liabilities are never reclassified.

The Group and the Bank shall disclose if there is a reclassification of any financial assets in the current or previous reporting period. The Group and the Bank shall disclose:

- (i) The date of reclassification;
- (ii) A detailed explanation of the change in business model and qualitative description of its effects on the Bank's financial statements; and
- (iii) The amount reclassified into and out of each category.

Kindly refer to Note 2.1 for the details on the change in business model.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 FINANCIAL INSTRUMENTS (Continued)

(a) Financial assets (Continued)

Initial recognition and subsequent measurement (Continued)

The Solely Payments of Principal and Profit ("SPPP") test (Continued)

(iii) Financial assets at FVTPL

Financial assets at FVTPL are those that are held for trading and have been either designated by management upon initial recognition or are mandatorily required to be measured at fair value under MFRS 9. Management designates an instrument at FVTPL upon initial recognition when one of the following criteria is met. Such designation is determined on an instrument-by-instrument basis:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on them on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both, which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

Financial assets with cash flows that are not solely payment of principal and profit are classified and measured at FVTPL, irrespective of the business model.

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

(b) Financial liabilities

Financial liabilities are initially recognised at fair value plus transaction costs and subsequently at amortised cost using the effective profit method. The Group and the Bank do not have any financial liabilities classified at fair value through profit or loss. Financial liabilities are derecognised when extinguished.

2.4 PROPERTY AND EQUIPMENT

Property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working conditions for its intended use.

Any item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or upon disposal. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

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 are charged to profit or loss during the financial year in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 PROPERTY AND EQUIPMENT (Continued)

Subsequent to recognition, property and equipment except for assets in progress are stated at cost less accumulated depreciation and any accumulated impairment losses, if any.

Depreciation of the property and equipment is calculated to write down the cost of the property and equipment on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates of depreciation are as follows:

Furniture and fittings and office equipment	10%
Renovations	20%
Computer equipment	20%
Motor vehicle	20%

Assets in progress are not depreciated as these assets are not available for use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate at each statement of financial position date.

At each date of statement of financial position, the Group and the Bank assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down immediately to its recoverable amount. See accounting policy Note 2.10(e) on impairment of non-financial assets.

2.5 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 or the Bank.

Investment properties are stated at fair value, representing open-market value determined by registered independent valuer having appropriate recognised professional qualification. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group and the Bank use alternative valuation methods such as recent prices of less active markets or discounted cash flow projections.

Changes in fair values are recorded in profit or loss in the year in which they arise. On disposal of an investment property, or when it is permanently withdrawn from use or no future economic benefits are expected from its disposal, it shall be de-recognised. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or upon disposal.

2.6 INTANGIBLE ASSETS

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised on a straight-line basis over the estimated economic useful lives and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each statement of financial position date.

Costs associated with maintaining computer software programmes are recognised as expenses as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group and the Bank are recognised as intangible assets when the following criteria are met:

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 INTANGIBLE ASSETS (Continued)

- (i) It is technically feasible to complete the software product so that it will be available for use;
- (ii) Management intends to complete the software product and use or sell it;
- (iii) There is an ability to use or sell the software product;
- (iv) It can be demonstrated how the software product will generate probable future economic benefits;
- (v) Adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- (vi) The expenditure attributable to the software product during its development can be reliably measured.

Direct attributable costs that can be capitalised as part of the software product include software development employee costs and appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as expenses incurred.

Computer software development costs are amortised over their finite useful lives of five years.

2.7 OTHER ASSETS

Other assets are carried at anticipated realisable values. Bad debts are written off when identified. See accounting policy Note 2.10 on impairment.

2.8 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances and short-term deposits with original maturity of less than three months from the date of acquisition or placement.

2.9 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

Deposits and placements with banks and other financial institutions consist of placement with original maturity of more than three months from the date of acquisition or placement.

2.10 IMPAIRMENT

- (a) Financial assets

Under MFRS 9, the Group and the Bank records the allowance for expected credit losses ("ECL") for all financings and other debt financial assets not held at FVTPL, together with financing commitments and financial guarantee contracts, in this section all referred to as 'financial instruments' using the forward-looking ECL approach. Equity instruments are not subject to impairment under MFRS 9. The ECL allowance is based on the credit losses expected to arise over the life of the asset (the lifetime expected credit loss or "LTECL"), unless there has been no significant increase in credit risk since origination, in which case, the allowance is based on the 12 months' expected credit loss ("12m ECL").

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 IMPAIRMENT (Continued)

(a) Financial assets (Continued)

The 12m ECL is the portion of LTECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Both LTECLs and 12m ECLs are calculated on either an individual basis or a collective basis, depending on the nature of the underlying portfolio of financial instruments.

The Group and the Bank has established a policy to perform an assessment, at the end of each reporting period, of whether a financial instrument's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial instrument.

For financial assets for which the Group and the Bank has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is reduced. This is considered a (partial) derecognition of the financial asset.

(b) The calculation of ECLs

The Group and the Bank calculates ECLs based on three probability-weighted scenarios to measure the expected cash shortfalls, discounted at an approximation to the effective profit rate ("EPR"). A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

The mechanics of the ECL calculations are outlined below and the key elements are as follows:

- Probability of Default ("PD") - PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.
- Exposure at Default ("EAD") - EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and profit, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued profit from missed payments.
- Loss Given Default ("LGD") - LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the bank would expect to receive, including from the realisation of any collateral. It is usually expressed as a percentage of the EAD.

When estimating the ECLs, the Group and the Bank considers three scenarios (a base case, rosy and worst). Each of these is associated with different PDs, EADs and LGDs. When relevant, the assessment of multiple scenarios also incorporates how defaulted financings are expected to be recovered, including the probability that the financings will cure and the value of collateral or the amount that might be received for selling the asset.

Impairment losses and releases are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 IMPAIRMENT (Continued)

(b) The calculation of ECLs (Continued)

The mechanics of the ECL method are summarised below:

Stage 1

The 12m ECL is calculated as the portion of LTECLs that represent the ECLs that are resulted from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group and the Bank calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD and discounted by an approximation to the original EPR. This calculation is made for each of the three scenarios, as explained above.

Stage 2

When a financing has shown a significant increase in credit risk since origination, the Group and the Bank records an allowance for the LTECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but PDs and LGDs are estimated over the lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EPR.

Stage 3

For financing considered credit-impaired, the Group and the Bank recognises the lifetime expected credit losses for these financing.

(c) Debt instruments measured at FVOCI

The ECLs for debt instruments measured at FVOCI do not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost is recognised in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in OCI is recycled to the profit and loss upon derecognition of the assets.

(d) Forward-looking information

In its ECL models, the Group and the Bank relies on a broad range of forward looking information as economic inputs, such as:

- Malaysia Real GDP (Annual YOY %)
- Brent Crude oil
- Malaysia Overnight Policy Rate Index
- Bursa Malaysia KLCI Index
- Bank Negara Malaysia 3 Month KLIBOR Rate Fixing
- Malaysia Gross National Income at Current Prices Index
- Malaysia PPI Goods in Domestic Economy 2005=100 YOY
- United States Dollar/ Malaysia Ringgit Cross
- Malaysia Quarterly Unemployment Rate (% of Labour Force)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 IMPAIRMENT (Continued)

(d) Forward-looking information (Continued)

The inputs and models used for calculating ECLs may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

(e) Non-financial assets

Non-financial assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Non-financial 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. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flow (cash generating units).

The recoverable amount is the higher of a non-financial asset's fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is recognised for the amount by which the carrying amount of the non-financial asset exceeds its recoverable amount. Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement. Any subsequent increase in recoverable amount is recognised in the profit or loss.

2.11 LEASES

(i) Definition of a lease

A contract contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Bank assesses whether:

- The contract involves the use of an identified asset. This may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset;
- The customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- The customer has the right to direct the use of the asset. The customer has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset, or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 LEASES (Continued)

(i) Definition of a lease (Continued)

At inception or on reassessment of a contract that contains a lease component, the Group and the Bank allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group and the Bank is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

The Group and the Bank assesses at contract inception, whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(ii) Recognition and initial measurement

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

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the profit rate implicit in the lease or, if that rate cannot be readily determined, the respective the Group and the Bank entities' incremental borrowing rate. Generally, the Group and the Bank use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments less any incentives receivable;
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under a residual value guarantee;
- The exercise price under a purchase option that the Group and the Bank is reasonably certain to exercise; and
- Penalties for early termination of a lease unless the Group and the Bank is reasonably certain not to terminate early.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 LEASES (Continued)

(ii) Recognition and initial measurement (Continued)

(a) Right-of-use assets

The Group and the Bank recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets as follows:

- Bank premises	3 to 6 years
- Non-bank premises	2 to 3 years
- Other equipments	5 years

(b) Lease liabilities

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

In calculating the present value of lease payments, the Group and the Bank uses its incremental borrowing rate at the lease commencement date because the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of profit and reduced for the lease payments made.

The carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (i.e. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 LEASES (Continued)

(iii) Subsequent measurement

(a) Right-of-use assets

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

(b) Lease liabilities

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is measured at amortised cost using the effective profit method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group and the Bank's estimate of the amount expected to be payable under a residual value guarantee, or if the Group and the Bank changes its assessment of whether it will exercise a purchase, extension or termination option.

(iv) Impairment

See accounting policy Note 2.10(e) on impairment.

(v) Lessor accounting

The Group and the Bank, as a lessor, is not required to make any adjustments for leases in which it is a lessor. From date of initial application, the lessor accounts for those leases applying MFRS 16.

(vi) Short-term leases and lease of low-value assets

The Group and the Bank applies the short-term lease recognition exemption to its short-term leases of equipment i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and lease of low-value assets are recognised as expense over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 PROVISIONS

Provisions are recognised when all of the following conditions have been met:

- (a) The Group and the Bank have a present legal and constructive obligation as a result of past events;
- (b) It is probable that an outflow of reserves will be required to settle the obligation; and
- (c) A reliable estimate of the amount can be made.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of the provision is the present value of the expenditure expected to be required to settle the obligation.

2.13 OTHER LIABILITIES

Other liabilities are stated at cost which is the fair value of the consideration expected to be paid in future for the goods and services received.

2.14 EMPLOYEE BENEFITS

- (a) Short-term employee benefits

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

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group and the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

- (b) Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Bank pays fixed contributions to the national pension scheme, Employees' Provident Fund ("EPF"). The Group's and the Bank's contributions to EPF are charged to the income statement in the period to which they relate. Once the contributions have been paid, the Group and the Bank has no further payment obligations.

2.15 INCOME TAX

- (a) Current tax

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Current taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 INCOME TAX (Continued)

(b) Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets or liabilities and the carrying amount of the asset or liability as reported in the financial statements. It reflects the manner in which the Group and the Bank expects to recover the carrying value of the asset or settle the carrying value of the liability.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax credits and unused tax losses can be utilised.

Deferred tax is determined using tax rate (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or deferred tax liability is settled.

Deferred and 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.

2.16 ZAKAT

Zakat represents business zakat payable by the Group and the Bank to comply with the principles of Shariah and as approved by the Shariah Advisory Council. The Group and the Bank only pays zakat on its business and does not pay zakat on behalf of depositors or shareholders. The zakat provision is borne by the Bank's holding company.

2.17 FOREIGN CURRENCY TRANSLATION

(a) Functional and presentation currency

The financial statements of each of the Group's and the Bank's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia, which is the Group's and the Bank's functional and presentation currency.

(b) Transactions and balances

In preparing the financial statements of the Group and of the Bank, transactions in currencies other than the Group's functional currency ("foreign currencies") are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are translated at the rates prevailing on the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from the settlement of such transaction and from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 CONTINGENT LIABILITIES AND ASSETS

The Group and the Bank do not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrences of one or more uncertain future events beyond the control of the Group and of the Bank. The Group and the Bank do not recognise contingent assets but disclose its existence where inflows of economic benefits are probable, but not virtually certain.

2.19 EQUITY

Ordinary shares are classified as equity when there is no contractual obligation to transfer cash or other financial assets. Cost directly attributable to the issuance of new equity shares are taken to equity as a deduction from the proceeds.

2.20 INCOME RECOGNITION

(a) Financing income

Income from financing and receivables are recognised in the income statement using the effective profit method. The effective profit rate ("EPR") is the rate that discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability to the carrying amount of the financial asset. The calculation of EPR includes 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 EPR.

Murabahah income is recognised on EPR basis over the period of the contract based on the principal amount outstanding.

(b) Fee and commission income

The Group and the Bank earn fee income from a diverse range of services they provide to its customers as follows:

(i) Fee income earned from provision of services

Income earned from the provision of services are recognised as revenue over the period in which the services are provided.

(ii) Fee income earned on the completion of contractual arrangements

Income earned on the completion of contractual arrangements is recognised as revenue when the performance obligation is completed.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 INCOME RECOGNITION (Continued)

(b) Fee and commission income (Continued)

(iii) Fee and commission income can be divided into the following categories:

(1) Service charges

Income earned on the services provided to retail and corporate customers, including account management and various transaction-based services, such as income from banking services.

(2) Commission received

Income earned from financing arrangement, management and participation fees, underwriting and brokerage fees are recognised as income based on the completion of performance obligations.

(3) Agency fees

Agency fees on services and facilities extended to customers are recognised on inception of such transaction.

(c) Contract liability

Contract liability or deferred income is the obligation to transfer services to the customer for which the Group and the Bank have received consideration from the customer. Revenue is recognised as and when the performance obligations are met or completed.

(d) Rental income

Income from Ijarah rental is recognised based on contractual agreement.

2.21 EXPENSES

Expenses are recognised when it is probable that the decrease in future economic benefits related to that decrease in asset or an increase in liability has occurred and that the decrease in economic benefits can be measured reliably. Expenses that may arise in the course of regular activities of the Group and of the Bank include among others the operating expenses on the Group's and the Bank's operations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements involved making certain estimates, assumptions and judgements that affect the accounting policies applied and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and assumptions.

The measurement of impairment losses under MFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Group and the Bank's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns PDs to the individual grades;
- The Bank's criteria for assessing if there has been a significant increase in credit risk and so allowances for expected credit losses on financial assets should be measured on a LTECL basis and the qualitative assessment;
- The segmentation of financial assets when their ECL is assessed on a collective basis;
- Development of ECL models, including the various formulas and the choice of inputs;
- Determination of associations between macroeconomic scenarios and economic inputs, such as unemployment levels and collateral values, and the effect on PDs, EADs and LGDs; and
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.

3.1 JUDGEMENTS

In the process of applying the Group's and the Bank's accounting policies, management has made the following judgements which have the most significant effect and the amounts recognised in the financial statements.

(i) Impairment assessment on financing and advances

The Group and the Bank assess financing and advances at each reporting date to assess whether an impairment loss should be recorded. Whilst management's judgement is guided by the relevant BNM guidelines, judgement is made about the future and other key factors in respect of the recovery of the financing and advances such as obligor's financial situation and the net realisable value of the collateral.

(ii) Impairment assessment on financial investments at amortised cost

The Group's and the Bank's assessment on impairment on financial investments at amortised cost at each reporting date incorporates forward-looking and historical, current and forecasted information into ECL estimation based on indicators such as significant financial difficulties of the issuer or obligors and deterioration of the credit quality of the issuers or obligors.

(iii) Determining the lease term of contracts with renewal and termination options - the Group and the Bank as lessee.

The Group and the Bank determine the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (Continued)

3.2 ESTIMATES

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected. Significant areas of estimation, uncertainty and critical judgements used in applying accounting policies that have significant effect on the amount recognised in the financial statements include the following:

(i) Allowances for expected credit losses on financing and advances

Management makes certain assumptions to estimate the allowances for expected credit losses on financing and advances.

Amongst factors considered are the Group's and the Bank's aggregate exposure to the obligor, the net realisable value of the underlying collateral value, the viability of the customer's business model and the capacity to generate sufficient cash flow to service debt obligations and the aggregate amount and ranking of all other creditor claims. The actual amount of the future cash flows and their timing may differ from the estimates used by management and consequently may cause actual losses to differ from the impairment made.

Financing and advances that have been assessed individually but for which no impairment is required and all individually insignificant financing and advances are then assessed collectively, in groups of assets with similar credit risk characteristics, to determine whether provision should be made due to incurred loss events for which there is objective evidence but whose effects of which are not yet evident. The collective assessment takes account of data from the financing and advances (such as credit quality, levels of arrears, credit utilisation, financing to collateral ratios etc.) and judgements on the effect of concentrations of risks (such as the performance of different individual groups).

(ii) Valuation of investment properties

The measurement of the fair value for investment properties is arrived at by reference to market evidence of transaction prices and physical external inspection of the properties and is performed by a professional independent valuer.

(iii) Deferred taxes and current tax provisioning

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

In determining the Group's and the Bank's tax charge for the year, it involves estimation and judgement, which includes interpretation of local tax law and an assessment of whether the tax authority will accept the position taken. The Group and the Bank provide for current tax liabilities at the best estimate based on all available evidence and the amount that is expected to be paid to the tax authority where an outflow is probable.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

4. CASH AND SHORT-TERM FUNDS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Cash and bank balances with banks and other financial institutions	70,277	72,948
Money at call and deposit placements with licensed banks with contractual maturity of less than three months	-	8,043
	<u>70,277</u>	<u>80,991</u>

5. DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

The Group's and the Bank's weighted average effective profit rates ("WAEPR") of deposits and the average maturity of deposits as at 31 December were as follows:

	WAEPR (% p.a)		Average Maturity (Days)	
	2021	2020	2021	2020
Foreign financial institutions	<u>0.84</u>	<u>1.66</u>	<u>314</u>	<u>366</u>

6. DERIVATIVES ASSETS

Group and Bank	Notional Amount	Fair Value Assets	Liabilities
	RM'000	RM'000	RM'000
2021			
Foreign currency forward contract	<u>11,949</u>	<u>86</u>	<u>-</u>
2020			
Foreign currency forward contract	<u>5,801</u>	<u>155</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

7. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group and Bank	
	2021	2020
	RM'000	RM'000
At amortised cost		
Unquoted:		
Islamic government securities in Malaysia	554,881	725,059
Islamic private debt securities in Malaysia	9,145	14,268
Islamic private debt securities outside Malaysia	111,872	-
	<u>675,898</u>	<u>739,327</u>
Expected credit loss ("ECL")	(81)	(232)
	<u>675,817</u>	<u>739,095</u>

Movement in ECL for financial investments at amortised cost is as follows:

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	232	-	-	232
Net write-back in allowance for expected credit losses for the year (Note 28)	(151)	-	-	(151)
At 31 December 2021	<u>81</u>	<u>-</u>	<u>-</u>	<u>81</u>

Movement in ECL

	Stage 1	Stage 2	Stage 3	Total
	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	51	-	-	51
Net charge in allowance for expected credit losses for the year (Note 28)	181	-	-	181
At 31 December 2020	<u>232</u>	<u>-</u>	<u>-</u>	<u>232</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

8. FINANCIAL INVESTMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ("FVOCI")

	Group and Bank	
	2021	2020
	RM'000	RM'000
At fair value		
Quoted:		
Private debt securities	146,025	105,138
Islamic government securities in Malaysia	1,512,796	542,409
Total financial investments at FVOCI	<u>1,658,821</u>	<u>647,547</u>

The following expected credit losses ("ECL") for financial investment quoted for government securities and treasury bills were not recognised in the statement of financial position as the carrying amount of financial investment is equivalent to their fair value.

Movements in ECL for financial investments at FVOCI is as follows:

	Group and Bank			Total
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	224	-	-	224
Net write-back in allowance for expected credit losses for the year (Note 28)	(85)	-	-	(85)
At 31 December 2021	<u>139</u>	<u>-</u>	<u>-</u>	<u>139</u>

	Group and Bank			Total
	Stage 1	Stage 2	Stage 3	
	RM'000	RM'000	RM'000	RM'000
At 1 January 2020	-	-	-	-
Net charge in allowance for expected credit losses for the year (Note 28)	224	-	-	224
At 31 December 2020	<u>224</u>	<u>-</u>	<u>-</u>	<u>224</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9. FINANCING AND ADVANCES

(a) Financing and advances analysed by types and Shariah contracts are as follows:

At amortised cost	Group and Bank 2021			Total financing and advances RM'000
	Murabahah RM'000	Qard RM'000		
Term financing:				
Corporate financing	4,692,653	-		4,692,653
Personal financing	510,657	-		510,657
Home financing	814,193	-		814,193
SME financing	25,832	-		25,832
Vehicle financing	26,782	-		26,782
Shop-house financing	25,284	-		25,284
Charge cards	-	130		130
Gross financing and advances	6,095,401	130		6,095,531
Less: Modification loss				(17,646)
				6,077,885
Less: ECL (Note 9(h))				
- Stage 1				(46,580)
- Stage 2				(25,304)
- Stage 3				(35,893)
Total net financing and advances				5,970,108
Movement in gross financing and advances:				
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount as at 1 January 2021	4,740,044	369,783	53,413	5,163,240
Transfer to Stage 1	35,890	(34,803)	(1,087)	-
Transfer to Stage 2	(76,535)	77,571	(1,036)	-
Transfer to Stage 3	(6,536)	(4,106)	10,642	-
Financing derecognised during the year (other than write-off)	(2,404,433)	(244,729)	(462)	(2,649,624)
Write-off	-	-	(15,644)	(15,644)
New financing originated or purchased	3,658,538	127,553	141	3,786,232
Changes to contractual cash flows (excluding derecognition)	(197,601)	(18,225)	9,507	(206,319)
Gross carrying amount as at 31 December 2021	5,749,367	273,044	55,474	6,077,885

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9. FINANCING AND ADVANCES (Continued)

(a) Financing and advances analysed by types and Shariah contracts are as follows (Continued):

	Group and Bank 2020		Total financing and advances RM'000	
	Murabahah RM'000	Qard RM'000		
At amortised cost				
Term financing:				
Corporate financing	3,717,057	-	3,717,057	
Personal financing	517,598	-	517,598	
Home financing	861,951	-	861,951	
SME financing	22,999	-	22,999	
Vehicle financing	37,473	-	37,473	
Shop-house financing	27,122	-	27,122	
Charge cards	-	157	157	
Gross financing and advances	5,184,200	157	5,184,357	
Less: Modification loss			(21,117)	
			5,163,240	
Less: ECL (Note 9(h))				
- Stage 1			(41,450)	
- Stage 2			(37,460)	
- Stage 3			(30,077)	
Total net financing and advances			5,054,253	
 Movement in gross financing and advances:				
	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Gross carrying amount at 1 January 2020	4,992,876	300,100	62,574	5,355,550
Transfer to Stage 1	71,370	(69,284)	(2,086)	-
Transfer to Stage 2	(39,065)	39,909	(844)	-
Transfer to Stage 3	(5,250)	(3,130)	8,380	-
Financing derecognised during the year (other than write-off)	(2,572,093)	(117,537)	(1,037)	(2,690,667)
Write-off	-	-	(15,641)	(15,641)
New financing originated	2,465,144	245,252	168	2,710,564
Changes to contractual cash flows (excluding derecognition)*	(172,938)	(25,527)	1,899	(196,566)
Gross carrying amount as at 31 December 2020	4,740,044	369,783	53,413	5,163,240

*Included in the changes to contractual cash flow (excluding derecognition) are the effects of modification loss of RM21,117,000.

All gross financing and advances are within Malaysia except for those under foreign entities in Note 9(b).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9. FINANCING AND ADVANCES (Continued)

(b) The gross financing and advances analysed by type of customers are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Domestic non-bank financial institutions	14,350	28,875
Domestic business enterprise	4,536,906	3,710,509
Individuals	1,359,809	1,423,856
Foreign entities	166,820	-
	<u>6,077,885</u>	<u>5,163,240</u>

(c) The gross financing and advances analysed by profit rate sensitivity are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Fixed rate:		
Personal financing	500,949	505,255
Corporate financing	179,682	127,393
Vehicle financing	25,808	36,377
SME financing	20,194	17,365
Home financing	3,629	4,364
Charge card	130	157
Shop-house financing	362	426
Variable rate:		
Home financing	804,220	850,819
Shop-house financing	24,733	26,498
Corporate financing	4,518,178	3,594,586
	<u>6,077,885</u>	<u>5,163,240</u>

(d) The gross financing and advances analysed by maturity structure are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Due within three months	1,962,457	1,567,778
More than three months to one year	921,510	937,228
More than one year to five years	970,552	581,983
More than five years	2,223,366	2,076,251
	<u>6,077,885</u>	<u>5,163,240</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9. FINANCING AND ADVANCES (Continued)

(e) The gross financing and advances analysed by economic purpose are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Working capital	3,504,320	2,863,972
Purchase of property - residential property	811,922	859,353
Personal use	500,948	510,756
Purchase of land	262,283	196,168
Others	445,075	176,302
Purchase of industrial buildings and factories	128,560	151,469
Construction	122,544	89,060
Purchase of commercial complex	71,333	78,480
Purchase of other non-residential property	104,842	79,789
Purchase of fixed assets (excluding land and building)	58,727	79,088
Purchase of shophouses	41,393	42,529
Purchase of vehicles	25,808	36,117
Charge card	130	157
	<u>6,077,885</u>	<u>5,163,240</u>

(f) The gross financing and advances analysed by sectors are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Household	1,359,830	1,423,897
Wholesale and retail trade	1,128,887	1,081,692
Real estate, renting and business activities	1,054,050	887,585
Manufacturing	1,096,956	847,965
Construction	600,988	545,473
Other business	294,463	67,597
Agriculture, hunting and related service activities	165,227	101,854
Finance intermediation	181,170	28,875
Education, health and others	67,301	68,796
Mining and quarrying	46,181	25,195
Hotel and restaurant	44,624	41,223
Transportation	38,208	43,088
	<u>6,077,885</u>	<u>5,163,240</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9. FINANCING AND ADVANCES (Continued)

(g) Movements in impaired financing and advances

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January	53,413	62,574
Impaired during the financial year	29,717	16,063
Reclassified as non-impaired	(2,123)	(2,930)
Recoveries	(9,888)	(6,653)
Write-off	(15,645)	(15,641)
At 31 December (Note 39(c)(vi))	<u>55,474</u>	<u>53,413</u>
Ratio of net impaired financing and advances to gross financing and advances less individual impairment allowance	<u>0.32%</u>	<u>0.45%</u>

Included in amount classified as impaired as at 31 December 2021 is profit accrued on impaired financing of RM3,825,000 (2020: RM3,489,000).

All impaired financing are within Malaysia.

(h) Movements in ECL for financing and advances:

	Group and Bank	
	2021	2020
	RM'000	RM'000
ECL/Collective assessment allowance - Stage 1 and 2		
At 1 January		
Stage 1 ECL	41,450	29,854
Stage 2 ECL	37,460	25,044
Net stage 1 ECL provided during the financial year (Note 28(a))	5,130	11,596
Net stage 2 ECL (written back)/provided during the financial year (Note 28(a))	(12,156)	12,416
At 31 December (Note 39(c)(vi))	<u>71,884</u>	<u>78,910</u>
As % of total gross financing and advances less individual impairment allowances	<u>1.19%</u>	<u>1.53%</u>

	Group and Bank	
	2021	2020
	RM'000	RM'000
ECL/Individual assessment allowance - Stage 3		
At 1 January	30,077	33,783
Net stage 3 ECL provided during financial year (Note 28(a))	18,869	7,814
Amount written off	(13,053)	(11,520)
At 31 December (Note 39(c)(vi))	<u>35,893</u>	<u>30,077</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

9. FINANCING AND ADVANCES (Continued)

(h) Movements in ECL for financing and advances: (Continued)

Group and Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
At 1 January 2021	41,450	37,460	30,077	108,987
Changes due to financial assets recognised in the opening balance:				
- Transfer to 12-month ECL	13,390	(12,574)	(816)	-
- Transfer to lifetime ECL not credit impaired	(881)	1,809	(928)	-
- Transfer to lifetime ECL credit impaired	(76)	(1,144)	1,220	-
Financing derecognised during the financial year (other than write-offs)	(3,397)	(1,749)	(427)	(5,573)
Write-offs	-	-	(13,053)	(13,053)
New financing originated	12,140	696	134	12,970
Net remeasurement of allowances	(16,046)	806	19,686	4,446
At 31 December 2021	<u>46,580</u>	<u>25,304</u>	<u>35,893</u>	<u>107,777</u>

(i) Impaired financing analysed by economic purpose are as follows:

	Group and Bank	
	2021 RM'000	2020 RM'000
Working capital	40,512	40,642
Purchase of properties - residential property	8,344	6,248
Personal use	6,126	6,209
Purchase of vehicles	362	157
Charge card	130	157
	<u>55,474</u>	<u>53,413</u>

(j) Impaired financing analysed by sector are as follows:

	Group and Bank	
	2021 RM'000	2020 RM'000
Construction	31,638	31,603
Household	17,934	15,756
Other business	5,508	5,660
Manufacturing	394	394
	<u>55,474</u>	<u>53,413</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

10. OTHER ASSETS

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Other debtors and receivables	37,384	14,948	37,426	14,924
Prepayment and deposits	897	3,944	897	3,944
Sundry deposits	3,931	2,977	3,931	2,977
Less: Allowance for doubtful debts	(4,505)	(4,627)	(4,505)	(4,627)
	<u>37,707</u>	<u>17,242</u>	<u>37,749</u>	<u>17,218</u>
Movement in allowance for doubtful debts				
As at 1 January	(4,627)	(4,675)	(4,627)	(4,675)
Net write-back of allowances	122	48	122	48
As at 31 December	<u>(4,505)</u>	<u>(4,627)</u>	<u>(4,505)</u>	<u>(4,627)</u>

11. STATUTORY DEPOSIT WITH BANK NEGARA MALAYSIA

The non-profit bearing statutory deposit is maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act 2009, to satisfy the Statutory Reserve Requirement ("SRR") which is determined at a set percentages of total eligible liabilities.

Effective 16 May 2020, all banking institutions may recognise holdings of Malaysian Government Securities ("MGS") and Malaysian Government Investment Issues ("MGII") as part of their SRR compliance (i.e. Statutory Reserve Accounts ("SRA") balances) this flexibility is available until 31 December 2021. For the avoidance of doubt, the SRA balances can be held entirely in MGS and MGII.

The Bank may deduct such holdings of MGS and MGII used for SRR compliance from their EL base computation.

These holdings in the SRA balances will also be recognised as High Quality Liquid Assets ("HQLA") in complying with the Liquidity Coverage Ratio ("LCR") requirement.

The Group and the Bank have adopted the guideline and had purchased RM133.0 million (2020: RM80.0 million) of MGII for SRA purpose, which is set out in Note 8 of the financial statements.

12. DEFERRED TAX ASSETS

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January	49,497	49,497
Recognised in income or loss (Note 33)	-	-
At 31 December	<u>49,497</u>	<u>49,497</u>

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 authority. The following amounts are presented after appropriate offsetting in the statement of financial position:

Group and Bank	Group and Bank	
	2021	2020
	RM'000	RM'000
Deferred tax assets	52,886	52,978
Deferred tax liabilities	(3,389)	(3,481)
	<u>49,497</u>	<u>49,497</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

12. DEFERRED TAX ASSETS (Continued)

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

Deferred tax liabilities:

	Right-of-use assets RM'000	Property and equipment RM'000	Investment properties RM'000	Total RM'000
Group and Bank				
At 1 January 2021	(2,807)	(634)	(40)	(3,481)
Recognised in income or loss (Note 33)	300	(208)	-	92
At 31 December 2021	<u>(2,507)</u>	<u>(842)</u>	<u>(40)</u>	<u>(3,389)</u>
At 1 January 2020	(3,673)	(1,457)	(1,000)	(6,130)
Recognised in income or loss (Note 33)	866	823	960	2,649
At 31 December 2020	<u>(2,807)</u>	<u>(634)</u>	<u>(40)</u>	<u>(3,481)</u>

Deferred tax assets:

	Lease liabilities RM'000	Provisions RM'000	Unutilised tax losses RM'000	Total RM'000
Group and Bank				
At 1 January 2021	4,527	7,251	41,200	52,978
Recognised in income or loss (Note 33)	(1,576)	1,484	-	(92)
At 31 December 2021	<u>2,951</u>	<u>8,735</u>	<u>41,200</u>	<u>52,886</u>
At 1 January 2020	4,131	10,296	41,200	55,627
Recognised in income or loss (Note 33)	396	(3,045)	-	(2,649)
At 31 December 2020	<u>4,527</u>	<u>7,251</u>	<u>41,200</u>	<u>52,978</u>

Unutilised tax losses

At the reporting date, the Group and the Bank have reported the following deferred tax asset relating to:

	Group and Bank	
	2021 RM'000	2020 RM'000
Unutilised tax losses recognised as deferred tax asset	171,652	171,652
Unutilised tax losses not recognised as deferred tax asset	7,566	9,748
Total unutilised tax losses	<u>179,218</u>	<u>181,400</u>

At the financial year end, the Group and the Bank did not recognise deferred tax assets in respect of unutilised tax losses of RM 1,815,800 (2020: RM 2,339,500), that are available for offsetting against future taxable profits of the Group and the Bank. The Group and the Bank have utilised partially the unutilised business losses brought forward from the prior year amounting to RM2,182,000 is not included in DTA previously recognised, which gave rise to the tax effect of utilisation of previously unrecognised which tax losses amounting to RM523,700.

According to the Malaysia Finance Act 2021 gazetted on 31 December 2021, the unused tax losses carried forward which were previously subject to a 7-year limitation with effect from YA2019 have now been extended for utilisation for 10 consecutive YAs retrospectively from YA2018. Any unused tax losses accumulated up to YA2018 are now allowed to be carried forward for 10 consecutive years of assessment up to YA2028 and any balance thereafter shall be disregarded. Any unused current tax losses which was resulted in YA2019 and in the subsequent years of assessment are allowed to be carried forward for a maximum period of 10 consecutive years of assessment as well, commencing immediately following that year of assessment and any balance thereafter shall be disregarded.

The unutilised business losses of the Group and the Bank amounting to RM7,566,000 (2020: RM9,748,000), which is not included in deferred tax assets will expire by year of assessment ("YA") 2030.

The Group and the Bank have recognised deferred tax assets on the unutilised tax losses brought forward amounting to RM171,652,000 as at 31 December 2021 (2020: RM171,652,000) as the Directors are of the view that there are sufficient future taxable profits for the unutilised tax losses to be offset against the respective entities within the Group and the Bank.

In evaluating the ability to realise the deferred tax assets, the Group and the Bank relies principally on forecasted taxable income using historical and projected future operating results and the reversal of existing temporary differences within a medium term horizon.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

13. INVESTMENT IN A SUBSIDIARY

Name	Principal activity	Effective shareholding 2021	2020
Al Rajhi Nominee (Tempatan) Sdn Bhd ("ARNT") *	Nominee services	100%	100%

* The subsidiary was incorporated with a paid-up share capital of RM2. The income and expenses of the subsidiary are borne by the Bank. The auditors' remuneration borne by the Bank is RM4,500 (2020: RM4,500).

The names of the Directors of the subsidiary in office since the date of the last report and at the date of this report are as follows:

Zarir Bin Mohd Rawi @ Mohd Rauf
Shamsul Anuar Bin Dato' Haji Mohd Rasep @ Haji Abdul Rashid

14. INVESTMENT PROPERTIES

The Group's and the Bank's investment properties are stated at fair value and consist of one hundred and twenty-eight (128) units of stratified shop and office lots known as I-City at Shah Alam, Selangor, Malaysia.

As at 31 December 2021, the fair values of the properties are based on valuation carried out by an independent qualified valuer using the comparison method of valuation approach. The method of valuation seeks to determine the value of the property, being valued by comparing the investment properties with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land, tenurial profit and restrictions if any, occupancy status, built-up area, building construction, finishes and services, age and condition of building and other relevant characteristics.

The following amounts have been reflected in the income statement in relation to the investment properties:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Rental income derived from investment properties (Note 27)	1,480	1,586
Direct operating expenses	(278)	(241)
Profit arising from investment properties carried at fair value	1,202	1,345

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to either purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The fair value hierarchy disclosure for investment properties have been provided in Note 42.

The Group and the Bank have determined that the highest and best use of the investment property do not differ from its existing use.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

15. PROPERTY AND EQUIPMENT

Group and Bank	Renovations RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicle RM'000	Work-in- progress RM'000	Total RM'000
2021							
Cost							
At 1 January 2021	20,667	5,697	7,057	75,677	255	-	109,353
Additions	-	3	63	2,736	-	85	2,887
At 31 December 2021	20,667	5,700	7,120	78,413	255	85	112,240
Accumulated depreciation							
At 1 January 2021	20,408	4,196	5,932	63,430	255	-	94,221
Charge for the financial year	171	247	248	5,029	-	-	5,695
At 31 December 2021	20,579	4,443	6,180	68,459	255	-	99,916
Net book value							
At 31 December 2021	88	1,257	940	9,954	-	85	12,324

Included in property and equipment are the cost of fully depreciated assets which are still in use amounting to RM5,227,000 (2020:RM2,416,000).

AL RAJHI BANKING & INVESTMENT CORPORATION (MALAYSIA) BHD.
(Incorporated in Malaysia)
Co. Reg. No. 200501036909 (719057-X)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

15. PROPERTY AND EQUIPMENT (Continued)

Group and Bank	Renovations RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computer equipment RM'000	Motor vehicle RM'000	Work-in- progress RM'000	Total RM'000
2020							
Cost							
At 1 January 2020	20,556	5,684	7,024	73,507	255		107,026
Additions	111	14	34	2,170	-		2,329
Write-off	-	(1)	(1)	-	-		(2)
At 31 December 2020	<u>20,667</u>	<u>5,697</u>	<u>7,057</u>	<u>75,677</u>	<u>255</u>	<u>-</u>	<u>109,353</u>
Accumulated depreciation							
At 1 January 2020	20,168	3,938	5,637	58,250	255	-	88,248
Charge for the financial year	240	259	296	5,180	-	-	5,975
Write-off	-	(1)	(1)	-	-		(2)
At 31 December 2020	<u>20,408</u>	<u>4,196</u>	<u>5,932</u>	<u>63,430</u>	<u>255</u>	<u>-</u>	<u>94,221</u>
Net book value							
At 31 December 2020	<u>259</u>	<u>1,501</u>	<u>1,125</u>	<u>12,247</u>	<u>-</u>	<u>-</u>	<u>15,132</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

16. INTANGIBLE ASSETS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Computer software		
Cost		
At 1 January	187,604	181,183
Additions	3,947	4,468
Work-in-progress	50,538	1,953
At 31 December	<u>242,089</u>	<u>187,604</u>
Accumulated amortisation		
At 1 January	156,695	144,167
Amortisation for the financial year	11,639	12,528
At 31 December	<u>168,334</u>	<u>156,695</u>
Net book value	<u>73,755</u>	<u>30,909</u>

Included in intangible assets are the cost of fully depreciated assets which are still in use amounting to RM8,721,000 (2020: RM10,675,000)

17. RIGHT-OF-USE ASSETS

The Group and the Bank have lease contracts from various items of bank premises, non-bank premises and other equipments used in its operations. Lease contracts generally have lease term between 2 and 6 years.

The Group's and the Bank's obligation under its leases are secured by lessor's title to the leased assets. Generally, the Group and the Bank are restricted from signing and subleasing the leased assets.

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

	Group and Bank		
	Bank premises	Other equipments	Total
	RM'000	RM'000	RM'000
At 1 January 2021	11,113	580	11,693
Additions	6,107	77	6,184
Depreciation expenses	(7,190)	(241)	(7,431)
31 December 2021	<u>10,030</u>	<u>416</u>	<u>10,446</u>

**NOTES TO THE FINANCIAL STATEMENTS
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17. RIGHT-OF-USE ASSETS (Continued)

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

	Group and Bank			Total RM'000
	Bank premises RM'000	Non-bank premises RM'000	Other equipments RM'000	
	At 1 January 2020	14,386	225	
Additions	3,991	-	103	4,094
Depreciation expenses	<u>(7,264)</u>	<u>(225)</u>	<u>(215)</u>	<u>(7,704)</u>
31 December 2020	<u>11,113</u>	<u>-</u>	<u>580</u>	<u>11,693</u>

The following are the amounts recognised in profit or loss:

	Group and Bank	
	2021 RM'000	2020 RM'000
Depreciation expenses of right-of-use assets	7,431	7,704
Finance charges on lease liabilities	459	566
Expenses relating to short-term leases (included in office rental) (Note 31)	36	26
Expenses relating to leases of low-value assets (Note 31)	-	34
Total amount recognised in profit or loss	<u>7,926</u>	<u>8,330</u>

The Group had total cash outflows for leases of RM7,953,000 in 2021 (2020: RM8,265,000). The Group also had non-cash addition to right-of-use assets and lease liabilities of RM6,184,000 in 2021 (2020 :RM4,094,000).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

18. DEPOSITS FROM CUSTOMERS

(i) By type of deposit

	Note	Group and Bank	
		2021	2020
		RM'000	RM'000
Savings deposits			
Qard		112,060	110,279
Commodity Murabahah		130,928	70,245
Demand deposits			
Qard		279,251	299,227
Mudharabah	(a)	117	206
Commodity Murabahah		1,840,932	970,285
Term deposit			
Commodity Murabahah		4,101,283	3,781,769
General investment account	(a)		
Mudharabah		280	499
Wakalah		812	1,596
Other deposits		383	383
		<u>6,466,046</u>	<u>5,234,489</u>

(a) In line with the Bank's IFSA Transition Plan as communicated to BNM, the Bank will continue to include the balances relating to its general investment account and demand deposits based on mudharabah principles, as part of deposits from customers. This is because these products were approved prior to the IFSA and the investment account guideline and are being solely used as securities against financing facility provided to the customers. The balances will continue to reduce until full settlement of the related financing.

(ii) By type of customer

	Group and Bank	
	2021	2020
	RM'000	RM'000
Business enterprises	2,457,035	1,890,627
Government and statutory bodies	2,035,546	1,678,335
Non-bank financial institutions	1,188,200	1,023,773
Other entities	183,621	142,669
Individuals	480,346	363,220
Non-resident	121,298	135,865
	<u>6,466,046</u>	<u>5,234,489</u>

(iii) By maturity structure

	Group and Bank	
	2021	2020
	RM'000	RM'000
Due within three months	4,799,682	3,476,348
More than three months to one year	1,095,018	1,755,912
More than one year to five years	571,346	2,229
	<u>6,466,046</u>	<u>5,234,489</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

19. DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Non-Mudharabah Funds		
Licensed Islamic banks	586,752	351,768
Licensed financial institutions	732,469	399,471
	<u>1,319,221</u>	<u>751,239</u>

20. OTHER LIABILITIES

	Note	Group		Bank	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Other accruals and payables	(i)	57,748	46,271	57,728	46,419
Amount due to holding company	(ii)	3,815	2,400	3,815	2,400
Deferred income	(iii)	8,250	9,750	8,250	9,750
		<u>69,813</u>	<u>58,421</u>	<u>69,793</u>	<u>58,569</u>

(i) Included in other accruals and payables is amount due from ARNT amounting to RM79,000 (2020: amount due to ARNT amounting to RM163,000) (Note 35(b)).

(ii) Amount due to holding company is unsecured, profit-free and repayable on demand.

(iii) On 30 June 2017, the Group and the Bank entered into an agreement acting as an agent to solely market and distribute bancatakaful products to its customers for 10 years of which an exclusivity fee was paid in advance. The income is amortised over the period of the agreement when the customers receive and consume the benefits provided and is recognised as part of other income under "commission received" in Note 27.

	Group and Bank	
	2021	2020
	RM'000	RM'000
Deferred as at 1 January	9,750	11,250
Recognised as income in profit or loss during the year	(1,500)	(1,500)
Deferred as at 31 December	<u>8,250</u>	<u>9,750</u>

**NOTES TO THE FINANCIAL STATEMENTS
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21. LEASE LIABILITIES

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

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January 2021	13,607	17,212
Additions	6,184	4,094
Accretion of finance charges	459	566
Payments	<u>(7,953)</u>	<u>(8,265)</u>
31 December 2021	<u>12,297</u>	<u>13,607</u>

22. SUBORDINATED SUKUK

	Group and Bank	
	2021	2020
	RM'000	RM'000
Subordinated Sukuk - Tranche 1 (Note 35(b))	277,408	267,745
Subordinated Sukuk - Tranche 2 (Note 35(b))	110,963	107,098
Subordinated Sukuk - Tranche 3 (Note 35(b))	166,445	-
	<u>554,816</u>	<u>374,843</u>

On 10 November 2014, the Bank issued SAR250.0 million nominal value first tranche of Subordinated Sukuk ("the Sukuk") under the Shariah principle of Mudharabah to its holding company. Pursuant to the Sukuk Programme Agreement and upon the term and subject to the conditions contained therein, the Bank had on 16 March 2017 issued a second tranche of the Sukuk amounting to SAR100.0 million nominal value to its holding company. On 15 July 2021, the Bank had issued the third and final tranche of the Sukuk amounting to SAR150.0 million nominal value (equivalent to RM167.8 million) to its holding company.

Based on the initial agreement, the first and second tranche of the Sukuk have a tenure of 7 years from the issuance date. In 2018, the holding company had approved to extend the tenure of the first and second tranche Sukuk for an additional of 3 years tenure which is due by 10 November 2024 and 31 March 2027 respectively. In 2021, to align with the maturity date of the third tranche of the Sukuk amounting to SAR150.0 million, the holding company had approved the extension of the maturity dates for the first and second tranche amounting to SAR350.0 million until 15 July 2031.

All the tranches of Sukuk qualify as Tier-II capital of the Issuer as per BNM's Risk-Weighted Capital Adequacy Framework for Islamic Banks. The Sukuk issued will be based on the Shariah principles of Mudharabah (profit sharing) and Al-Wakalah (contract of agency).

All the tranches of Sukuk are unsecured and the proceeds shall be utilised for the investment in Shariah compliant money market placements with banks in Kingdom of Saudi Arabia and other approved Middle Eastern countries.

The movements in the subordinated sukuk are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
At 1 January	374,843	381,881
Issuance during the financial year	167,798	-
Non-cash changes:		
Exchange differences	12,175	(7,038)
At 31 December	<u>554,816</u>	<u>374,843</u>

23 SHARE CAPITAL

	Group and Bank	
	2021	2020
	RM'000	RM'000
Issued and fully paid:		
Ordinary shares 1 January/31 December	<u>1,000,000</u>	<u>1,000,000</u>

There were no changes to the issued and paid-up capital of the Bank during the financial year, and the ordinary share do not have par value.

**NOTES TO THE FINANCIAL STATEMENTS
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24. RESERVES

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Non-distributable:				
Statutory reserve (i)	13,206	13,206	13,206	13,206
Regulatory reserve (ii)	-	-	-	-
Fair value through other comprehensive income reserve (iii)	(13,358)	2,761	(13,358)	2,761
Accumulated losses	(313,211)	(325,307)	(313,149)	(325,479)
	<u>(313,363)</u>	<u>(309,340)</u>	<u>(313,301)</u>	<u>(309,512)</u>

The nature and purpose of the reserves are as follows:

- (i) The statutory reserve is maintained in compliance with BNM's guideline on Capital Funds for Islamic Banks issued on 1 July 2013, and is not distributable as cash dividends. On 3 May 2017, BNM issued the revised Capital Funds for Islamic Bank whereby the previous requirement to maintain a reserve fund is no longer required. Therefore, there is no transfer to statutory reserve since then including in current and prior year under review.
- (ii) The regulatory reserve is maintained in accordance with BNM's policy on Financial Reporting For Islamic Banking institution to maintain, in aggregate loss allowance for non-credit impaired exposure and regulatory reserve of no less than 1% of total credit exposures, net of loss allowance for credit impaired exposures.
- (iii) The fair value reserve includes the cumulative net changes in the fair value of financial investments, at FVOCI, until the financial investments are derecognised, where the fair value will be recycled to income statement.

Movements of the reserves (excluding accumulated losses) are as follows:

	Group and Bank			
	Statutory reserve RM'000	Regulatory reserve RM'000	Fair value reserve of financial investments at FVOCI RM'000	Total RM'000
At 1 January 2021	13,206	-	2,761	15,967
Net unrealised loss on changes in fair value	-	-	(16,119)	(16,119)
At 31 December 2021	<u>13,206</u>	<u>-</u>	<u>(13,358)</u>	<u>(152)</u>
At 1 January 2020	13,206	4,500	(542)	17,164
Net unrealised gain on changes in fair value	-	-	3,303	3,303
Transferred from regulatory reserve to accumulated losses	-	(4,500)	-	(4,500)
At 31 December 2020	<u>13,206</u>	<u>-</u>	<u>2,761</u>	<u>15,967</u>

25. OPERATING REVENUE

Operating revenue of the Group and of the Bank represents of financing income, fees and commission income and other income as derived from the banking operations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

26. INCOME DERIVED FROM INVESTMENT OF DEPOSITORS' FUNDS AND OTHERS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposits	33	35
(ii) Other deposits	295,485	282,547
	<u>295,518</u>	<u>282,582</u>

(i) Income derived from investment of general investment deposits

	Group and Bank	
	2021	2020
	RM'000	RM'000
Finance income and hibah		
Financing and advances	32	34
Money at call and deposit with financial institutions	1	1
Total finance income and hibah	<u>33</u>	<u>35</u>

(ii) Income derived from investment of other deposits

	Group and Bank	
	2021	2020
	RM'000	RM'000
Finance income and hibah		
Financing and advances	240,377	253,053
Financial investments at amortised cost	18,614	29,823
Financial investments at fair value through other comprehensive income ("FVOCI")	29,421	13,943
Money at call and deposit with financial institutions	3,593	6,845
Accretion of discount	8	-
Effects of modifications loss to contractual cash flows of financial assets (Note 2.1)	-	(21,117)
Effects of unwinding of modifications loss incurred during the financial year	3,472	-
	<u>295,485</u>	<u>282,547</u>

27. INCOME DERIVED FROM INVESTMENT OF SHAREHOLDERS' FUNDS

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Finance income and hibah				
Money at call and deposit with financial institutions	1,323	2,521	1,323	2,521
Other operating income				
- Net (loss)/gain from foreign exchange translations				
- Realised	(76)	(667)	(76)	(667)
- Unrealised	865	1,673	865	1,673
- Rental income (Note 14)	1,480	1,586	1,480	1,586
- Wakalah fees on gold trading	1,307	1,707	1,307	1,707
- Gain on disposal of financial investments at amortised cost	23,191	-	23,191	-
- Gain on disposal of financial investments at FVOCI	2,608	10,745	2,608	10,745
- Loss from changes in fair value of investment properties	-	(9,600)	-	(9,600)
- Others	269	289	269	289
Other income				
- Agency fees	486	321	-	-
- Service charges	2,083	1,601	2,083	1,601
- Commission received	19,725	12,651	19,725	12,651
	<u>53,261</u>	<u>22,827</u>	<u>52,775</u>	<u>22,506</u>

NOTES TO THE FINANCIAL STATEMENTS
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28. ALLOWANCES FOR EXPECTED CREDIT LOSSES ON FINANCIAL ASSETS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Financing and advances:		
(a) Stage 1		
- provided during the financial year	(10,140)	(11,652)
- written back during the financial year	5,010	56
Stage 2		
- provided during the financial year	(2,697)	(12,656)
- written back during the financial year	14,853	240
Stage 3		
- provided during the financial year	(18,891)	(8,162)
- written back during the financial year	22	348
Total	<u>(11,843)</u>	<u>(31,826)</u>
(b) Bad debts on financing:		
- recovered during the financial year	9,888	6,653
- written off during the financial year	(2,592)	(1,500)
Total	<u>7,296</u>	<u>5,153</u>
(c) Financial investment at amortised cost		
- provided during the financial year	-	(436)
- written back during the financial year	151	255
Total	<u>151</u>	<u>(181)</u>
(d) Financial investment at FVOCI		
- provided during the financial year	-	(224)
- written back during the financial year	85	-
Total	<u>85</u>	<u>(224)</u>
(e) Impairment allowance for off balance sheet		
- provided during the financial year	-	(200)
- written back during the financial year	43	-
Total	<u>43</u>	<u>(200)</u>
Grand total	<u>(4,268)</u>	<u>(27,278)</u>

29. INCOME ATTRIBUTABLE TO DEPOSITORS

	Group and Bank	
	2021	2020
	RM'000	RM'000
Deposits from customers		
- Non-Mudharabah	115,906	141,219
- Mudharabah	11	12
- Wakalah	30	54
	<u>115,947</u>	<u>141,285</u>
Deposits and placements of banks and other financial institutions		
- Non-Mudharabah	9,000	6,344
	<u>124,947</u>	<u>147,629</u>

NOTES TO THE FINANCIAL STATEMENTS
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30. PERSONNEL EXPENSES

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Salaries and wages	73,059	76,129	72,990	76,061
Statutory contributions	14,110	15,961	14,095	15,947
Allowance and bonuses	19,904	18,780	19,892	18,773
Others	17,739	7,127	17,723	7,110
	<u>124,812</u>	<u>117,997</u>	<u>124,700</u>	<u>117,891</u>

Included in personnel expenses is the CEO remuneration of RM 2,773,000 (2020: RM 4,012,000) which details are disclosed in Note 32.

31. OTHER OVERHEADS AND EXPENDITURES

		Group		Bank	
		2021	2020	2021	2020
		RM'000	RM'000	RM'000	RM'000
Marketing					
Advertisement and publicity		<u>2,574</u>	<u>1,436</u>	<u>1,966</u>	<u>1,436</u>
Establishment					
Office rental comprised of:	17				
Expenses relating to short-term leases		36	26	36	26
Expenses relating to leases of low-value assets		-	34	-	34
Depreciation expenses of right-of-use assets		7,431	7,704	7,431	7,704
Depreciation of property and equipment	15	5,695	5,975	5,695	5,975
Amortisation of intangible assets	16	11,639	12,528	11,639	12,528
Electronic data processing expenses		25,168	28,425	25,168	28,425
Premises		3,756	5,436	3,756	5,436
Takaful and insurance		229	168	229	168
Finance charges on lease liabilities		459	566	459	566
		<u>54,413</u>	<u>60,862</u>	<u>54,413</u>	<u>60,862</u>
General expenses					
Auditors' remuneration:					
Statutory audit		313	249	305	244
Regulatory related services		-	250	-	250
Other services		46	46	46	40
Takaful and insurance		889	772	889	772
Professional fees		2,962	2,373	2,962	2,373
Security service charges		2,617	2,054	2,617	2,054
Communication		1,425	1,382	1,425	1,382
Transaction and outsourcing fees		4,250	3,824	4,250	3,569
Net operational losses (Note (a))		7,797	-	7,797	-
Printing and stationeries		490	254	490	254
Entertainment		30	88	30	88
Shariah expenses		1,114	734	1,114	734
Allowance for doubtful debt		217	607	217	607
Non-Executive Directors' remuneration		247	306	247	306
Administration travel and transport		366	224	366	224
Licence fees, bank charges and stamp duty		539	540	539	540
Subscription fees		2,274	2,110	2,274	2,110
Others		93	402	101	412
		<u>25,669</u>	<u>16,215</u>	<u>25,669</u>	<u>15,959</u>
		<u>82,656</u>	<u>78,513</u>	<u>82,048</u>	<u>78,257</u>

Note (a):

The net operating losses is represented by total estimated operational losses of RM 15.8 million and expected recovery of RM 8.0 million through the Bank's takaful arrangement.

NOTES TO THE FINANCIAL STATEMENTS
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32. CEO, DIRECTORS AND SHARIAH BOARD MEMBERS' REMUNERATION

The remuneration attributable to the Group and the Bank during the financial year amounted to RM4,155,000 (2020: RM5,250,000).

The total remuneration of the directors of the Group and of the Bank are as follows:

Group and Bank	2021			2020		
	Fees RM'000	Salaries and/ or other emoluments* RM'000	Total RM'000	Fees RM'000	Salaries and/ or other emoluments* RM'000	Total RM'000
Chief Executive Officer:						
Arsalaan Ahmed (Appointed w.e.f. 15 February 2021)	-	2,773	2,773	-	-	-
Chen Thien Yin (Resigned w.e.f. 16 November 2020)	-	-	-	-	4,012	4,012
Non-Executive Directors:						
John Roger Winfield** (Appointed w.e.f. 15 January 2021)	-	-	-	-	-	-
Zulkiflee Bin Hashim (Appointed w.e.f. 15 January 2021)	92	40	132	-	-	-
Lim Jit Jee (Appointed w.e.f. 6 October 2021)	23	7	30	-	-	-
Stefano P. Bertamini ** (Resigned w.e.f. 28 February 2022)	-	-	-	-	-	-
Ow Chee Hong (Resigned w.e.f. 5 October 2021)	73	33	106	96	38	134
Johari Bin Abdul Muid (Resigned w.e.f. 9 November 2020)	-	-	-	82	38	120
Muhammad Afaq Khan (Resigned w.e.f. 29 February 2020)	-	-	-	23	7	30
Executive Directors:						
Abdulrahman Abdullah Al Fadda** (Appointed w.e.f. 15 January 2021)	-	-	-	-	-	-
Hossam Essam Al Basrawi** (Appointed w.e.f. 1 March 2022)	-	-	-	-	-	-
	188	2,853	3,041	201	4,095	4,296
Shariah Board Members:						
Prof. Dr Saleh Abdullah S. Al Lheidan	96	146	242	96	114	210
Assoc Prof Dr Azman Mohd Noor	90	146	236	90	114	204
Dr Mohammed Hael Ghilan Al - Madhagi	66	146	212	66	114	180
Mr Lokmanulhakim Bin Hussain	66	146	212	66	114	180
Mr Wan Rumaizi Wan Husin	66	146	212	66	114	180
	384	730	1,114	384	570	954
Total	572	3,583	4,155	585	4,665	5,250

* Includes bonus, ex-gratia, EPF, fixed allowances, yearly allowances and attending allowances.

** Any fees and allowances incurred will be borne and paid directly by Al Rajhi Bank Saudi Arabia, the holding company of the Bank.

**NOTES TO THE FINANCIAL STATEMENTS
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33. TAXATION

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Tax expense for the financial year:				
- Malaysian income tax	-	-	-	-
Deferred tax:				
- Relating to origination and reversal of temporary differences	-	(7,915)	-	(7,915)
- Underprovided in prior year	-	4,218	-	4,218
Underprovided in prior years:				
-Malaysian income tax	-	3,697	-	3,697
Sub-total	-	3,697	-	3,697
Total	-	-	-	-

A reconciliation of income tax expense applicable to profit/(loss) before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Bank are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Profit/(loss) before zakat and taxation	12,096	(66,008)	12,330	(65,967)
Income tax using Malaysian tax rate of 24% (2020: 24%)	2,903	(15,842)	2,959	(15,832)
Tax effects from:				
- Expense not deductible for tax purposes	754	(1,389)	698	(1,399)
- Utilisation of previously unrecognised tax losses	(524)	-	(524)	-
- Utilisation of previously unrecognised unabsorbed capital allowances	(5,245)	-	(5,245)	-
- Temporary difference not recognised	2,112	9,316	2,112	9,316
- Under provision of deferred tax in prior year	-	4,218	-	4,218
- Under provision of income tax expenses in prior years	-	3,697	-	3,697
Tax expenses for the year	-	-	-	-

**NOTES TO THE FINANCIAL STATEMENTS
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34. BASIC/DILUTED EARNINGS PER SHARE

The basic and diluted earnings per ordinary share is calculated by dividing the Group's profit/(loss) after taxation for the financial year by the weighted average number of ordinary shares outstanding during the financial year.

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
Net profit/ (loss) for the financial year (RM'000)	12,096	(66,008)	12,330	(65,967)
Average shares issued during the year ('000)	1,000,000	1,000,000	1,000,000	1,000,000
Basic profit per share (sen)	<u>1.2</u>	<u>(6.60)</u>	<u>1.2</u>	<u>(6.60)</u>

There were no dilutive potential ordinary shares at the end of the financial year.

35. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS

(a) Related parties and relationships

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

The Directors are of the opinion that all transactions below have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtained in transactions with unrelated parties.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

35. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(a) Related parties and relationships (Continued)

The related parties and their relationships with the Bank are as follows:

Related parties	Relationship
(i) Al Rajhi Banking and Investment Corporation, Saudi Joint Stock Company, Kingdom of Saudi Arabia	Holding company.
(ii) Al Rajhi Nominee (Tempatan) Sdn Bhd	Subsidiary.
(iii) Key Management Personnel	Defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Bank either directly or indirectly. The key management personnel of the Bank includes all Directors of the Bank and the Management Committee members of the Bank.

(b) Significant related party transactions and balances are as follows:

	Holding company RM'000	Subsidiary company RM'000	Key management personnel RM'000
Balances as at 31 December 2021			
Asset/(liabilities)			
Amount due from:			
- Subsidiary company (Note 20)	-	79	-
- Financing and advances	-	-	5,056
<hr/>			
Amount due to:			
- Current accounts - i	-	-	(54)
- Savings account - i	-	-	(552)
- Commodity Murabahah Term Deposit	(29,162)	-	(1,870)
- Holdings company (Note 20)	(3,815)	-	-
- Subordinated Sukuk (Note 22)	(554,816)	-	-
- Dividend payable on Subordinated Sukuk	(364)	-	-
<hr/>			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

35. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(b) Significant related party transactions and balances are as follows (Continued):

	Holding company RM'000	Subsidiary company RM'000	Key management personnel RM'000
Transaction for financial year ended 31 December 2021			
Income/(expenses)			
Profit income from:			
- Financing and advances	-	-	84
- Deposits placements	13	-	-
Income attributable to depositors:			
- Dividend on Subordinated Sukuk	364	-	-
Short-term employee benefits:			
- Salary and other remuneration	-	-	(19,340)
	-	-	(19,340)
Balances as at 31 December 2020			
Asset/(liabilities)			
Amount due from:			
- Financing and advances	-	-	2,193
Amount due to:			
- Current accounts - i	-	-	(160)
- Savings account - i	-	-	(493)
- Commodity Murabahah Term Deposit	(44,198)	-	(676)
- Holdings company (Note 20)	(2,400)	-	-
- Subsidiary company (Note 20)	-	(163)	-
- Subordinated Sukuk (Note 22)	(374,843)	-	-
- Dividend payable on Subordinated Sukuk	(819)	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

35. SIGNIFICANT RELATED PARTY BALANCES AND TRANSACTIONS (Continued)

(b) Significant related party transactions and balances are as follows (Continued):

	Holding company RM'000	Subsidiary company RM'000	Key management personnel RM'000
Transaction for financial year ended 31 December 2020 Income/(expenses)			
Profit income from:			
- Financing and advances	-	-	81
- Deposits placements	17	-	-
Income attributable to depositors:			
- Dividend on Subordinated Sukuk	<u>819</u>	<u>-</u>	<u>-</u>
Short-term employee benefits:			
- Salary and other remuneration	<u>-</u>	<u>-</u>	<u>(15,068)</u>

The total key management personnel compensation includes Chief Executive Officer/Managing Director's remuneration of which details are disclosed in Note 32.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

36. COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies and the related risk-weighted exposures of the Group and of the Bank as at the end of financial year are as follows:

	2021			2020		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Group and Bank						
Transaction-related contingent items	195,731	97,866	97,866	120,496	60,248	60,248
Trade-related contingencies	87,938	17,588	17,588	6,522	1,304	1,304
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	2,427,122	485,380	471,748	1,400,231	279,997	276,335
- Maturity exceeding one year	142,943	71,458	71,056	135,078	67,521	67,618
	<u>2,853,734</u>	<u>672,292</u>	<u>658,258</u>	<u>1,662,327</u>	<u>409,070</u>	<u>405,505</u>

The Credit Equivalent and Risk Weighted for the Group and the Bank are computed in accordance with BNM's CAFIB: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II) respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

37. CAPITAL COMMITMENTS

Capital expenditure pertaining to the Group and the Bank as approved by Directors but not provided for in the financial statements is as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Authorised and contracted for:		
Property and equipment	1,517	8,394
Intangible assets	73,824	-
	<u>75,341</u>	<u>8,394</u>

38. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES

	Group and Bank	
	2021	2020
Outstanding credit exposures with connected parties (RM'000)	<u>12,008</u>	<u>8,699</u>
Percentage of outstanding credit exposures to connected parties as proportion of capital base	<u>1.0%</u>	<u>0.8%</u>
Percentage of outstanding credit exposures to connected parties as proportion of total outstanding credit exposures	<u>0.1%</u>	<u>0.1%</u>
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	<u>0.0%</u>	<u>0.0%</u>

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with paragraph 9.1 of BNM's revised Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks.

Based on these guidelines, a connected party refers to the following:

- (i) Directors of the Bank and their close relatives;
- (ii) Controlling shareholders' and their close relatives;
- (iii) Executive officer, being member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

38. CREDIT EXPOSURE ARISING FROM CREDIT TRANSACTIONS WITH CONNECTED PARTIES (Continued)

Based on these guidelines, a connected party refers to the following (Continued):

- (iv) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;
- (v) Firms, partnerships, companies or legal entities which control, or are controlled by any person listed in (i) to (iv) above, or in which they have an profit, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (vi) Any person for whom the persons listed in (i) to (iv) above is a guarantor; and
- (vii) Subsidiary of an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above includes the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and financing commitments.

The credit transaction with connected parties above are all transacted on arm's length basis and on terms and conditions no more favourable than those entered into with other counterparties with similar circumstances and credit worthiness. Due care has been taken to ensure that the credit worthiness of the connected party is not less than that normally required of other persons.

39. FINANCIAL RISK MANAGEMENT

(a) Overview

The Group's risk management practice seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its key areas of credit, market, liquidity and operational risks.

The Group's overall risk management framework, including the risk governance and the risk management process are set out in the Risk Management section in the Statement of Corporate Governance.

(b) Financial instrument by category

The table below provides an analysis of financial instruments categorised as follows:

- i. Financing and receivables ("FR");
- ii. Financial investments at amortised cost;
- iii. Financial investments assets at fair value through other comprehensive income ("FVOCI"); and
- iv. Other financial liabilities ("Other FL").

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial instrument by category (Continued)

Group	Carrying amount RM'000	FR RM'000	FVOCI RM'000	Amortised cost RM'000	Other FL RM'000
2021					
Financial Assets					
Cash and short-term funds	70,277	70,277	-	-	-
Deposits and placements with banks and other financial institutions	445,674	445,674	-	-	-
Derivatives assets	86	-	-	86	-
Financial investments at amortised cost	675,817	-	-	675,817	-
Financial investments at fair value through other comprehensive income ("FVOCI")	1,658,821	-	1,658,821	-	-
Financing and advances	5,970,108	5,970,108	-	-	-
Other assets	23,786	23,786	-	-	-
Statutory deposit with BNM	11,514	11,514	-	-	-
	8,856,083	6,521,359	1,658,821	675,903	-
Financial Liabilities					
Deposits from customers	6,466,046	-	-	-	6,466,046
Deposits and placements of banks and other financial institutions	1,319,221	-	-	-	1,319,221
Bills and acceptances payable	2,596	-	-	-	2,596
Other liabilities	53,912	-	-	-	53,912
Lease liabilities	12,297	-	-	-	12,297
Subordinated sukuk	554,816	-	-	-	554,816
	8,408,888	-	-	-	8,408,888

Others assets include sundry deposits, sundry debtors, receivables and also allowance for doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial instrument by category (Continued)

Group (Continued)	Carrying amount RM'000	FR RM'000	FVOCI RM'000	Amortised cost RM'000	Other FL RM'000
2020					
Financial Assets					
Cash and short-term funds	80,991	80,991	-	-	-
Deposits and placements with banks and other financial institutions	378,940	378,940	-	-	-
Derivatives assets	155	-	-	155	-
Financial investments at amortised cost	739,095	-	-	739,095	-
Financial investments at fair value through other comprehensive income ("FVOCI")	647,547	-	647,547	-	-
Financing and advances	5,054,253	5,054,253	-	-	-
Other assets	18,752	18,752	-	-	-
Statutory deposit with BNM	7,217	7,217	-	-	-
	6,926,950	5,540,153	647,547	739,250	-
Financial Liabilities					
Deposits from customers	5,234,489	-	-	-	5,234,489
Deposits and placements of banks and other financial institutions	751,239	-	-	-	751,239
Bills and acceptances payable	4,812	-	-	-	4,812
Other liabilities	55,928	-	-	-	55,928
Lease liabilities	13,607	-	-	-	13,607
Subordinated sukuk	374,843	-	-	-	374,843
	6,434,918	-	-	-	6,434,918

Others assets include sundry deposits, sundry debtors, receivables and also allowance for doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial instrument by category (Continued)

Bank	Carrying amount RM'000	FR RM'000	FVOCI RM'000	Amortised cost RM'000	Other FL RM'000
2021					
Financial Assets					
Cash and short-term funds	70,277	70,277	-	-	-
Deposits and placements with banks and other financial institutions	445,674	445,674	-	-	-
Derivatives assets	86	-	-	86	-
Financial investments at amortised cost	675,817	-	-	675,817	-
Financial investments at fair value through other comprehensive income ("FVOCI")	1,658,821	-	1,658,821	-	-
Financing and advances	5,970,108	5,970,108	-	-	-
Other assets	23,786	23,786	-	-	-
Statutory deposit with BNM	11,514	11,514	-	-	-
	8,856,083	6,521,359	1,658,821	675,903	-
Financial Liabilities					
Deposits from customers	6,466,046	-	-	-	6,466,046
Deposits and placements of banks and other financial institutions	1,319,221	-	-	-	1,319,221
Bills and acceptances payable	2,596	-	-	-	2,596
Other liabilities	53,908	-	-	-	53,908
Lease liabilities	12,297	-	-	-	12,297
Subordinated sukuk	554,816	-	-	-	554,816
	8,408,884	-	-	-	8,408,884

Others assets include sundry deposits, sundry debtors, receivables and also allowance for doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(b) Financial instrument by category (Continued)

Bank (Continued)	Carrying amount RM'000	FR RM'000	FVOCI RM'000	Amortised cost RM'000	Other FL RM'000
2020					
Financial Assets					
Cash and short-term funds	80,991	80,991	-	-	-
Deposits and placements with banks and other financial institutions	378,940	378,940	-	-	-
Derivatives assets	155	-	-	155	-
Financial investments at amortised cost	739,095	-	-	739,095	-
Financial investments at fair value through other comprehensive income ("FVOCI")	647,547	-	647,547	-	-
Financing and advances	5,054,253	5,054,253	-	-	-
Other assets	18,752	18,752	-	-	-
Statutory deposits with BNM	7,217	7,217	-	-	-
	<u>6,926,950</u>	<u>5,540,153</u>	<u>647,547</u>	<u>739,250</u>	<u>-</u>
Financial Liabilities					
Deposits from customers	5,234,489	-	-	-	5,234,489
Deposits and placements of banks and other financial institutions	751,239	-	-	-	751,239
Bills and acceptances payable	4,812	-	-	-	4,812
Other liabilities	55,928	-	-	-	55,928
Lease liabilities	13,607	-	-	-	13,607
Subordinated sukuk	374,843	-	-	-	374,843
	<u>6,434,918</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,434,918</u>

Others assets include sundry deposits, sundry debtors, receivables and also allowance for doubtful debts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management

(i) Credit risk management overview

Credit risk is the potential loss of revenue as a result of defaults by customers or counterparties through the Group's and the Bank's financing, trading and investing activities. The primary exposure to credit risk arises through its financing and advances as well as financial transactions with counterparties including interbank money market activities and debt securities. The amount of credit exposure is represented by the carrying amounts of the assets in the statement of financial position.

The management of credit risk is governed by credit policies and guidelines documenting the financing standards, discretionary power for financing approval, credit risk rating, collateral and valuation, review, and restructuring of problematic and delinquent financing. The management of counterparties are guided by counterparty limit, counterparty ratings, tenure and types of permissible transactions and these are subject to regular review.

(ii) Maximum exposure to credit risk

The maximum exposure to credit risk at the statement of financial position date is the amount on the statement of financial position as well as off balance sheet financial instruments, without taking into account of any collateral held or credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum that the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(ii) Maximum exposure to credit risk (Continued)

The table below shows the maximum exposure to credit risk of the Group and of the Bank:

Group	2021 RM'000	2020 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Cash and short-term funds	70,277	80,991
Deposits and placements with banks and other financial institutions	445,674	378,940
Derivatives assets	86	155
Financial investments at amortised cost	675,817	739,095
Financial investments at fair value through other comprehensive income ("FVOCI")	1,658,821	647,547
Net financing and advances	5,970,108	5,054,253
Statutory deposit with BNM	11,514	7,217
Other assets	23,786	18,752
	<u>8,856,083</u>	<u>6,926,950</u>
Credit risk exposure of off-balance sheet items:		
Commitment and contingencies	2,853,734	1,662,327
Total maximum credit risk exposure	<u>11,709,817</u>	<u>8,589,277</u>
Bank		
Credit risk exposure relating to on-balance sheet assets:		
Cash and short-term funds	70,277	80,991
Deposits and placements with banks and other financial institutions	445,674	378,940
Derivatives assets	86	155
Financial investments at amortised cost	675,817	739,095
Financial investments at fair value through other comprehensive income ("FVOCI")	1,658,821	647,547
Net financing and advances	5,970,108	5,054,253
Statutory deposit with BNM	11,514	7,217
Other assets	23,786	18,752
	<u>8,856,083</u>	<u>6,926,950</u>
Credit risk exposure of off-balance sheet items:		
Commitment and contingencies	2,853,734	1,662,327
Total maximum credit risk exposure	<u>11,709,817</u>	<u>8,589,277</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(ii) Maximum exposure to credit risk (Continued)

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for financing and advances as at 31 December 2021 for the Bank is 48.0% (2020: 59.5%). The financial effect of collateral held for the other financial assets is not significant.

(iii) Credit risk concentration

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 and other conditions. The Group analysed the credit risk concentration by industry and geographic segments in which the customer is engaged.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(iii) Credit risk concentration (Continued)

(a) Credit Risk - Credit Risk Concentration - By Industry Analysis (Continued)

Group	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Derivatives assets RM'000	Financial investments at amortised cost RM'000	Financial investments at FVOCI RM'000	Net financing and advances RM'000	Statutory deposit with BNM RM'000	Other assets RM'000	Total RM'000
2021									
Household	-	-	-	-	-	1,322,677	-	-	1,322,677
Wholesale and retail trade and hotel and restaurant	-	-	86	9,064	-	1,161,616	-	-	1,170,766
Finance, insurance, real estate and business activities	70,277	445,674	-	666,753	1,658,821	1,213,218	11,514	-	4,066,257
Manufacturing	-	-	-	-	-	1,092,369	-	-	1,092,369
Construction	-	-	-	-	-	570,594	-	-	570,594
Education, health and others	-	-	-	-	-	67,032	-	-	67,032
Agriculture, hunting and related service activities	-	-	-	-	-	164,400	-	-	164,400
Transportation	-	-	-	-	-	38,055	-	-	38,055
Mining and quarrying	-	-	-	-	-	45,685	-	-	45,685
Other business	-	-	-	-	-	294,462	-	23,786	318,248
Total	70,277	445,674	86	675,817	1,658,821	5,970,108	11,514	23,786	8,856,083

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(iii) Credit risk concentration (Continued)

(a) Credit Risk - Credit Risk Concentration - By Industry Analysis (Continued)

Bank	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Derivatives assets RM'000	Financial investments at amortised cost RM'000	Financial investments at FVOCI RM'000	Net financing and advances RM'000	Statutory deposit with BNM RM'000	Other assets RM'000	Total RM'000
2021									
Household	-	-	-	-	-	1,322,677	-	-	1,322,677
Wholesale and retail trade and hotel and restaurant	-	-	86	9,064	-	1,161,616	-	-	1,170,766
Finance, insurance, real estate and business activities	70,277	445,674	-	666,753	1,658,821	1,213,218	11,514	-	4,066,257
Manufacturing	-	-	-	-	-	1,092,369	-	-	1,092,369
Construction	-	-	-	-	-	570,594	-	-	570,594
Education, health and others	-	-	-	-	-	67,032	-	-	67,032
Agriculture, hunting and related service activities	-	-	-	-	-	164,400	-	-	164,400
Transportation	-	-	-	-	-	38,055	-	-	38,055
Mining and quarrying	-	-	-	-	-	45,685	-	-	45,685
Other business	-	-	-	-	-	294,462	-	23,786	318,248
Total	70,277	445,674	86	675,817	1,658,821	5,970,108	11,514	23,786	8,856,083

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(iii) Credit risk concentration (Continued)

(a) Credit Risk - Credit Risk Concentration - By Industry Analysis (Continued)

Group	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Derivatives assets RM'000	Financial investments at amortised cost RM'000	Financial investments at FVOCI RM'000	Net financing and advances RM'000	Statutory deposit with BNM RM'000	Other assets RM'000	Total RM'000
2020									
Household	-	-	-	-	-	1,375,897	-	-	1,375,897
Wholesale and retail trade and hotel and restaurant	-	-	155	14,036	-	1,107,158	-	-	1,121,349
Finance, insurance, real estate and business activities	80,991	378,940	-	725,059	647,547	900,554	7,217	-	2,740,308
Manufacturing	-	-	-	-	-	842,912	-	-	842,912
Construction	-	-	-	-	-	522,713	-	-	522,713
Education, Health and Others	-	-	-	-	-	68,317	-	-	68,317
Agriculture, hunting and related service activities	-	-	-	-	-	101,367	-	-	101,367
Transportation	-	-	-	-	-	42,985	-	-	42,985
Mining and Quarrying	-	-	-	-	-	24,754	-	-	24,754
Other business	-	-	-	-	-	67,596	-	18,752	86,348
Total	80,991	378,940	155	739,095	647,547	5,054,253	7,217	18,752	6,926,950

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(iii) Credit risk concentration (Continued)

(a) Credit Risk - Credit Risk Concentration - By Industry Analysis (Continued)

Bank	Cash and short-term funds RM'000	Deposits and placements with banks and other financial institutions RM'000	Derivatives assets RM'000	Financial investments at amortised cost RM'000	Financial investments at FVOCI RM'000	Net financing and advances RM'000	Statutory deposit with BNM RM'000	Other assets RM'000	Total RM'000
2020									
Household	-	-	-	-	-	1,375,897	-	-	1,375,897
Wholesale and retail trade and hotel and restaurant	-	-	155	14,036	-	1,107,158	-	-	1,121,349
Finance, insurance, real estate and business activities	80,991	378,940	-	725,059	647,547	900,554	7,217	-	2,740,308
Manufacturing	-	-	-	-	-	842,912	-	-	842,912
Construction	-	-	-	-	-	522,713	-	-	522,713
Education, health and others	-	-	-	-	-	68,317	-	-	68,317
Agriculture, hunting and related service activities	-	-	-	-	-	101,367	-	-	101,367
Transportation	-	-	-	-	-	42,985	-	-	42,985
Mining and quarrying	-	-	-	-	-	24,754	-	-	24,754
Other business	-	-	-	-	-	67,596	-	18,752	86,348
Total	80,991	378,940	155	739,095	647,547	5,054,253	7,217	18,752	6,926,950

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(iii) Credit risk concentration (Continued)

(b) Credit Risk - Credit Risk Concentration - By Geographical Analysis

	Malaysia RM'000	Saudi Arabia RM'000	Other countries RM'000	Total RM'000
2021				
Group and Bank				
Cash and short-term funds	28,565	3,904	37,808	70,277
Deposits and placement with banks and other financial institutions	-	222,357	223,317	445,674
Derivatives assets	86	-	-	86
Financial investments at amortised cost	675,817	-	-	675,817
Financial investments at fair value through other comprehensive income ("FVOCI")	1,658,821	-	-	1,658,821
Net financing and advances	5,803,288	-	166,820	5,970,108
Statutory deposits with BNM	11,514	-	-	11,514
Other assets	23,786	-	-	23,786
Total	8,201,877	226,261	427,945	8,856,083

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(iii) Credit risk concentration (Continued)

**(b) Credit Risk - Credit Risk Concentration - By Geographical Analysis
(Continued)**

	Malaysia RM'000	Saudi Arabia RM'000	Other countries RM'000	Total RM'000
2020				
Group and Bank				
Cash and short-term funds	32,816	9,447	38,728	80,991
Deposits and placement with banks and other financial institutions	-	54,534	324,406	378,940
Derivatives assets	155	-	-	155
Financial investments at amortised cost	739,095	-	-	739,095
Financial investments at fair value through other comprehensive income ("FVOCI")	647,547	-	-	647,547
Net financing and advances	5,054,253	-	-	5,054,253
Statutory deposits with BNM	7,217	-	-	7,217
Other assets	18,752	-	-	18,752
Total	6,499,835	63,981	363,134	6,926,950

(iv) Collateral

The main types of collateral obtained by the Group and the Bank to mitigate credit risk are as follows:

- for home financing: mortgages over the properties
- for shop-house financing: charges over the properties being financed
- for vehicle financing: charges over the vehicles financed
- for corporate and SME financing: charges over business assets such as premises or deposits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(v) Credit quality of financial assets

For the purposes of disclosure relating to MFRS 7, all financial assets are categorised into the following:

- neither past due nor impaired
- past due but not impaired
- impaired

The Group and the Bank assesses credit quality of financing and advances using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers' judgment.

<u>Internal ratings</u>	<u>Description</u>
- Investment grade	Strong(est) credit quality which is associated with general standards of investment grade as per defined by international rating agency such as Standard and Poor's ("S&P"), Moody's, Fitch, and Japan Credit Rating Agency ("JCR").
- Non-investment grade	Weaker credit quality which is associated with general standards of non-investment grade as per defined by international rating agency such as Standard and Poor's ("S&P"), Moody's, Fitch, and Japan Credit Rating Agency ("JCR").

The credit quality of financial assets other than financing and advances are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined below:

- AAA to AA3
- A1 to A3
- Baa1 to Baa3
- P1 to P3
- Non-rated

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(vi) Credit quality of financial assets - net financing and advances

	Group and Bank	
	2021	2020
	RM'000	RM'000
Neither past due nor impaired	5,706,298	4,996,725
Past due but not impaired	333,759	134,219
Impaired (Note 9(g))	55,474	53,413
Gross financing and advances	<u>6,095,531</u>	<u>5,184,357</u>
Less:		
Collective impairment allowance (Note 9(h))	(71,884)	(78,910)
Individual impairment allowance (Note 9(h))	(35,893)	(30,077)
Modification loss	<u>(17,646)</u>	<u>(21,117)</u>
Net financing and advances	<u>5,970,108</u>	<u>5,054,253</u>

The ageing of financing and advances as at the end of the financial year are as follows:

	Group and Bank	
	2021	2020
	RM'000	RM'000
Current	5,706,298	4,996,725
Past due 1-30 days	297,356	92,314
Past due 31-90 days	36,403	41,905
Past due more than 90 days (Note 9(g))	55,474	53,413
	<u>6,095,531</u>	<u>5,184,357</u>
Collective impairment (Note 9(h))	(71,884)	(78,910)
Individual impairments (Note 9(h))	(35,893)	(30,077)
Modification loss	<u>(17,646)</u>	<u>(21,117)</u>
Net financing and advances	<u>5,970,108</u>	<u>5,054,253</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(vii) Credit quality of financial assets - securities portfolio and other financial assets

	Cash and short-term funds RM'000	Deposits and placement of banks and other financial institutions RM'000	Derivatives assets RM'000	Financial assets/ Financial investment portfolio RM'000	Statutory deposit with BNM RM'000	Other assets RM'000
2021						
Group and Bank						
Neither past due nor impaired	70,277	445,674	86	2,334,638	11,514	23,786
2020						
Group and Bank						
Neither past due nor impaired	80,991	378,940	155	1,386,642	7,217	18,752

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(vii) Credit quality of financial assets - securities portfolio and other financial assets (Continued)

Analysed by rating agency designation are as follows:

	Cash and short-term funds RM'000	Deposits and placement of banks and other financial institutions RM'000	Derivatives assets RM'000	Financial investment portfolio RM'000	Statutory deposit with BNM RM'000	Other assets RM'000
2021						
Group and Bank						
AAA to A-	49,691	-	-	257,897	-	-
BBB+ to B-	4,679	-	-	2,067,677	-	-
Unrated	15,907	445,674	86	9,064	11,514	23,786
	<u>70,277</u>	<u>445,674</u>	<u>86</u>	<u>2,334,638</u>	<u>11,514</u>	<u>23,786</u>
2020						
Group and Bank						
AAA to A-	46,835	324,411	-	105,138	-	-
BBB+ to B-	6,282	54,529	-	1,267,468	7,217	-
Unrated	27,874	-	155	14,036	-	18,752
	<u>80,991</u>	<u>378,940</u>	<u>155</u>	<u>1,386,642</u>	<u>7,217</u>	<u>18,752</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(viii) Management overlay on impairment

Table below summarises exposure to customers under post moratorium, relief assistance program and targeted payment assistance. As at 31 December 2021, total overlays for ECLs inclusive of the macro-economic adjustments maintained by the Group and the Bank are RM30.4 million (2020: RM 21.0 million). Please refer to Note 2.1 for further information on the basis for the management overlay.

	Note	Group and Bank					
		Retail customers as at 31 December 2021				Non-retail customers as at 31 December 2021	
		Auto RM'000	Home RM'000	Personal RM'000	Total RM'000	Corporate RM'000	Total RM'000
Total exposure net carrying amount		954	26,852	24,878	52,684	186,712	239,396
Relief assistance programme	(a)	-	-	3,916	3,916	-	3,916
Targeted payment assistance	(b)	85	1,743	1,793	3,621	17,377	20,998
Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH")	(c)	152	1,146	4,230	5,528	-	5,528
As a percentage of total							
Relief assistance programme	(a)	0%	0%	16%	7%	0%	2%
Targeted payment assistance	(b)	9%	6%	7%	7%	9%	9%
Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH")	(c)	16%	4%	17%	10%	0%	2%
		25%	11%	40%	25%	9%	13%

Note:

(a) Relief assistance program - additional assistance extended by ARBM to customers on targeted basis from Oct 2020 onwards.

(b) Targeted repayment assistance - Introduced by MOF to be offered to B40 & M40 segments from Nov 2020 until Jun 2021.

(c) Pakej Perlindungan Rakyat dan Pemulihan Ekonomi (PEMULIH) - Pakej Perlindungan Rakyat dan Pemulihan Ekonomi which was announced by the Prime Minister on 28 June 2021.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(c) Credit Risk Management (Continued)

(viii) Management overlay on impairment (Continued)

	Note	Group and Bank				Non-retail customers as at 31 December 2020	
		Retail customers as at 31 December 2020				Corporate	Total
		Auto RM'000	Home RM'000	Personal RM'000	Total RM'000	RM'000	RM'000
Total exposure net carrying amount		758	18,987	7,771	27,516	79,696	107,212
Post moratorium	(a)	370	1,686	5,944	8,000	-	8,000
Relief assistance program	(b)	-	-	43	43	12,571	12,614
Targeted payment assistance	(c)	72	212	131	415	-	415
As a percentage of total							
Post moratorium	(a)	49%	9%	76%	29%	0%	7%
Relief assistance program	(b)	0%	0%	1%	0%	16%	12%
Targeted payment assistance	(c)	9%	1%	2%	2%	0%	0%
		58%	10%	79%	31%	16%	20%

Note:

(a) **Post moratorium** - Customers who solicited post moratorium requests after 1 October 2020, in vulnerable sectors such as Airlines, Tourism, Hotel, Restaurant and Oil & Gas.

(b) **Relief assistance program** - Customers who requested for restructuring and rescheduling, after 1 October 2020, who have been impacted with the increase in the monthly installment upon end of auto moratorium or any other scenarios related to auto moratorium/COVID-19.

(c) **Targeted payment assistance** - Customers who are in B40/M40 segment categories that are financially impacted due to the COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risk Management

Market risk sensitivity assessment is based on the changes in key variables, such as profit rates while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables and the impact on the re-priced mismatches of assets and liabilities position of the bank as at 31 December 2021.

(i) Profit rate sensitivity analysis

	2021		2020	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on loss after tax RM'000	Impact on equity RM'000
Group and Bank				
+1%	5,350	(38,707)	3,523	(36,504)
- 1%	(5,350)	38,707	(3,523)	36,504

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risk Management (Continued)

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates on the consolidated currency position, while other variables remain constant.

	Net currency exposures	2021		Net currency exposures	2020	
		Impact on profit after tax and equity			Impact on loss after tax and equity	
		+5%	-5%		+5%	-5%
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group and Bank						
EUR	(172)	(9)	9	(302)	(15)	15
AUD	184	9	(9)	103	5	(5)
HKD	115	6	(6)	112	6	(6)
SAR	(404)	(20)	20	413	21	(21)
USD	(1,113)	(50)	50	(837)	(42)	42
Others	1,354	68	(68)	1,240	62	(62)
	(36)	4	(4)	729	37	(37)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risk Management (Continued)

(iii) Profit rate risk

The Group is exposed to various risks associated with the effects of fluctuations in the prevailing levels of yield/profit rate on its financial position. The rate of return risk is the potential impact of market factors affecting rates on returns in comparison with the expected rates of return for investment account holders. Yield/profit rate is monitored and managed by the ALCO to protect the income of its operations. The assets and liabilities at carrying amount are categorised by the earlier of the next contractual repricing dates and maturity dates as follows:

Group 2021	Non-trading book					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Average effective profit rate %
	Up to 1 month RM'000	> 1 -3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000				
Assets									
Cash and short-term funds	-	-	-	-	-	70,277	-	70,277	-
Derivatives assets	-	-	-	-	-	86	-	86	-
Deposits and placements with bank and other financial institutions	166,445	-	277,408	-	-	1,821	-	445,674	0.84
Financial investments at amortised cost	-	2,000	-	7,000	645,882	20,935	-	675,817	2.24
Financial investments at fair value through other comprehensive income ("FVOCI")	-	40,000	115,000	1,350,000	100,000	53,821	-	1,658,821	2.45
Financing and advances									
- Performing ⁽¹⁾	730,896	1,200,769	916,877	949,810	2,168,085	1,736	-	5,968,173	4.12
- Non-performing ⁽¹⁾	-	-	-	-	-	19,581	-	19,581	
- Modification loss	-	-	-	-	-	(17,646)	-	(17,646)	
Other assets ⁽²⁾	-	-	-	-	-	280,197	-	280,197	
Right-of-use assets	-	-	-	-	-	10,446	-	10,446	
Total assets	897,341	1,242,769	1,309,285	2,306,810	2,913,967	441,254	-	9,111,426	

Note:

(1) This is arrived at after deducting the ECL from the outstanding gross financing.

(2) Other assets include property and equipment, intangible assets, deferred tax assets, investment properties and statutory deposits with Bank Negara Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risk Management (Continued)

(iii) Profit rate risk (Continued)

Group (Continued) 2021	Up to 1 month RM'000	> 1 -3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Average effective profit rate %
Liabilities									
Deposits from customers	1,477,577	934,519	1,095,018	571,346	-	2,387,586	-	6,466,046	1.93
Deposits and placements of banks and other financial institutions	877,273	432,492	-	-	7,250	2,206	-	1,319,221	1.60
Bills and acceptance payable	-	-	-	-	-	2,596	-	2,596	
Other liabilities	-	-	-	-	-	69,813	-	69,813	
Lease liabilities	-	-	-	-	-	12,297	-	12,297	
Subordinated sukuk	166,445	-	277,408	-	110,963	-	-	554,816	
Total liabilities	2,521,295	1,367,011	1,372,426	571,346	118,213	2,474,498	-	8,424,789	
Shareholders' fund	-	-	-	-	-	686,637	-	686,637	
Total liabilities and shareholders' equity	2,521,295	1,367,011	1,372,426	571,346	118,213	3,161,135	-	9,111,426	
On-balance sheet profit sensitivity gap	(1,623,954)	(124,242)	(63,141)	1,735,464	2,795,754	(2,719,881)	-		
Off-balance sheet profit sensitivity gap	-	-	-	-	-	(2,853,734)	-		
Total profit sensitivity gap	(1,623,954)	(124,242)	(63,141)	1,735,464	2,795,754	(5,573,615)	-		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risk Management (Continued)

(iii) Profit rate risk (Continued)

Group 2020	← Non-trading book →					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Average effective profit rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000				
Assets									
Cash and short-term funds	8,036	-	-	-	-	72,955	-	80,991	1.68
Derivatives assets	-	-	-	-	-	155	-	155	
Deposits and placements with bank and other financial institutions	-	-	374,843	-	-	4,097	-	378,940	1.66
Financial investments at amortised cost	-	3,000	-	651,000	69,768	15,327	-	739,095	4.05
Financial investments at fair value through other comprehensive income ("FVOCI")	-	20,000	60,000	165,000	380,000	22,547	-	647,547	3.00
Financing and advances									
- Performing ⁽¹⁾	601,635	937,251	931,248	570,102	2,025,755	(13,957)	-	5,052,034	4.76
- Non-performing ⁽¹⁾	-	-	-	-	-	23,336	-	23,336	
- Modification loss	-	-	-	-	-	(21,117)	-	(21,117)	
Other assets ⁽²⁾	-	-	-	-	-	215,373	-	215,373	
Right-of-use assets	-	-	-	-	-	11,693	-	11,693	
Total assets	609,671	960,251	1,366,091	1,386,102	2,475,523	330,409	-	7,128,047	

Note:

(1) This is arrived at after deducting the ECL from the outstanding gross financing.

(2) Other assets include property and equipment, intangible assets, deferred tax assets, investment properties and statutory deposits with Bank Negara Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risk Management (Continued)

(iii) Profit rate risk (Continued)

Group (Continued) 2020	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Average effective profit rate %
Liabilities									
Deposits from customers	842,436	1,156,908	1,755,912	2,229	-	1,477,004	-	5,234,489	2.60
Deposits and placements of banks and other financial institutions	477,860	230,000	37,000	-	3,000	3,379	-	751,239	1.80
Bills and acceptance payable	-	-	-	-	-	4,812	-	4,812	
Other liabilities	-	-	-	-	-	58,569	-	58,569	
Lease liabilities	-	-	-	-	-	13,607	-	13,607	
Subordinated sukuk	-	-	374,843	-	-	-	-	374,843	
Total liabilities	1,320,296	1,386,908	2,167,755	2,229	3,000	1,557,371	-	6,437,559	
Shareholders' fund	-	-	-	-	-	690,488	-	690,488	
Total liabilities and shareholders' fund	1,320,296	1,386,908	2,167,755	2,229	3,000	2,247,859	-	7,128,047	
On-balance sheet profit sensitivity gap	(710,625)	(426,657)	(801,664)	1,383,873	2,472,523	(1,917,450)	-		
Off-balance sheet profit sensitivity gap	-	-	-	-	-	(1,662,327)	-		
Total profit sensitivity gap	(710,625)	(426,657)	(801,664)	1,383,873	2,472,523	(3,579,777)	-		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risk Management (Continued)

(iii) Profit rate risk (Continued)

Bank 2021	← Non-trading book →					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Average effective profit rate %
	Up to 1 month RM'000	> 1 - 3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000				
Assets									
Cash and short-term funds	-	-	-	-	-	70,277	-	70,277	-
Derivatives assets	-	-	-	-	-	86	-	86	-
Deposits and placements with bank and other financial institutions	166,445	-	277,408	-	-	1,821	-	445,674	0.84
Financial investments at amortised cost	-	2,000	-	7,000	645,882	20,935	-	675,817	2.24
Financial investments at fair value through other comprehensive income ("FVOCI")	-	40,000	115,000	1,350,000	100,000	53,821	-	1,658,821	2.45
Financing and advances									
- Performing ⁽¹⁾	730,896	1,200,769	916,877	949,810	2,168,085	1,736	-	5,968,173	4.12
- Non-performing ⁽¹⁾	-	-	-	-	-	19,581	-	19,581	
- Modification loss	-	-	-	-	-	(17,646)	-	(17,646)	
Other assets ⁽²⁾	-	-	-	-	-	280,239	-	280,239	
Right-of-use assets	-	-	-	-	-	10,446	-	10,446	
Total assets	897,341	1,242,769	1,309,285	2,306,810	2,913,967	441,296	-	9,111,468	

Note:

⁽¹⁾ This is arrived at after deducting the ECL from the outstanding gross financing.

⁽²⁾ Other assets include property and equipment, intangible assets, deferred tax assets, investment properties and statutory deposits with Bank Negara Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risk Management (Continued)

(iii) Profit rate risk (Continued)

Bank (Continued) 2021	Up to 1 month RM'000	> 1 -3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Average effective profit rate %
Liabilities									
Deposits from customers	1,477,577	934,519	1,095,018	571,346	-	2,387,586	-	6,466,046	1.93
Deposits and placements of banks and other financial institutions	877,273	432,492	-	-	7,250	2,206	-	1,319,221	1.60
Bills and acceptance payable	-	-	-	-	-	2,596	-	2,596	
Other liabilities	-	-	-	-	-	69,793	-	69,793	
Lease liabilities	-	-	-	-	-	12,297	-	12,297	
Subordinated sukuk	166,445	-	277,408	-	110,963	-	-	554,816	-
Total liabilities	2,521,295	1,367,011	1,372,426	571,346	118,213	2,474,478	-	8,424,769	
Shareholders' fund	-	-	-	-	-	686,699	-	686,699	
Total liabilities and shareholders' fund	2,521,295	1,367,011	1,372,426	571,346	118,213	3,161,177	-	9,111,468	
On-balance sheet profit sensitivity gap	(1,623,954)	(124,242)	(63,141)	1,735,464	2,795,754	(2,719,881)	-		
Off-balance sheet profit sensitivity gap	-	-	-	-	-	(2,853,734)	-		
Total profit sensitivity gap	(1,623,954)	(124,242)	(63,141)	1,735,464	2,795,754	(5,573,615)	-		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risk Management (Continued)

(iii) Profit rate risk (Continued)

Bank 2020	← Non-trading book →					Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Average effective profit rate %
	Up to 1 month RM'000	> 1 -3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000				
Assets									
Cash and short-term funds	8,036	-	-	-	-	72,955	-	80,991	1.68
Derivatives assets	-	-	-	-	-	155	-	155	
Deposits and placements with bank and other financial institutions	-	-	374,843	-	-	4,097	-	378,940	1.66
Financial investments at amortised cost	-	3,000	-	651,000	69,768	15,327	-	739,095	4.05
Financial investments at fair value through other comprehensive income ("FVOCI")	-	20,000	60,000	165,000	380,000	22,547	-	647,547	3.00
Financing and advances									
- Performing	601,635	937,251	931,248	570,102	2,025,755	(13,957)	-	5,052,034	4.76
- Non-performing ⁽¹⁾	-	-	-	-	-	23,336	-	23,336	
- Modification loss	-	-	-	-	-	(21,117)	-	(21,117)	
Other assets ⁽²⁾	-	-	-	-	-	215,373	-	215,373	
Right-of-use assets	-	-	-	-	-	11,693	-	11,693	
Total assets	609,671	960,251	1,366,091	1,386,102	2,475,523	330,409	-	7,128,047	

Note:

(1) This is arrived at after deducting the stage 1 and stage 2 ECL from the outstanding gross performing financing.

(2) Other assets include property and equipment, intangible assets, deferred tax assets, investment properties and statutory deposits with Bank Negara Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(d) Market Risk Management (Continued)

(iii) Profit rate risk (Continued)

Bank (Continued) 2020	Up to 1 month RM'000	> 1 -3 months RM'000	> 3 - 12 months RM'000	1 - 5 years RM'000	> 5 years RM'000	Non-profit sensitive RM'000	Trading book RM'000	Total RM'000	Average effective profit rate %
Liabilities									
Deposits from customers	842,436	1,156,908	1,755,912	2,229	-	1,477,004	-	5,234,489	2.60
Deposits and placements of banks and other financial institutions	477,860	230,000	37,000	-	3,000	3,379	-	751,239	1.80
Bills and acceptance payable	-	-	-	-	-	4,812	-	4,812	
Other liabilities	-	-	-	-	-	58,569	-	58,569	
Lease liabilities	-	-	-	-	-	13,607	-	13,607	
Subordinated sukuk	-	-	374,843	-	-	-	-	374,843	-
Total liabilities	1,320,296	1,386,908	2,167,755	2,229	3,000	1,557,371	-	6,437,559	
Shareholders' fund	-	-	-	-	-	690,488	-	690,488	
Total liabilities and shareholders' fund	1,320,296	1,386,908	2,167,755	2,229	3,000	2,247,859	-	7,128,047	
On-balance sheet profit sensitivity gap	(710,625)	(426,657)	(801,664)	1,383,873	2,472,523	(1,917,450)	-		
Off-balance sheet profit sensitivity gap	-	-	-	-	-	(1,662,327)	-		
Total profit sensitivity gap	(710,625)	(426,657)	(801,664)	1,383,873	2,472,523	(3,579,777)	-		

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(e) Operational Risk Management

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This risk is managed through established operational risk management processes, proper monitoring and reporting of the business units' adherence to established risk policies, procedures and limits by independent control and support units, and oversight provided by the management and the Board.

The operational risk management processes encompass appropriate documentation of processes and procedures within the framework of system of internal controls, regular disaster recovery and business continuity planning and simulations, self-compliance audit and internal audit.

(f) Liquidity Risk

Liquidity risk relates to the ability of the Group and of the Bank to maintain sufficient liquid assets to meet financial commitments and obligations when they fall due at a reasonable cost. The Assets and Liabilities Management Committee is the primary party responsible for liquidity management based on guidelines approved by the Risk Management Committee. The management of the liquidity risk is aligned to the New Liquidity Framework issued by BNM supplemented by liquidity risk management control and limits and a liquidity stress testing program. The disclosure is in accordance with the requirements of BNM's Guidelines on Financial Reporting. Liquidity limits are set for cash flow mismatches. In addition, liquidity trigger limits and concentration ratios are in place to serve as liquidity early warning indicators.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk (Continued)

The table below analyses assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity on discounted basis:

Group 2021	Up to 7 days RM'000	> 7 days - 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds	70,277	-	-	-	-	-	70,277
Deposits and placements with banks and other financial institutions	-	166,692	-	223,317	55,665	-	445,674
Derivatives assets	-	-	86	-	-	-	86
Financial investments at amortised cost	-	-	2,029	-	-	673,788	675,817
Financial investments at fair value through other comprehensive income ("FVOCI")	-	-	40,638	86,225	30,601	1,501,357	1,658,821
Financing and advances	164,220	591,581	1,206,655	882,957	38,552	3,086,143	5,970,108
Statutory deposits with BNM	11,514	-	-	-	-	-	11,514
Other assets	34,189	-	125	314	471	244,030	279,129
Total assets	280,200	758,273	1,249,533	1,192,813	125,289	5,505,318	9,111,426
Liabilities							
Deposits from customers	2,882,208	983,073	934,400	562,960	532,059	571,346	6,466,046
Deposits and placements of banks and other financial institutions	486,601	345,251	479,572	-	-	7,797	1,319,221
Bills and acceptance payable	2,596	-	-	-	-	-	2,596
Other liabilities	22,486	-	47,300	-	27	-	69,813
Lease liabilities	-	-	-	-	-	12,297	12,297
Subordinated sukuk	-	-	-	-	-	554,816	554,816
Total liabilities	3,393,891	1,328,324	1,461,272	562,960	532,086	1,146,256	8,424,789
Shareholders' fund	-	-	-	-	-	686,637	686,637
Total liabilities and shareholders' fund	3,393,891	1,328,324	1,461,272	562,960	532,086	1,832,893	9,111,426
Net (liabilities)/assets maturity mismatch	(3,113,691)	(570,051)	(211,739)	629,853	(406,797)	3,672,425	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk (Continued)

Group 2020	Up to 7 days RM'000	> 7 days - 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds	72,948	8,043	-	-	-	-	80,991
Deposits and placements with banks and other financial institutions	-	-	54,534	216,934	107,472	-	378,940
Derivatives assets	-	-	155	-	-	-	155
Financial investments at amortised cost	-	-	3,000	-	-	736,095	739,095
Financial investments at fair value through other comprehensive income ("FVOCI")	-	-	20,000	-	60,000	567,547	647,547
Financing and advances	112,396	489,959	947,592	922,938	9,322	2,572,046	5,054,253
Statutory deposits with BNM	7,217	-	-	-	-	-	7,217
Other assets	13,507	-	3,330	5	176	202,855	219,873
Total assets	206,068	498,002	1,028,611	1,139,877	176,970	4,078,543	7,128,071
Liabilities							
Deposits from customers	1,671,062	647,893	1,157,393	1,206,286	548,876	2,979	5,234,489
Deposits and placements of banks and other financial institutions	360,562	118,950	230,283	37,624	-	3,820	751,239
Bills and acceptance payable	4,812	-	-	-	-	-	4,812
Other liabilities	42,169	-	13,307	-	2,945	-	58,421
Lease liabilities	-	-	-	-	-	13,607	13,607
Subordinated sukuk	-	-	-	-	-	374,843	374,843
Total liabilities	2,078,605	766,843	1,400,983	1,243,910	551,821	395,249	6,437,411
Shareholders' fund	-	-	-	-	-	690,660	690,660
Total liabilities and shareholders' fund	2,078,605	766,843	1,400,983	1,243,910	551,821	1,085,909	7,128,071
Net (liabilities)/assets maturity mismatch	(1,872,537)	(268,841)	(372,372)	(104,033)	(374,851)	2,992,634	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk (Continued)

Bank 2021	Up to 7 days RM'000	> 7 days - 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds	70,277	-	-	-	-	-	70,277
Deposits and placements with banks and other financial institutions	-	166,692	-	223,317	55,665	-	445,674
Derivatives assets	-	-	86	-	-	-	86
Financial investments at amortised cost	-	-	2,029	-	-	673,788	675,817
Financial investments at fair value through other comprehensive income ("FVOCI")	-	-	40,638	86,225	30,601	1,501,357	1,658,821
Financing and advances	164,220	591,581	1,206,655	882,957	38,552	3,086,143	5,970,108
Statutory deposits with BNM	11,514	-	-	-	-	-	11,514
Other assets	34,234	-	125	314	471	244,027	279,171
Total assets	280,245	758,273	1,249,533	1,192,813	125,289	5,505,315	9,111,468
Liabilities							
Deposits from customers	2,882,208	983,073	934,400	562,960	532,059	571,346	6,466,046
Deposits and placements of banks and other financial institutions	486,601	345,251	479,572	-	-	7,797	1,319,221
Bills and acceptance payable	2,596	-	-	-	-	-	2,596
Other liabilities	22,466	-	47,300	-	27	-	69,793
Lease liabilities	-	-	-	-	-	12,297	12,297
Subordinated sukuk	-	-	-	-	-	554,816	554,816
Total liabilities	3,393,871	1,328,324	1,461,272	562,960	532,086	1,146,256	8,424,769
Shareholders' fund	-	-	-	-	-	686,699	686,699
Total liabilities and shareholders' fund	3,393,871	1,328,324	1,461,272	562,960	532,086	1,832,955	9,111,468
Net (liabilities)/assets maturity mismatch	(3,113,626)	(570,051)	(211,739)	629,853	(406,797)	3,672,360	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk (Continued)

Bank 2020	Up to 7 days RM'000	> 7 days - 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 year RM'000	Total RM'000
Assets							
Cash and short-term funds	72,948	8,043	-	-	-	-	80,991
Deposits and placements with banks and other financial institutions	-	-	54,534	216,934	107,472	-	378,940
Derivatives assets	-	-	155	-	-	-	155
Financial investments at amortised cost	-	-	3,000	-	-	736,095	739,095
Financial investments at fair value through other comprehensive income ("FVOCI")	-	-	20,000	-	60,000	567,547	647,547
Financing and advances	112,396	489,959	947,592	922,938	9,322	2,572,046	5,054,253
Statutory deposits with BNM	7,217	-	-	-	-	-	7,217
Other assets	13,482	-	3,330	5	176	202,856	219,849
Total assets	206,043	498,002	1,028,611	1,139,877	176,970	4,078,544	7,128,047
Liabilities							
Deposits from customers	1,671,062	647,893	1,157,393	1,206,286	548,876	2,979	5,234,489
Deposits and placements of banks and other financial institutions	360,562	118,950	230,283	37,624	-	3,820	751,239
Bills and acceptance payable	4,812	-	-	-	-	-	4,812
Other liabilities	42,317	-	13,307	-	2,945	-	58,569
Lease liabilities	-	-	-	-	-	13,607	13,607
Subordinated sukuk	-	-	-	-	-	374,843	374,843
Total liabilities	2,078,753	766,843	1,400,983	1,243,910	551,821	395,249	6,437,559
Shareholders' fund	-	-	-	-	-	690,488	690,488
Total liabilities and shareholders' fund	2,078,753	766,843	1,400,983	1,243,910	551,821	1,085,737	7,128,047
Net (liabilities)/assets maturity mismatch	(1,872,710)	(268,841)	(372,372)	(104,033)	(374,851)	2,992,807	

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk (Continued)

The following table presents the cash outflows for the Group's financial liabilities by remaining contractual maturities on undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and profit payments.

Group 2021	Up to 7 days RM'000	> 7 days - 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 year RM'000	Total RM'000
Liabilities							
Deposits from customers	2,881,341	983,797	935,704	565,513	532,704	571,633	6,470,692
Deposits and placements of banks and other financial institutions	486,693	345,539	480,704	-	-	7,797	1,320,733
Bills and acceptance payable	2,596	-	-	-	-	-	2,596
Other liabilities	22,483	-	47,300	-	30	-	69,813
Lease liabilities	-	-	-	-	-	12,297	12,297
Subordinated sukuk	-	166,494	-	223,954	55,935	111,473	557,856
Total liabilities	3,393,113	1,495,830	1,463,708	789,467	588,669	703,200	8,433,987

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk (Continued)

Group 2020	Up to 7 days RM'000	> 7 days - 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 year RM'000	Total RM'000
Liabilities							
Deposits from customers	1,671,106	648,251	1,158,568	1,211,486	549,113	57,921	5,296,445
Deposits and placements of banks and other financial institutions	360,640	119,063	230,941	37,997	-	3,000	751,641
Bills and acceptance payable	4,812	-	-	-	-	-	4,812
Other liabilities	42,169	-	13,307	-	2,945	-	58,421
Lease liabilities	-	-	-	-	-	13,607	13,607
Subordinated sukuk	-	-	55,799	222,192	108,869	-	386,860
Total liabilities	2,078,727	767,314	1,458,615	1,471,675	660,927	74,528	6,511,786

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(f) Liquidity Risk (Continued)

Bank 2021	Up to 7 days RM'000	> 7 days - 1 month RM'000	> 1 - 3 months RM'000	> 3 - 6 months RM'000	> 6 - 12 months RM'000	> 1 year RM'000	Total RM'000
Liabilities							
Deposits from customers	2,881,341	983,797	935,704	565,513	532,704	571,633	6,470,692
Deposits and placements of banks and other financial institutions	486,693	345,539	480,704	-	-	7,797	1,320,733
Bills and acceptance payable	2,596	-	-	-	-	-	2,596
Other liabilities	22,465	-	47,300	-	28	-	69,793
Lease liabilities	-	-	-	-	-	12,297	12,297
Subordinated sukuk	-	166,494	-	223,954	55,935	111,473	557,856
Total liabilities	3,393,095	1,495,830	1,463,708	789,467	588,667	703,200	8,433,966
2020							
Liabilities							
Deposits from customers	1,671,106	648,251	1,158,568	1,211,486	549,113	57,921	5,296,445
Deposits and placements of banks and other financial institutions	360,640	119,063	230,941	37,997	-	3,000	751,641
Bills and acceptance payable	4,812	-	-	-	-	-	4,812
Other liabilities	42,317	-	13,307	-	2,945	-	58,569
Lease liabilities	-	-	-	-	-	14,151	14,151
Subordinated sukuk	-	-	55,799	222,192	108,869	-	386,860
Total liabilities	2,078,875	767,314	1,458,615	1,471,675	660,927	75,072	6,512,478

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

39. FINANCIAL RISK MANAGEMENT (Continued)

(g) Capital Management Policy

Capital risk is defined as the risk that the Group and the Bank has insufficient capital to provide a sufficient resources to absorb pre-determined level of losses or that the capital structure is inefficient.

Capital risk appetite is set by the Board and reported through various metrics that enable the Group and the Bank to manage capital constraints and shareholder expectations. The Assets and Liabilities Management Committee regularly revise performance against risk appetite.

A capital exposure arises where the Group and the Bank has insufficient regulatory capital resources to support its strategic objectives and plans, and to meet external shareholder requirements and expectations. The Group and the Bank's capital management policy is focused on optimising value for shareholders.

Capital Management and Basel II

The infrastructure implementation that has been completed has already yielded significant benefits to the Group and the Bank and puts the businesses on an advanced footing to:

- Enhance our economic capital management;
- Refine risk-based pricing methods for the products and services; and
- Improve asset quality across the businesses of the Group and the Bank.

The Group and the Bank continues to develop sustainable capabilities for continuous improvements in the use and adoption of the advanced approaches of the Basel II capital accord. The Group and the Bank had obtained BNM's approval to apply the Standardised Approach for Credit Risk.

40. CAPITAL ADEQUACY

The Group and the Bank has adopted BNM's Capital Adequacy Framework for Islamic Banks ("CAFIB") guidelines to further improve capital adequacy assessment; enhance risk management processes, measurements and management capabilities, as well as to promote thorough and transparent reporting.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

40. CAPITAL ADEQUACY (Continued)

For the purpose of the computation of capital adequacy ratios, the Group has adopted the Standardised Approach for Credit Risk and Market Risk, and the Basic Indicator Approach for Operational Risk. The definition and classification of the counterparty, exposure and asset types applied for the purpose of Capital Adequacy's reports are as per the BNM's CAFIB.

In addition, the Bank has also provided detailed Capital Adequacy disclosures as per the requirements stipulated in BNM CAFIB - Disclosures Requirements (Pillar 3) guidelines.

In December 2020, Bank Negara Malaysia issued a revised Policy Document on the Capital Adequacy Framework for Islamic Banks (Capital Components) ("CAFIB") and with immediate effect, superceding the previous issued in February 2020. The revised CAFIB has provided an optional transitional arrangement for regulatory capital treatment of expected credit losses ("ECL") provisions.

The new optional transitional arrangements for regulatory capital treatment of accounting provisions allows Islamic Institutions to add back a portion of the Stage 1 and Stage 2 provisions for ECL to Common Equity Tier 1 Capital over a four-year period from financial year beginning 2020 or a three-year period from financial year beginning 2021.

The Group and the Bank have elected to apply this optional transitional arrangement ("TA") for three financial years from the financial year beginning 1 January 2021 to 31 December 2023.

There was no impact noted for the Group and the Bank arising from the application of the optional TA.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

40. CAPITAL ADEQUACY (Continued)

(a) The capital adequacy ratios are as follows:

	Group		Bank	
	2021	2020	2021	2020
	RM'000	RM'000	RM'000	RM'000
CET 1/Tier I capital				
Paid-up share capital	1,000,000	1,000,000	1,000,000	1,000,000
Reserves	(313,363)	(309,340)	(313,301)	(309,512)
	<u>686,637</u>	<u>690,660</u>	<u>686,699</u>	<u>690,488</u>
Less: Net deferred tax assets	(49,497)	(49,497)	(49,497)	(49,497)
Other CET 1 regulatory adjustment	-	-	-	-
Total Tier I capital	<u>637,140</u>	<u>641,163</u>	<u>637,202</u>	<u>640,991</u>
Tier II capital				
General provision	72,421	62,646	72,421	62,646
Subordinated sukuk	<u>554,816</u>	<u>374,843</u>	<u>554,816</u>	<u>374,843</u>
Total Tier II capital	<u>627,237</u>	<u>437,489</u>	<u>627,237</u>	<u>437,489</u>
Capital base	<u>1,264,377</u>	<u>1,078,652</u>	<u>1,264,439</u>	<u>1,078,480</u>
CET 1/Core capital ratio	9.473%	11.596%	9.474%	11.593%
Risk-weighted capital ratio	<u>18.798%</u>	<u>19.509%</u>	<u>18.799%</u>	<u>19.506%</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

40. CAPITAL ADEQUACY (Continued)

- (b) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows:

Exposure Class	Group 2021			
	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
Credit Risk				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central				
Banks	2,191,064	2,191,064	-	-
Banks, Development				
Financial Institutions				
("DFIs") and Multilateral				
Development Bank ("MDBs")	654,705	654,705	264,720	21,178
Corporate	4,921,614	4,743,158	4,586,325	366,906
Regulatory Retail	220,374	213,150	159,863	12,789
Residential Real Estate				
("RRE") Financing				
Higher Risk Asset	1,418	1,418	2,126	170
Other Assets	151,512	151,512	135,830	10,866
Defaulted Exposures	19,372	19,372	14,441	1,155
Total for On-Balance Sheet Exposures	<u>8,955,754</u>	<u>8,770,074</u>	<u>5,540,920</u>	<u>443,273</u>
<i>Off-Balance Sheet Exposures</i>				
Off-balance sheet				
exposures other than				
OTC derivatives or				
credit derivatives				
	<u>672,292</u>	<u>672,292</u>	<u>658,258</u>	<u>52,661</u>
Total for Off-Balance Sheet Exposures	<u>672,292</u>	<u>672,292</u>	<u>658,258</u>	<u>52,661</u>
Total On and Off-Balance Sheet Exposures	<u>9,628,046</u>	<u>9,442,366</u>	<u>6,199,178</u>	<u>495,934</u>
Market Risk				
	Long position	Short position		
Foreign Currency Risk	1,688	-	1,688	135
Inventory Risk			142,981	11,438
Operational Risk				
			<u>382,289</u>	<u>30,583</u>
Total RWA and Capital Requirements			<u>6,726,136</u>	<u>538,090</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

40. CAPITAL ADEQUACY (Continued)

- (b) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows: (Continued)

Exposure Class	Group 2020			
	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
Credit Risk				
<i>On-Balance Sheet Exposures</i>				
<i>Sovereigns/Central</i>				
Banks	1,274,686	1,274,686	-	-
<i>Banks, Development</i>				
<i>Financial Institutions</i>				
<i>("DFIs") and Multilateral</i>				
Development Bank ("MDBs")	427,131	427,131	199,109	15,929
Corporate	4,068,242	3,922,141	3,757,835	300,627
Regulatory Retail	239,362	239,162	179,372	14,350
<i>Residential Real Estate</i>				
<i>("RRE") Financing</i>				
Higher Risk Asset	1,396	1,396	2,094	168
Other Assets	92,728	92,728	74,920	5,994
Defaulted Exposures	23,124	23,124	17,115	1,369
Total for On-Balance Sheet Exposures	6,972,153	6,825,852	4,606,155	368,494
<i>Off-Balance Sheet Exposures</i>				
<i>Off-balance sheet</i>				
<i>exposures other than</i>				
<i>OTC derivatives or</i>				
<i>credit derivatives</i>				
	409,070	409,070	405,505	32,440
Total for Off-Balance Sheet Exposures	409,070	409,070	405,505	32,440
Total On and Off-Balance Sheet Exposures	7,381,223	7,234,922	5,011,660	400,934
Market Risk				
	Long position	Short position		
Foreign Currency Risk	1,867	-	1,867	149
Inventory Risk			154,667	12,373
Operational Risk			360,862	28,869
Total RWA and Capital Requirements			5,529,056	442,325

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

40. CAPITAL ADEQUACY (Continued)

- (b) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows: (Continued)

Exposure Class	Bank 2021		Risk weighted assets RM'000	Capital requirements RM'000
	Gross exposures RM'000	Net exposures RM'000		
Credit Risk				
<i>On-Balance Sheet Exposures</i>				
<i>Sovereigns/Central</i>				
Banks	2,191,064	2,191,064	-	-
<i>Banks, Development</i>				
Financial Institutions ("DFIs") and MDBs	654,705	654,705	264,720	21,178
Corporate	4,921,614	4,743,158	4,586,325	366,906
Regulatory Retail	220,374	213,150	159,863	12,789
<i>Residential Real Estate</i>				
("RRE") Financing	795,695	795,695	377,615	30,209
Higher Risk Asset	1,418	1,418	2,126	170
Other Assets	151,512	151,512	135,830	10,866
Defaulted Exposures	19,372	19,372	14,441	1,155
Total for On-Balance Sheet Exposures	8,955,754	8,770,074	5,540,920	443,273
<i>Off-Balance Sheet Exposures</i>				
<i>Off-balance sheet exposures other than OTC derivatives or credit derivatives</i>				
	672,292	672,292	658,258	52,661
Total for Off-Balance Sheet Exposures	672,292	672,292	658,258	52,661
Total On and Off-Balance Sheet Exposures	9,628,046	9,442,366	6,199,178	495,934
Market Risk				
	Long position	Short position		
Foreign Currency Risk	1,688	-	1,688	135
Inventory Risk			142,981	11,438
Operational Risk				
Total RWA and Capital Requirements			382,289	30,583
			6,726,136	538,090

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

40. CAPITAL ADEQUACY (Continued)

- (b) The breakdown of risk-weighted assets ("RWA") by exposures in each major risk category for the current financial year are as follows: (Continued)

Exposure Class	Bank 2020			
	Gross exposures RM'000	Net exposures RM'000	Risk weighted assets RM'000	Capital requirements RM'000
Credit Risk				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	1,274,686	1,274,686	-	-
Banks, Development Financial Institutions ("DFIs") and MDBs	427,131	427,131	199,109	15,929
Corporate	4,068,242	3,922,141	3,757,835	300,627
Regulatory Retail	239,362	239,162	179,372	14,350
Residential Real Estate ("RRE") Financing	845,484	845,484	375,710	30,057
Higher Risk Asset	1,396	1,396	2,094	168
Other Assets	92,728	92,728	74,920	5,994
Defaulted Exposures	23,124	23,124	17,115	1,369
Total for On-Balance Sheet Exposures	6,972,153	6,825,852	4,606,155	368,494
<i>Off-Balance Sheet Exposures</i>				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	409,070	409,070	405,505	32,440
Total for Off-Balance Sheet Exposures	409,070	409,070	405,505	32,440
Total On and Off-Balance Sheet Exposures	7,381,223	7,234,922	5,011,660	400,934
Market Risk				
	Long position	Short position		
Foreign Currency Risk	1,867	-	1,867	149
Inventory Risk			154,667	12,373
Operational Risk			360,862	28,869
Total RWA and Capital Requirements			5,529,056	442,325

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

40. CAPITAL ADEQUACY (Continued)

(c) The breakdown of credit risk disclosed by risk-weights (including deducted exposures) are as follows:

Group 2021	Exposures after netting and credit risk mitigation ("CRM")							Total exposure after netting and CRM RM'000	Total weighted assets RM'000
	Sovereigns/ central bank RM'000	Banks, DFIs and MDBs RM'000	Corporate RM'000	Regulatory retail RM'000	Residential real estate RM'000	Higher risk assets RM'000	Other assets RM'000		
Performing Exposures									
0%	2,191,064	-	-	-	-	-	15,682	2,206,746	-
20%	-	211,668	206,040	-	-	-	-	417,708	83,542
35%	-	-	-	-	575,077	-	-	575,077	201,277
50%	-	445,928	-	-	86,814	-	-	532,742	266,371
75%	-	-	-	226,883	5,036	-	-	231,919	173,939
100%	-	-	5,192,000	-	129,361	-	135,830	5,457,191	5,457,191
150%	-	-	-	-	-	1,611	-	1,611	2,417
Total	2,191,064	657,596	5,398,040	226,883	796,288	1,611	151,512	9,422,994	6,184,737
Defaulted Exposures									
35%	-	-	-	-	-	-	-	-	-
50%	-	-	8,875	112	3,589	-	-	12,576	6,288
100%	-	-	4,081	-	-	-	-	4,081	4,081
150%	-	-	2,715	-	-	-	-	2,715	4,072
Total	-	-	15,671	112	3,589	-	-	19,372	14,441
Total Performing and Defaulted	2,191,064	657,596	5,413,711	226,995	799,877	1,611	151,512	9,442,366	6,199,178

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

40. CAPITAL ADEQUACY (Continued)

(c) The breakdown of credit risk disclosed by risk-weights (including deducted exposures) are as follows:

Bank 2021	Exposures after netting and credit risk mitigation ("CRM")							Total exposure after netting and CRM RM'000	Total weighted assets RM'000
	Sovereigns/ central bank RM'000	Banks, DFIs and MDBs RM'000	Corporate RM'000	Regulatory retail RM'000	Residential real estate RM'000	Higher risk assets RM'000	Other assets RM'000		
Performing Exposures									
0%	2,191,064	-	-	-	-	-	15,682	2,206,746	-
20%	-	211,668	206,040	-	-	-	-	417,708	83,542
35%	-	-	-	-	575,077	-	-	575,077	201,277
50%	-	445,928	-	-	86,814	-	-	532,742	266,371
75%	-	-	-	226,883	5,036	-	-	231,919	173,939
100%	-	-	5,192,000	-	129,361	-	135,830	5,457,191	5,457,191
150%	-	-	-	-	-	1,611	-	1,611	2,417
Total	2,191,064	657,596	5,398,040	226,883	796,288	1,611	151,512	9,422,994	6,184,737
Defaulted Exposures									
35%	-	-	-	-	-	-	-	-	-
50%	-	-	8,875	112	3,589	-	-	12,576	6,288
100%	-	-	4,081	-	-	-	-	4,081	4,081
150%	-	-	2,715	-	-	-	-	2,715	4,072
Total	-	-	15,671	112	3,589	-	-	19,372	14,441
Total Performing and Defaulted	2,191,064	657,596	5,413,711	226,995	799,877	1,611	151,512	9,442,366	6,199,178

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

40. CAPITAL ADEQUACY (Continued)

(c) The breakdown of credit risk disclosed by risk-weights (including deducted exposures) are as follows: (Continued)

Group and Bank 2020	Exposures after netting and credit risk mitigation ("CRM")							Total exposure after netting and CRM RM'000	Total risk weighted assets RM'000
	Sovereigns/ central bank RM'000	Banks, DFIs and MDBs RM'000	Corporate RM'000	Regulatory retail RM'000	Residential real estate RM'000	Higher risk assets RM'000	Other assets RM'000		
Performing Exposures									
0%	1,274,686	-	-	-	-	-	17,808	1,292,494	-
20%	-	51,083	205,382	-	-	-	-	256,465	51,293
35%	-	-	-	-	391,461	-	-	391,461	137,011
50%	-	378,940	-	-	427,018	-	-	805,958	402,979
75%	-	-	-	244,557	7,259	-	-	251,816	188,862
100%	-	-	4,117,348	-	19,746	-	74,920	4,212,014	4,212,014
150%	-	-	-	-	-	1,590	-	1,590	2,386
Total	1,274,686	430,023	4,322,730	244,557	845,484	1,590	92,728	7,211,798	4,994,545
Defaulted Exposures									
35%	-	-	-	-	-	-	-	-	-
50%	-	-	11,741	78	3,180	-	-	14,999	7,500
100%	-	-	4,522	623	-	-	-	5,145	5,145
150%	-	-	2,980	-	-	-	-	2,980	4,470
Total	-	-	19,243	701	3,180	-	-	23,124	17,115
Total Performing and Defaulted	1,274,686	430,023	4,341,973	245,258	848,664	1,590	92,728	7,234,922	5,011,660

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

40. CAPITAL ADEQUACY (Continued)

(d) The breakdown of risk-weighted assets by risk-weights are as follows:

Group 2021	Principal RM'000	Risk- weighted RM'000
0%	2,206,746	-
20%	417,708	83,542
35%	575,077	201,277
50%	545,318	272,659
75%	231,919	173,939
100%	5,461,272	5,461,272
150%	4,326	6,489
Risk-weighted assets for credit risk	<u>9,442,366</u>	<u>6,199,178</u>
Risk-weighted assets for market risk		144,669
Risk-weighted assets for operational risk		<u>382,289</u>
Total risk-weighted assets		<u>6,726,136</u>
Bank 2021	Principal RM'000	Risk- weighted RM'000
0%	2,206,746	-
20%	417,708	83,542
35%	575,077	201,277
50%	545,318	272,659
75%	231,918	173,939
100%	5,461,272	5,461,272
150%	4,326	6,489
Risk-weighted assets for credit risk	<u>9,442,365</u>	<u>6,199,178</u>
Risk-weighted assets for market risk		144,669
Risk-weighted assets for operational risk		<u>382,289</u>
Total risk-weighted assets		<u>6,726,136</u>

40. CAPITAL ADEQUACY (Continued)

(d) The breakdown of risk-weighted assets by risk-weights are as follows:

**Group and Bank
2020**

0%	1,292,494	-
20%	256,465	51,293
35%	391,461	137,011
50%	820,957	410,479
75%	251,816	188,862
100%	4,217,159	4,217,159
150%	4,570	6,856
Risk-weighted assets for credit risk	<u>7,234,922</u>	<u>5,011,660</u>
Risk-weighted assets for market risk		156,534
Risk-weighted assets for operational risk		<u>360,862</u>
Total risk-weighted assets		<u>5,529,056</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

40. CAPITAL ADEQUACY (Continued)

(e) The breakdown of credit risk disclosed by ratings by ECAs are as follows:

Group and Bank 2021	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+ to B-	Below B-	Unrated	Total
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures														
Credit Exposure - Standardised Approach														
Sovereigns/central banks	-	-	-	-	-	-	2,191,064	-	-	-	-	-	-	2,191,064
Banks, DFIs & MDBs	-	-	-	-	169,419	3,551	153	451,588	31,411	500	-	-	974	657,596
Corporate	-	-	-	-	-	-	-	-	-	-	-	-	5,592,167	5,592,167
Regulatory retail	-	-	-	-	-	-	-	-	-	-	-	-	234,219	234,219
Residential real estate ("RRE") financing	-	-	-	-	-	-	-	-	-	-	-	-	799,877	799,877
Total higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	1,611	1,611
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	151,512	151,512
Total	-	-	-	-	169,419	3,551	2,191,217	451,588	31,411	500	-	-	6,780,360	9,628,046

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

40. CAPITAL ADEQUACY (Continued)

(e) The breakdown of credit risk disclosed by ratings by ECAs are as follows: (Continued)

Group and Bank 2020	AAA	AA+	AA	AA-	A+	A	A-	BBB+	BBB	BBB-	BB+ to B-	Below B-	Unrated	Total
Exposure Class	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off Balance-Sheet Exposures														
Credit Exposure - Standardised Approach														
Sovereigns/central banks	-	-	-	-	-	-	1,274,686	-	-	-	-	-	-	1,274,686
Banks, DFIs & MDBs	-	-	-	-	65,777	1,648	31,653	4,539	1,009	341	-	-	325,056	430,023
Corporate	-	-	-	-	-	-	-	-	-	-	-	-	4,488,073	4,488,073
Regulatory retail	-	-	-	-	-	-	-	-	-	-	-	-	245,459	245,459
Residential real estate ("RRE") Financing	-	-	-	-	-	-	-	-	-	-	-	-	848,664	848,664
Total higher risk assets	-	-	-	-	-	-	-	-	-	-	-	-	1,590	1,590
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	92,728	92,728
Total	-	-	-	-	65,777	1,648	1,306,339	4,539	1,009	341	-	-	6,001,570	7,381,223

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

40. CAPITAL ADEQUACY (Continued)

(f) Disclosure on credit risk mitigation are as follows:

Group and Bank

Exposure Class	2021		2020	
	Exposures before CRM RM'000	Exposures covered by eligible collateral RM'000	Exposures before CRM RM'000	Exposures covered by eligible collateral RM'000
Credit Risk				
<i>On-Balance Sheet Exposures</i>				
Sovereigns/Central Banks	2,191,064	-	1,274,686	-
Banks, Development Financial Institutions & MDBs	654,705	-	427,131	-
Corporate	4,921,614	1,038,970	4,068,242	901,546
Regulatory Retail	220,374	11,237	239,362	1,000
Residential Real Estate ("RRE")				
Financing	795,695	-	845,484	-
Higher Risk Assets	1,418	-	1,396	-
Other Assets	151,512	-	92,728	-
Defaulted Exposures	19,372	-	23,124	-
Total for On-Balance Sheet Exposures	<u>8,955,754</u>	<u>1,050,207</u>	<u>6,972,153</u>	<u>902,546</u>
<i>Off-Balance Sheet Exposures</i>				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	672,292	-	409,070	-
Total for Off-Balance Sheet Exposures	<u>672,292</u>	<u>-</u>	<u>409,070</u>	<u>-</u>
Total On and Off-Balance Sheet Exposures	<u>9,628,046</u>	<u>1,050,207</u>	<u>7,381,223</u>	<u>902,546</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021**

40. CAPITAL ADEQUACY (Continued)

(g) Disclosure on off balance sheet and counterparty credit risk are as follows:

Group and Bank	2021			2020		
	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount RM'000	Risk weighted amount RM'000
Transaction-related contingent items	195,731	97,866	97,866	120,496	60,248	60,248
Short term self liquidating trade related contingencies	87,938	17,588	17,588	6,522	1,304	1,304
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	142,943	71,458	71,056	135,078	67,521	67,618
Other commitments, such as formal standby facilities and credit lines, with an original maturity up to one year	2,427,122	485,380	471,748	1,400,231	279,997	276,335
	<u>2,853,734</u>	<u>672,292</u>	<u>658,258</u>	<u>1,662,327</u>	<u>409,070</u>	<u>405,505</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

41. SEGMENTAL INFORMATION

Segmental reporting by the Bank was prepared in accordance with MFRS 8 *Operating Segments* ("MFRS 8"). Following the management approach of MFRS 8, operating segments are reported in a manner consistent with the internal reporting provided to the chief operation decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity.

All inter-segment transactions are conducted on an arm's length basis and on normal commercial terms not more favourable than those generally available to the public.

The business segment results are prepared based on the Bank's internal management reporting, which reflect the organisation's management structure. Internal allocation of costs has been used in preparing the segmental reporting.

The Bank's business segment can be organised into the following main segments reflecting the Bank's internal reporting structure. The Bank comprises the following main business segments:

(i) Corporate investment banking

Corporate investment banking operations provide a full range of financial services to corporate customers as well as small and medium sized enterprises. The products and services offered include long and short term financing such as working capital financing, asset financing, project financing as well as trade financing.

(ii) Retail banking

Retail banking focus on providing products and services to individual customers and small and medium-sized enterprises. These products and services offered to customers include credit facilities, charge cards, remittance services, deposit collection and investment products.

(iii) Treasury and money market

The treasury and money market are involved in proprietary trading in treasury related products and services such as foreign exchange, money market operations and securities trading. Income from customer trading is reflected under retail operations.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

41. SEGMENTAL INFORMATION (Continued)

Group	Retail banking RM'000	Treasury & money market RM'000	Corporate investment banking RM'000	Others RM'000	Total RM'000
2021					
Total revenue	113,587	98,803	134,908	1,481	348,779
Result					
Segment result	80,773	55,728	81,582	1,481	219,564
Unallocated corporate expenses	-	-	-	-	(207,468)
Profit before zakat and taxation					12,096
Zakat and taxation					-
Net profit for the financial year					12,096
Other information					
Segment assets	1,377,046	2,771,249	4,727,630	-	8,875,925
Unallocated corporate assets					235,501
Total assets					9,111,426
Segment liabilities	2,295,005	2,575,922	2,925,625	-	7,796,552
Unallocated corporate liabilities	-	-	-	-	628,237
Total liabilities					8,424,789
Other segment items					
Capital expenditure	2,979	-	536	-	3,515
Unallocated capital expenditure	-	-	-	-	55,810
					59,325
Depreciation and amortisation, net of lease payments and finance charges	4,977	-	1,499	-	6,476
Unallocated depreciation and amortisation, net of lease payments and finance charges	-	-	-	-	10,858
					17,334
Other non-cash (income)/expenses	(9,460)	(85)	13,813	-	4,268

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

41. SEGMENTAL INFORMATION (Continued)

Group	Retail banking RM'000	Treasury & money market RM'000	Corporate investment banking RM'000	Others RM'000	Total RM'000
2020					
Total revenue	125,197	100,378	87,527	(7,693)	305,409
Result					
Segment result	22,822	40,675	74,698	(7,693)	130,502
Unallocated corporate expenses	-	-	-	-	(196,510)
Loss before zakat and taxation					(66,008)
Zakat and taxation					-
Net loss for the financial year					(66,008)
Other information					
Segment assets	1,444,301	1,759,589	3,754,250	-	6,958,140
Unallocated corporate assets					169,931
Total assets					7,128,071
Segment liabilities	2,227,674	1,986,849	1,771,203	-	5,985,726
Unallocated corporate liabilities	-	-	-	-	451,685
Total liabilities					6,437,411
Other segment items					
Capital expenditure	3,157	-	101	-	3,258
Unallocated capital expenditure	-	-	-	-	4,627
					7,885
Depreciation and amortisation, net of lease payments and finance charges	4,750	315	1,135	-	6,200
Unallocated depreciation and amortisation, net lease payments and finance charges	-	-	-	-	12,303
					18,503
Other non-cash (income)/expenses	25,180	224	4,328	-	29,732

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

41. SEGMENTAL INFORMATION (Continued)

Bank	Retail banking RM'000	Treasury & money market RM'000	Corporate investment banking RM'000	Others RM'000	Total RM'000
2021					
Total revenue	113,587	98,803	134,908	995	348,293
Result					
Segment result	80,773	55,728	81,582	995	219,078
Unallocated corporate expenses	-	-	-	-	(206,748)
Profit before zakat and taxation					12,330
Zakat and taxation					-
Net profit for the financial year					12,330
Other information					
Segment assets	1,377,046	2,771,249	4,727,630	-	8,875,925
Unallocated corporate assets					235,543
Total assets					9,111,468
Segment liabilities	2,295,005	2,575,922	2,925,625	-	7,796,552
Unallocated corporate liabilities	-	-	-	-	628,217
Total liabilities					8,424,769
Other segment items					
Capital expenditure	2,979	-	-	536	3,515
Unallocated capital expenditure	-	-	-	-	55,810
					59,325
Depreciation and amortisation, net of lease payments and finance charges	4,977	-	1,499	-	6,476
Unallocated depreciation and amortisation, net lease payments and finance charges	-	-	-	-	10,858
					17,334
Other non-cash (income)/expenses	(9,460)	(85)	13,813		4,268

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

41. SEGMENTAL INFORMATION (Continued)

Bank	Retail banking RM'000	Treasury & money market RM'000	Corporate investment banking RM'000	Others RM'000	Total RM'000
2020					
Total revenue	125,197	100,378	87,527	(8,014)	305,088
Result					
Segment result	22,822	40,675	74,698	(8,014)	130,181
Unallocated corporate expenses	-	-	-	-	(196,148)
Loss before zakat and taxation					(65,967)
Zakat and taxation					-
Net loss for the financial year					(65,967)
Other information					
Segment assets	1,444,301	1,759,589	3,754,250	-	6,958,140
Unallocated corporate assets	-	-	-	-	169,907
Total assets					7,128,047
Segment liabilities	2,227,674	1,986,849	1,771,203	-	5,985,726
Unallocated corporate liabilities	-	-	-	-	451,833
Total liabilities					6,437,559
Other segment items					
Capital expenditure	3,157	-	101	-	3,258
Unallocated capital expenditure	-	-	-	-	4,627
					7,885
Depreciation and amortisation, net of lease payments and finance charges	4,750	315	1,135	-	6,200
Unallocated depreciation and amortisation, net lease payments and finance charges	-	-	-	-	12,303
					18,503
Other non-cash (income)/expenses	25,180	224	4,328	-	29,732

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

42. FAIR VALUE MEASUREMENTS

(a) Assets and liabilities measured at fair value

Determination of fair value and the fair value hierarchy

Fair value is the amount at which an asset could be exchanged or a liability settled, between knowledgeable and willing parties in an arm's length transaction.

The Group and the Bank classify their assets and liabilities which are measured at fair value according to the following hierarchy, reflecting the significance of inputs used in making the fair value measurements:

- Level 1 - Quoted market prices: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- Level 2 - Valuation techniques based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and
- Level 3 - Valuation techniques using significant unobservable inputs: inputs used are not based on observable market data and the unobservable inputs have a significant impact on the valuation of the financial instruments and non-financial assets.

Assets and liabilities are classified as Level 1 if their values are observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the prices represent actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include actively traded listed equities and actively exchange-traded derivatives.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Bank then determines fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data and so reliability of the fair value measurement is high. These would include certain government sukuk and corporate sukuk, financing, derivatives and investment properties.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

42. FAIR VALUE MEASUREMENTS (Continued)

(a) Assets and liabilities measured at fair value (Continued)

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

Assets and liabilities are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). Such inputs are generally determined based on observable inputs of a similar nature, historical observations on the level of the input or other analytical techniques.

The following table provides the fair value measurement hierarchy of the Group's and of the Bank's assets and liabilities.

Group and Bank
2021

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value:				
Investment properties	-	-	95,400	95,400
Financial investments at fair value through other comprehensive income ("FVOCI")	-	1,658,821	-	1,658,821
Derivatives assets	-	86	-	86
Assets for which fair values are disclosed (Note 42(b)):				
Financing and advances	-	-	5,873,889	5,873,889
Financial investments at amortised cost	-	675,898	-	675,898

There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year.

The valuation date for financial assets and liabilities is 31 December 2021.

The fair value of financing and advances that are valued at Level 3 is estimated by discounting the estimated future cash flows at a discounted rate between 1.34% to 19.7% (2020: 1.30% to 28.3%).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

42. FAIR VALUE MEASUREMENTS (Continued)

(a) Assets and liabilities measured at fair value (Continued)

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

The following table provides the fair value measurement hierarchy of the Group's and of the Bank's assets and liabilities (Continued)

Group and Bank
2020

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Assets measured at fair value:				
Investment properties	-	-	95,400	95,400
Financial investments at fair value through other comprehensive income ("FVOCI")	-	647,547	-	647,547
Derivatives assets	-	155	-	155
Assets for which fair values are disclosed (Note 42(b)):				
Financing and advances	-	-	4,943,575	4,943,575
Financial investments at amortised cost	-	739,327	-	739,327

There have been no transfer between Level 1 and Level 2 during the year.

The valuation date for financial assets and liabilities is 31 December 2020.

(b) Financial assets and liabilities not carried at fair value

The following table summarises the carrying amounts and the estimated fair values of those financial assets and liabilities not presented on the Group's balance sheet at their fair value. Other than disclosed in note 42(b) below, the fair values approximate to their carrying value.

Group and Bank

	2021		2020	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets				
Financing and advances	5,970,108	5,873,889	5,054,253	4,943,575
Financial investments at amortised cost	675,817	675,898	739,095	739,327

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

42. FAIR VALUE MEASUREMENTS (Continued)

(b) Financial assets and liabilities not carried at fair value (Continued)

The following methods and assumptions are used to estimate the fair value of each class of financial instruments:

(i) Cash and short-term funds and deposits and placements

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

(ii) Financial investments at amortised cost

The estimated fair value is generally based on quoted and observable market price. The fair value of securities that are not traded in an active market are determined using valuation techniques which include net present value and discounted cash flow models based on assumptions of market conditions existing at the reporting date.

(iii) Financing and advances

For floating rate financing and advances, the carrying value is generally a reasonable estimate of fair value.

For fixed rate financing and advances, the fair values are estimated by discounting the estimated future cash flows using prevailing market rates of financing with similar credit risk and maturities.

The fair values of impaired fixed rates financing and advances are represented by their carrying value, net of individual impairment being the expected recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

42. FAIR VALUE MEASUREMENTS (Continued)

(b) Financial assets and liabilities not carried at fair value (Continued)

The following methods and assumptions are used to estimate the fair value of each class of financial instruments (Continued):

(iv) Other assets and liabilities

The carrying value less any estimated impairment allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market profit rates.

(v) Deposits from customers

The fair values of deposits with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of deposits with remaining maturity of more than one year are estimated using discounted cash flows based on market rates for similar deposits from customers.

(vi) Deposits from banks and bills and acceptances payable

The fair values of these financial instruments with remaining maturity of less than one year approximate their carrying amounts due to the relatively short maturity of the financial instruments. The fair values of deposits with remaining maturity of more than one year are arrived at using the discounted cash flows based on prevailing market rates currently offered for similar remaining maturities.

(vii) Subordinated sukuk

The fair values of subordinated sukuk with remaining maturity of less than one year approximate their carrying values due to the relatively short maturity of the instruments. The fair values of subordinated sukuk with remaining maturities of more than one year are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for borrowings with similar risk profiles.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

42. FAIR VALUE MEASUREMENTS (Continued)

(c) Investment properties

- (i) Information about significant unobservable inputs used in Level 3 fair value measurements on assets stated at fair value:

As at 31 December 2021 and 31 December 2020

	Fair value RM'000	Valuation techniques	Unobservable inputs	Range (Weighted average)		Relationship of unobservable inputs to fair value
				2021	2020	
Investment properties	95,400	Comparison approach	Estimated value per square feet	RM382 - RM676 per square feet	RM382 - RM748 per square feet	The higher the estimated value per square feet, the higher the valuation.

Under the comparison method, the investment properties' fair value is estimated based on comparable transactions. This approach is based upon the principal off substitution under which a potential buyer will not pay more for the property than it will cost to buy a comparable substitute property. In theory, the best comparable sale would be an exact duplicate of the subject property and would indicate, by the known selling price of the duplicate, the price for which the subject property could be sold.

This method of valuation seeks to determine the value of the property, being valued by comparing the investment properties with comparable properties which have been sold or are being offered for sale and making adjustments for factors which affect value such as location and accessibility, market conditions, size, shape and terrain of land, tenurial profit and restrictions if any, occupancy status, built-up area, building construction, finishes and services, age and condition of building and other relevant characteristics.

Adjustments are being made to differences in location, size and shapes, accessibility, infrastructure available, improvements made on the site and other value considerations.

An increase or decrease in the unobservable inputs used in the valuation might result in a correspondingly higher or lower fair value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

42. FAIR VALUE MEASUREMENTS (Continued)

(c) Investment properties (Continued)

- (i) Information about significant unobservable inputs used in Level 3 fair value measurements on assets stated at fair value (Continued):

The following tables present the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3):

	Investment properties	
	Fair value measurements	
	using significant	
	unobservable inputs	
	(Level 3)	
	2021	2020
	RM'000	RM'000
Opening balance	95,400	105,000
Total loss for the financial year:		
Included in income or loss	-	(9,600)
Closing balance	<u>95,400</u>	<u>95,400</u>

43. SUBSEQUENT EVENT

Subsequent to year end, the Bank had issued a SAR100.0 million (equivalent to RM 110.9 million) nominal value of Subordinated Perpetual Sukuk (“the Sukuk”) under the Shariah principle of Mudharabah to its holding company. The Sukuk Programme qualifies as Tier-I capital of the Issuer as per BNM's Risk-Weighted Capital

At the date of this report, based on the Group's and the Bank's assessment, there is no significant credit, market, liquidity and operational risks arising from these subsequent events. The Group and the Bank will continuously monitor and assess the developments and its economic impact.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution by the Board of Directors dated 23 May 2022.