

MAYBANK ISLAMIC BERHAD
(Co. Reg. No.: 200701029411)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2021

Co. Reg. No.: 200701029411

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

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**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of Maybank Islamic Berhad ("the Bank") for the financial year ended 31 December 2021.

Principal activities

The Bank is principally engaged in the business of Islamic Banking and the provision of related financial services.

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

Results

	RM'000
Profit before taxation and zakat	4,149,673
Taxation and zakat	<u>(1,032,652)</u>
Profit for the year	<u><u>3,117,021</u></u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in Notes 7, 8(ii), 8(iii), 9, 18, 28, 29 and 30 to the financial statements and the statement of changes in equity.

In the opinion of the Board of Directors, the results of the operations of the Bank during the current financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than the effects of COVID-19 pandemic and related support measures as disclosed in Note 2.4(i) and Note 3.6 to the financial statements.

Performance review

The Bank posted profit before tax and zakat of RM4,149.7 million for the financial year ended 31 December 2021, an increase of RM2,146.5 million or 107.2% compared to the previous financial year.

The Bank's allowance for impairment of assets decreased by RM894.5 million or 75.6% to RM289.1 million as compared to RM1,183.6 million in the previous financial year.

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Performance review (cont'd.)

Total income increased by RM272.5 million or 2.7% to RM10,269.9 million from previous financial year. Total income represents income derived from investment of depositors' funds, income derived from investment account funds and income derived from investment of shareholder's funds of RM8,811.5 million, RM951.7 million and RM506.7 million respectively.

The Bank's gross financing and advances decreased by 5.5% to RM195.4 billion as compared to RM206.7 billion recorded in previous financial year due to reclassification of financing funded by a number of Restricted Profit Sharing Investment Accounts ("RPSIA") arrangement amounting to RM25.2 billion that are now treated as off-balance sheet. Total Islamic banking assets owned and managed by the Bank increased by 14.4% to RM292.0 billion as compared to RM255.2 billion recorded in previous financial year.

As at 31 December 2021, total customer funding increased by 10.1% to RM208.2 billion, contributed by customer deposits which has increased by 8.6% at RM179.5 billion against RM165.3 billion in last financial year. Investment account of customers grew by RM4.9 billion to close at RM28.7 billion from RM23.8 billion in the previous financial year.

The Bank's capital position continued to be strong and well above regulatory requirements as reflected by its Common Equity Tier I, Tier I Capital Ratio and Total Capital Ratio of 15.981%, 17.173% and 20.077% respectively.

Prospects

Amidst the global economic rebound in 2021 following the pandemic recession, the Malaysian economy is expected to grow (2022E:+6.0%) premised on the sustained broad based economic reopening following the moderate recovery recorded in 2021 of +3.1%. The mass immunisation and transition to the endemic phase of COVID-19 will be a boon to the momentum of the economic recovery in 2022. Moreover, the government's plan to lift the country's international border restrictions by 2Q2022 is anticipated to spur multiplier effects across various industries that will contribute towards the broad based growth of the domestic economy. The Bank Negara Malaysia Overnight Policy Rate is anticipated to remain accommodative at a record low of 1.75% throughout most of 2022 with an expected potential rate hike in 4Q2022, in tandem with potential inflationary pressure. Fiscal policy for the year remains expansionary with a budget deficit at 6.0% of GDP (2021:6.5% of GDP).

The Bank is focused on strengthening its income streams through innovative consumer-centric financial products and solutions through its Strategic Initiatives across its operations in Malaysia, Singapore, Indonesia, and Dubai-DIFC, with an emphasis on strengthening its fee based income streams and expanding its digital propositions. Concurrently, the Bank will maintain cost discipline to ensure prudent and balanced impact to overheads, as well as defending its low-cost funding base.

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Prospects (cont'd.)

The Bank has a sanguine outlook for 2022 and remains committed to support the domestic economies of its home markets and strives to meet customers’ needs while delivering a positive impact on the communities we serve. The Bank together with its Group counterparts remains committed towards promoting greater financial inclusion, sustainable financing and solutions, as well as supporting the transition to a low-carbon economy. This entails ensuring access to financial assistance to our customers to strengthen their financial position, whilst continuing to provide financial support to pursue emerging growth opportunities. The Bank will remain vigilant of the inherent risks arising from the pandemic and continue to proactively engage customers that require additional support, as part of our efforts to ensure strong asset quality management and maintaining the resilience of its capital and liquidity positions.

Dividends

The amounts of dividend paid by the Bank since 31 December 2020 were as follows:

RM'000

In respect of the financial year ended 31 December 2020 as reported in the directors' report of that year:

A single-tier final dividend of RM3.91 per ordinary share on 361,504,000 ordinary shares, declared on 22 June 2021 and paid on 28 June 2021 **1,413,481**

In respect of the financial year ended 31 December 2021:

A single-tier interim dividend of RM4.39 per ordinary share on 384,098,000 ordinary shares, declared on 26 August 2021 and paid on 28 September 2021 **1,686,190**

Subsequent to the financial year end, on 22 February 2022, the Board of Directors declared a single-tier second interim dividend in respect of the current financial year ended 31 December 2021 of RM3.30 per ordinary share on 432,110,250 ordinary shares, amounting to a dividend payable of RM1,425,963,825.

The financial statements for the current financial year do not reflect this declared dividend. Such dividend will be accounted for in the statement of changes in equity as an appropriation of retained profits in the financial year ending 31 December 2022.

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**Maybank Islamic Berhad
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Holding company

The immediate holding company is Malayan Banking Berhad ("Maybank"), a licensed bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

Maybank Group Employees' Share Grant Plan ("ESGP") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP")

Maybank Group has implemented an employee's share scheme named as the Maybank Group Employees' Share Grant Plan ("ESGP") and the scheme was awarded to the participating Maybank Group employees who fulfill the eligibility criteria. The ESGP is governed by the ESGP By-laws approved by the shareholders at an Extraordinary General Meeting held on 6 April 2017 and was implemented on 14 December 2018 for a period of seven (7) years from the effective date and is administered by the ESGP Committee.

The ESGP consists of two (2) types of performance-based awards: Employees' Share Grant Plan ("ESGP Shares") and Cash-settled Performance-based Employees' Share Grant Plan ("CESGP"). The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or by cash at the absolute discretion of the Maybank Group ESGP Committee.

The ESGP Shares is a form of Restricted Share Units ("RSU") and the ESGP Committee may, from time to time during the ESGP period, make further ESGP grants designated as Supplemental ESGP to a selected group of eligible employees to participate in Supplemental ESGP. This selected group may consist of selected key executive, selected key retentions and selected senior external recruits, and such grants may contain terms and conditions which may vary from earlier ESGP grants made available to selected senior management.

The CESGP is a form of Cash-settled Performance-based Restricted Share Unit Scheme ("CRSU") and the ESGP Committee may, from time to time during the ESGP period, make further CESGP grants designated as Supplemental CESGP to a selected group of eligible employees to participate in the ESGP. This selected group may consist of senior management, selected key retentions and selected senior external recruits, and such Supplemental CESGP grants may contain terms and conditions which may vary from earlier CESGP grants made available to selected employees.

The maximum number of ordinary shares in Maybank available under the ESGP should not exceed 3.5% of the total number of issued and paid-up capital of Maybank at any point of time during the duration of the scheme.

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Issuance of share capital and debentures

The following are the changes in debt and equity securities of the Bank during the financial year ended 31 December 2021:

- a) On 28 June 2021, the Bank increased its share capital from RM7,929,443,460 to RM8,636,183,780 via issuance of 22,594,000 new ordinary shares at issue price per share of RM31.28 to Maybank on the basis of one new share for every sixteen existing ordinary shares held.
- b) On 28 September 2021, the Bank increased its share capital from RM8,636,183,780 to RM10,322,374,000 via issuance of 48,012,250 new ordinary shares at issue price per share of RM35.12 to Maybank on the basis of one new share for every eight existing ordinary shares held.

Directors

The names of the directors of the Bank in office since the beginning of the financial year to the date of this report are:

Dato' Zulkiflee Abbas bin Abdul Hamid (Chairman)
Encik Dali bin Sardar
Datuk Mohd Anwar bin Yahya
Associate Professor Dr. Aznan bin Hasan
Encik Shariffuddin bin Khalid
Dato' Azmi bin Mohd Ali

Directors' benefits

Neither at the end of the financial year, nor at any time during that financial year, did there subsist any arrangement to which the Bank was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Bank or any other body corporate, other than arising from the ESGP.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of a full-time employee of the holding company as disclosed in Note 33 to the financial statements) by reason of a contract made by the Bank or a related corporation with any director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

The holding company, Maybank maintained on a group basis, a Directors' and Officers' Liability Insurance against any legal liability incurred by the directors in the discharge of their duties while holding office for Maybank or for Maybank's subsidiary companies. The directors shall not be indemnified by such insurance for any negligence, fraud, intentional breach of law or breach of trust proven against them.

**Maybank Islamic Berhad
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Directors' interests

According to the register of directors' shareholdings, none of the directors in office at the end of the financial year had any interest in shares in the Bank and options over shares in the holding company, Maybank or other related corporations during the financial year.

Rating by external rating agency

Details of the Bank's ratings is as follows:

Rating agency	Date	Rating classification	Rating received
RAM Ratings Services Berhad ("RAM")	27 December 2021	Financial Institution Rating	AAA/Stable/P1

Other statutory information

- (a) Before the statement of financial position, income statement and statement of comprehensive income of the Bank were made out, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing-off of bad financing and the making of allowance for doubtful financing and satisfied themselves that all known bad financing had been written-off and that adequate allowance had been made for doubtful financing; and
 - (ii) 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.

- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written-off for bad financing or the amount of the allowances for doubtful financing in the financial statements of the Bank inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Bank misleading.

- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Bank misleading or inappropriate.

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Other statutory information (cont'd.)

- (d) 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 Bank which would render any amount stated in the financial statements misleading.
- (e) At the date of this report, there does not exist:
- (i) any charge on the assets of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability of the Bank which has arisen since the end of the financial year other than those arising in the normal course of business of the Bank.
- (f) In the opinion of the directors:
- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Bank to meet its obligations as and when they fall due; and
 - (ii) no item or transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Bank for the financial year in which this report is made.

Significant events

The significant events are disclosed in Note 46 to the financial statements.

There are no significant adjusting events after the statement of financial position's date up to the date when the financial statements are authorised for issue.

**Maybank Islamic Berhad
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Shariah Committee

The operations of Islamic businesses of the Bank is governed by Sections 28 and 29 of the Islamic Financial Services Act 2013 ("IFSA"), which stipulates, that any licensed institution shall at all times ensure that its aims and operations, businesses, affairs and activities are in compliance with Shariah, and, in accordance with the advice or rulings of Shariah Advisory Council ("SAC"), specific standards on Shariah matters in respect of the carrying on of its business, affair or activity. Meanwhile, BNM's Shariah Governance Policy Document (BNM/RH/PD 028-100) relates to, among other things, Shariah Committee's objectivity to reinforce sound decision-making process and robustness of internal control functions for effective management of Shariah non-compliance risks.

Based on the above, the duties and responsibilities of the Shariah Committee are to advise on the overall operations of the Bank's Islamic business in order to ensure compliance with the Shariah requirements.

The roles and responsibilities of Shariah Committee in monitoring the Bank's activities include, but not limited to the following:

- (a) To provide a decision or advice to the financial institution on the application of any rulings of the SAC or standards on Shariah matters to its operations, businesses, affairs and activities;
- (b) To provide a decision or advice on matters which require a reference to be made to the SAC;
- (c) To provide a decision or advice on the operations, businesses, affairs and activities of the financial institution which may trigger a Shariah non-compliance event;
- (d) To deliberate and affirm a Shariah non-compliance finding by any relevant function; and
- (e) To endorse a rectification measure to address a Shariah non-compliance event.

Zakat obligation

The Bank pays zakat for its business. The Bank does not pay zakat on behalf of the shareholder or depositors.

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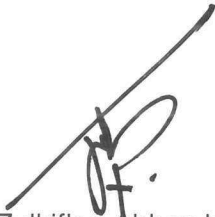
Maybank Islamic Berhad
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Auditors

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office.

Auditors' remuneration are disclosed in Note 32 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 February 2022.



Dato' Zulkiflee Abbas bin Abdul Hamid

Kuala Lumpur, Malaysia



Datuk Mohd Anwar bin Yahya

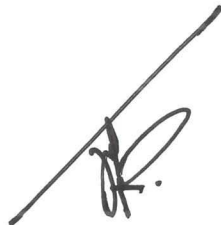
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Maybank Islamic Berhad
(Incorporated in Malaysia)

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

We, Dato' Zulkiflee Abbas bin Abdul Hamid and Datuk Mohd Anwar bin Yahya, being two of the directors of Maybank Islamic Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 67 to 251 are properly 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 Bank as at 31 December 2021 and of the results and the cash flows of the Bank for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 22 February 2022.



Dato' Zulkiflee Abbas bin Abdul Hamid



Datuk Mohd Anwar bin Yahya

Kuala Lumpur, Malaysia

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

I, Shaiful Adhli bin Yazid, being the officer primarily responsible for the financial management of Maybank Islamic Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 67 to 251 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 Shaiful Adhli bin Yazid
at Kuala Lumpur in the Federal
Territory on 22 February 2022



Shaiful Adhli bin Yazid

Before me,

Lot 333, 3rd Floor
Wisma New Asia
Jalan Raja Chulan
50200 Kuala Lumpur



**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Corporate governance

1. The Board of Directors

Composition of the Board

As at 31 December 2021, the Board of Maybank Islamic Berhad (“Maybank Islamic” or “the Bank”) comprised of six (6) directors of which five (5) were Independent Non-Executive Directors. The composition of the Board complied with the requirement under the BNM Corporate Governance Policy (“BNM CG Policy”) of having a majority of independent directors at all times. The members were as follows:

Name	Position	First Appointment Date
Chairman		
Dato' Zulkiflee Abbas bin Abdul Hamid	Independent Non-Executive Director (Chairman)	Independent Non-Executive Director 25 April 2019 Chairman 1 June 2020
Members		
Encik Dali bin Sardar	Independent Non-Executive Director	11 August 2014
Datuk Mohd Anwar bin Yahya	Independent Non-Executive Director	17 July 2017
Associate Professor Dr Aznan bin Hasan	Non-Independent Non-Executive Director	25 April 2019
Encik Shariffuddin bin Khalid	Independent Non-Executive Director	13 June 2019
Dato' Azmi bin Mohd Ali	Independent Non-Executive Director	9 November 2020

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**Maybank Islamic Berhad
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Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

The profile of each member of the Board is presented below:-

Dato' Zulkiflee Abbas bin Abdul Hamid

Independent Non-Executive Director (Chairman)

Nationality

Malaysian

Age

64

Appointment

25 April 2019, as Chairman on 1 June 2020

Qualification

- Diploma in Business Studies, MARA Institute of Technology
- Bachelor of Science in Marketing, Southern Illinois University
- Master in Business Administration, Southern Illinois University

Working experience

Present

- NIL

Past

- Managing Director/President of Bank Kerjasama Rakyat Malaysia Berhad
- Chief Executive Officer of Affin Holdings Berhad
- Managing Director/Chief Executive Officer of Affin Bank Berhad
- Chief Credit Officer of Malayan Banking Berhad

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**Maybank Islamic Berhad
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Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Dato' Zulkilfee Abbas bin Abdul Hamid (cont'd.)

Independent Non-Executive Director (Chairman)

Directorship of other companies

- Malayan Banking Berhad
- Yayasan Budiman Universiti Teknologi MARA
- Tabung Pendidikan 1 Billion

Attendance in 2021

- 13 out of 13 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

Dali bin Sardar

Independent Non-Executive Director

Nationality

Malaysian

Age

62

Appointment

11 August 2014

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**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Dali bin Sardar (cont'd.)

Independent Non-Executive Director

Qualification

- Bachelor of Arts (majoring in Economics), Knox College, Illinois, USA
- Master in Business Administration, American Graduate School of International Management, Arizona, USA

Working experience

Present

- Chief Executive Officer of DTA Capital Partners Sdn Bhd

Past

- Relationship Manager and Vice President of Citicorp/Citibank
- Managing Director of Citicorp Capital
- Chief Executive Officer of Utama Merchant Bank Berhad
- Director of Maybank Private Equity Sdn Bhd

Directorship of other companies

- Chuan Huat Resources Bhd
- DTA Capital Partners Sdn Bhd
- Peranex Sdn Bhd
- Nova MSC Berhad
- YaPEIM Holdings Sdn Bhd
- UMP Holdings Sdn. Bhd.

Attendance in 2021

- 13 out of 13 Board meetings held in the financial year

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**Maybank Islamic Berhad
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Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Dali bin Sardar (cont'd.)

Independent Non-Executive Director

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

Datuk Mohd Anwar bin Yahya

Independent Non-Executive Director

Nationality

Malaysian

Age

67

Appointment

17 July 2017

Qualification

- Bachelor of Science (Honours) in Economics & Accountancy, University of Hull, United Kingdom
- Chartered Accountant, Institute of Chartered Accountants in England and Wales
- Member of Malaysia Institute of Accountants
- Member of Malaysian Institute of Certified Public Accountants

Working experience

Present

- Executive Director at Sage 3 Sdn Bhd

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**Maybank Islamic Berhad
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Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Datuk Mohd Anwar bin Yahya (cont'd.)

Independent Non-Executive Director

Working experience (cont'd.)

Past

- Financial and Business Advisor of PricewaterhouseCoopers
- General Manager of Permodalan Kelantan Berhad
- Finance Manager of Lembaga Kemajuan Kelantan Selatan (KESEDAR)

Directorship of other companies

- Fraser & Neave Holdings Berhad
- Sage 3 Sdn Bhd
- Technology Park Malaysia Corporation Sdn Bhd
- Amanah Saham Nasional Berhad
- Sime Darby Plantation Berhad
- PADU Corporation Berhad

Attendance in 2021

- 13 out of 13 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

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**Maybank Islamic Berhad
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Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Associate Professor Dr Aznan bin Hasan

Non-Independent Non-Executive Director

Nationality

Malaysian

Age

50

Appointment

25 April 2019

Qualification

- B.A. (Honours) Shariah, Al Azhar University
- Master in Shariah, Cairo University
- Doctorate in Shariah, University of Wales Lampeter

Working experience

Present

- Associate Professor, Institute of Islamic Banking and Finance, Institute Islamic University Malaysia ("IIUM")

Past

- Assistant Professor of Islamic Law, Ahmad Ibrahim Kulliyah of Laws, IIUM
- Head, Department of Islamic Law, Ahmad Ibrahim Kulliyah of Laws, IIUM
- Head, Co-Curricular Activity Centre (CCAC), Office of the Deputy Rector (Student Affairs & Development), IIUM
- Coordinator, E-Learning Management System, Ahmad Ibrahim Kulliyah of Laws, IIUM

Directorship of Other Companies

- Sepakat Berkat Resources Sdn Bhd
- Hana Food Industries & Trading Sdn Bhd
- YaPIEM Holdings Sdn Bhd

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**Maybank Islamic Berhad
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Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Associate Professor Dr Aznan bin Hasan (cont'd.)

Non-Independent Non-Executive Director

Attendance in 2021

- 13 out of 13 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

Shariffuddin bin Khalid

Independent Non-Executive Director

Nationality

Malaysian

Age

56

Appointment

13 June 2019

Qualification

- Foundation in Accountancy, University of Huddersfield, UK
- Fellow Member, Chartered Institute of Management Accountants, UK

**Maybank Islamic Berhad
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Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Shariffuddin bin Khalid (cont'd.)

Independent Non-Executive Director

Working experience

Present

- NIL

Past

- Director, Malaysia International Islamic Finance Center and Director, Strategic Communications, Bank Negara Malaysia
- Non-Executive Director, Sterling Biofuels Ltd
- General Manager, Communication & Human Resource, Pengurusan Danaharta Nasional Berhad

Directorship of Other Companies

- Malayan Banking Berhad
- Maybank (Cambodia) Plc
- Marine & General Berhad
- M&G Ship Management (L) Pte Ltd
- MCB Bank Limited

Attendance in 2021

- 13 out of 13 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

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Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Dato' Azmi bin Mohd Ali

Independent Non-Executive Director

Nationality

Malaysian

Age

61

Appointment

9 November 2020

Qualification

- LL.B (Hons), University Malaya
- LLM in US & Global Law, University of Suffolk, Boston, Massachusetts
- Cambridge Judge Business School Executive Education Programme on Enterprise Innovation, Judge Business School, University of Cambridge

Working experience

Present

- Senior Partner, Azmi & Associates

Past

- Partner, Department of Corporate, Commercial & Special Projects, Hisham, Sobri & Kadir
- Associate, T. Tharu & Associates
- Legal Officer & Head of Gas/New Ventures, Upstream Legal Department, Petronas

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Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Composition of the Board (cont'd.)

Dato' Azmi bin Mohd Ali (cont'd.)

Independent Non-Executive Director

Directorship of other companies

- SP Setia Berhad
- Pernec Integrated Network Systems Sdn Bhd
- Worldwide Holdings Berhad
- Institute of Corporate Directors Malaysia
- Check-6 Bakti Sdn Bhd
- AAA Consulting Sdn Bhd
- Pintarasa Sdn Bhd
- Frontier Steps Sdn Bhd
- Prudenz Corporatehouse Sdn Bhd
- Yayasan Insan dan Ilmu
- Sapura Energy Berhad

Attendance in 2021

- 13 out of 13 Board meetings held in the financial year

Declaration

- No family relationship with any director and/or major shareholder of Malayan Banking Berhad and/or any of its related corporations
- No conflict of interest with Maybank Islamic Berhad and has never been charged for any offence
- Does not hold any shares in Maybank Islamic Berhad

**Maybank Islamic Berhad
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Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

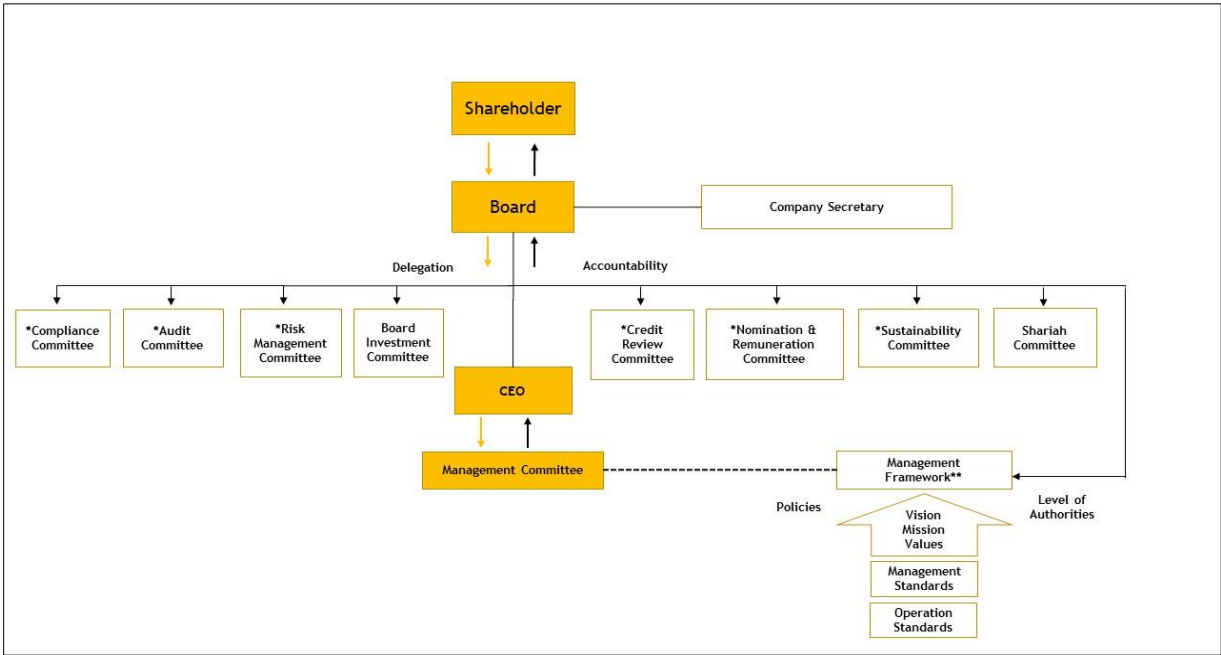
Board Charter

The Board acknowledges the importance of developing and maintaining a framework of Corporate Governance that is robust and sound, to promote a culture of integrity and transparency throughout the Bank. In this regard, all directors are required to maintain the highest standards of transparency, integrity and honesty. This standard serves as the basis for the principles that govern directors’ conduct and their relationship with the Bank’s stakeholders.

The Board Charter outlines among others, the respective roles, responsibilities and authorities of the Board (both individually and collectively) in setting the direction, management and control of the Bank.

A description of the roles and responsibilities of the Board can be found in our Board Charter which is available on Maybank Islamic Berhad website www.maybank.com/islamic.

Corporate Governance Framework



* Under the leverage model, the Board delegates its governance responsibilities to these Board Committees of Maybank.
 ** In addition to Executive Level Management Committees ("ELMCs") established at MIB, MIB also leverages on the various ELMCs of the Group to assist and support the relevant Board Committees.

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Gender Diversity

Maybank Islamic embraces the proposition that having a gender diverse Board would have a positive, value-relevant impact on the Bank although any appointment on the Board must always be based on merit, with due regard to a candidate's background, skill and experience, and whether the appointment of such candidate would further complement or enhance the existing mix of skill and experience of the Board. In this connection, the Board has adopted Maybank's Policy on Board Gender Diversity which sets out the approach to gender diversity on the Board(s) of Malaysian Financial Institutions ("FIs") with a view towards increasing female representation on such Boards.

Separation of Roles and Responsibilities of Chairman and CEO

The roles and responsibilities of the Chairman and the Bank's Chief Executive Officer ("CEO") are separated with a clear division of responsibilities, defined, documented and approved by the Board, in line with the best practices so as to ensure appropriate supervision of the Management. This distinction allows for a better understanding and distribution of responsibilities and accountabilities.

Roles and responsibilities of the Board

The Board's duties and responsibilities include the following:

- (a) To approve and oversee the implementation of business and risk objectives and strategies as well as significant policies including the annual budget and its half yearly review;
- (b) To ensure that the strategic plan of the Bank supports long-term value creation and includes strategies on economic and Environmental, Social and Governance ("ESG") considerations underpinning sustainability including the corresponding opportunities and ESG related risks;
- (c) To ensure and oversee the effective design and implementation of sound governance framework, internal controls, compliance and risk management systems as well as to ensure that the Bank's overall operation is in compliance with Shariah principles;
- (d) To approve and review the organisational structure and the appointment, promotion, confirmation, termination and succession plan of the senior management;
- (e) To develop and document the criteria and skill sets required and to determine the general composition of the Board in order to ensure that the Board consists the requisite diversity of skills, experience, gender, qualification and other core competence required;

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Roles and responsibilities of the Board (cont'd.)

- (f) To approve and review the remuneration policy of the Bank including to approve the remuneration of the directors, Shariah Committee, senior management and other material risk takers;
- (g) To oversee the performance of the senior management and ensures that the senior management is monitoring the effectiveness of the internal control system;
- (h) To appoint committees of the Board and delegate any of its powers to such committees as the Board thinks fit;
- (i) To ensure the establishment of a reliable and transparent financial reporting process;
- (j) To approve the Bank's financial statements (and ensures the reliability of the same) as well as the interim dividend and recommend the final dividend to the shareholder and the application of Dividend Reinvestment Plan thereto (where applicable);
- (k) To approve policies pertaining to corporate image, brand management, community relations, investor relations and shareholder communications programs and to promote timely and effective communication with the regulators;
- (l) To ensure that the Bank has a beneficial influence on the economic well-being of the communities within which it operates in the spirit of Maqasid Al-Shariah;
- (m) To ensure that the Board is supported by a suitably qualified and competent company secretary;
- (n) To ensure that the Board members have access to appropriate education and training programmes to keep abreast of the latest development in the industry and as may be prescribed by the regulatory authorities from time to time;
- (o) To ensure that the corporate governance disclosures are accurate and clear; and
- (p) To have due regard to any decision of the Shariah Committee on any Shariah issue relating to the carrying on of the business, affairs or activities of the Bank.

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Board Committees

Delegation of certain governance responsibilities has been undertaken by the Board in favour of its Board Committees, which operate within clearly defined terms of references, primarily to assist the Board in the execution of its duties and responsibilities. Although the Board has granted such discretionary authority to these Board Committees to deliberate and decide on certain key and operational matters, the ultimate responsibility for final decision on all matters lies with the entire Board.

Board Investment Committee ("BIC")

The members of the BIC as at 31 December 2021 were as follows:

Name	Position	Appointment Date
Encik Dali bin Sardar	Chairman	28 September 2016
Datuk Mohd Anwar bin Yahya	Member	24 July 2019
Dato' Azmi bin Mohd Ali	Member	1 March 2021

The specific duties of the BIC include:

- (i) To review and recommend to the Board including, but not limited to the establishment of investment objectives, strategies, policies, products, business collaborations with internal and external stakeholders;
- (ii) To review and approve the changes in the existing investment mandate, parameters, policies and procedures of Investment Account ("IA") including profit distribution policy and valuation policy;
- (iii) To ensure the investment operations are performed in accordance with the fiduciary duties and agency duties in the agreed terms and conditions of the IA, relevant legislations and Shariah rulings and review IA performance reports on a periodic basis;
- (iv) To ensure compliance to effective risk management policies, processes and infrastructure to identify, measure, monitor, control and report the various types of risk associated with the assets funded by the IA including policies and procedures to determine the significant level of IA business;

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Board Investment Committee ("BIC") (cont'd.)

The specific duties of the BIC include (cont'd.):

- (v) To ensure the management of the IA is conducted by personnel with the appropriate competency and investment expertise; and
- (vi) To review and approve the disclosures as per the requirements to ensure reliable, relevant and timely information are disseminated to the Investment Account Holders ("IAH") to facilitate informed decision making and conduct regular review on the effectiveness of these policies to protect the interest of the IAH.

Other Board Committees

Under the leverage model, the Board delegated certain of its governance responsibilities to the following Board Committees of Maybank:

1. Audit Committee of the Board¹
2. Credit Review Committee²
3. Nomination and Remuneration Committee²
4. Risk Management Committee²
5. Compliance Committee of the Board²
6. Board Sustainability Committee²

Notes:

- ¹ The Chairman and another member of the Audit Committee and Board Sustainability Committee were Board members of Maybank Islamic Berhad.
- ² A member of these Board Committees was also a Board member of Maybank Islamic Berhad.

Maybank Islamic Berhad
(Incorporated in Malaysia)

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Tenure or directorship

Consistent with the Maybank Group's Policy on Directors' Independence and recommendations of the Malaysian Code on Corporate Governance 2017 ("the Code"), the Board via the Nomination and Remuneration Committee ("NRC") assesses the independence of Independent Non-Executive Directors upon his/her appointment, re-appointment and in any event, annually. In line with the Code, the tenure of service for Independent Non-Executive Directors has been capped at the maximum period of nine years whereby upon completion of such tenure, the Independent Non-Executive Director may, subject to the NRC's recommendation and the Board's approval, continue to serve on the Board subject to re-designation as a Non-Independent Non-Executive Director.

Board meetings

During the financial year ended 31 December 2021, a total of 13 meetings were convened inclusive of 2 special meetings for urgent issues and/or important decisions required to be addressed between the scheduled meetings.

All directors have exceeded the 75% meeting attendance requirement under BNM CG Policy. Details of attendance of each Director for the meetings of the Board and Board Investment Committee during the financial year ended 31 December 2021 are highlighted in the table below.

Name of Directors	Board			BIC		
	Number of Meetings			Number of Meetings		
	Held	Attended	%	Held	Attended	%
Dato' Zulkiflee Abbas bin Abdul Hamid ¹	13	13	100	1	1	100
Encik Dali bin Sardar	13	13	100	6	6	100
Datuk Mohd Anwar bin Yahya	13	13	100	6	6	100
Dato' Azmi bin Mohd Ali ²	13	13	100	5	5	100
Assoc. Prof. Dr Aznan bin Hasan	13	13	100			
Encik Shariffuddin bin Khalid	13	13	100			

Notes:

¹ Ceased as BIC member with effect from 1 March 2021

² Appointed as BIC member with effect from 1 March 2021

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Directors' remuneration

The Board believes that one area that the Board needs to focus on in order to remain effective in the discharge of its duties and responsibilities is the setting of a fair and comprehensive remuneration package to commensurate with the expertise, skills, responsibilities and the risks of being a director of a financial institution. In line with good corporate governance, Maybank Group has set out its intention to periodically review the Non-Executive Directors ("NED"s) remuneration for Maybank and its group of companies at least once every three years. A summary of the total remuneration of the Directors (shown in nearest thousand), in aggregate with categorisation into appropriate components for the financial year ended 31 December 2021 is as disclosed in Note 33 to the financial statements.

Board Effectiveness Evaluation

NRC has established clear criteria, processes and procedures to assess the performance and effectiveness of the Board, Board Committees and individual Directors to ensure effective decision making of the Board ("the BEE Exercise"). This exercise is conducted annually to objectively assess the performance and effectiveness of the Board.

Directors' training

The Board acknowledges the importance of continuing education for its directors to ensure they are equipped with the necessary skills and knowledge to perform their functions and meet the challenges as the Board. During the year, all the Board members have attended various training programmes and workshops on relevant issues, including key training programme for directors of financial institutions, namely the Financial Institutions Directors' Education ("FIDE").

The Board continues to assess the training needs of its directors and identify key areas of focus for training programmes.

Trainings programmes, conferences, forums and talks attended by the directors for the financial year ended 31 December 2021 were as follows:

Maybank Group internal training

- Annual Board Risk Workshop - Building Sustainability in a Digital World
- 6th Shariah Discourse Islamic Banking - From Replication Towards Innovation

**Maybank Islamic Berhad
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Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Directors' training (cont'd.)

Trainings programmes, conferences, forums and talks attended by the directors for the financial year ended 31 December 2021 were as follows (cont'd.):

Maybank Group internal training (cont'd.)

- Maybank Diversity Day: The Group's Diversity, Equity & Inclusion Agenda
- Leaders Teaching Leaders Series: A Sharing Session by Group Sustainability
- ESG - Just Transition
- Maybank Group Board Strategy Offsite
- Invest ASEAN 2021 #1 - US-China Rivalry & the New Geopolitics in ASEAN
- Invest ASEAN 2021 #7 - ASEAN New Finance: Crypto Opportunities & Hurdles
- Invest ASEAN 2021 #9 - The Rise of ASEAN EV
- Invest Malaysia 2021 Series 1 - "Economic Reform"
- Invest ASEAN 2021 #10 - ASEAN Macro Outlook & ASEAN Strategy
- Cyber Risk Training

External training

(i) FIDE

- Rethinking Our Approach to Cyber Defence in FIs
- BNM-FIDE Forum Dialogue on The Role of Independent Director in Embracing Present and Future Challenges
- BNM-FIDE Forum Dialogue on RMIT Implementation
- Bursa-FIDE Forum on Dialogue on Sustainability
- Board Effectiveness Evaluation Industry Briefing (Session 1)
- The Financial Institutions Directors' Education (FIDE) Program Module A: Bank
- The Financial Institutions Directors' Education (FIDE) Program Module B: Bank
- FIDE Elective Program: Risk Management in Technology (RMIT) & Digital Transformation: What they mean for Governance and Strategy of Bank and Insurance Boards?

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Directors' training (cont'd.)

Trainings programmes, conferences, forums and talks attended by the directors for the financial year ended 31 December 2021 were as follows (cont'd.):

External training (cont'd.)

(ii) Other external seminars/conferences/talks

- Financial Statements Series : The Accounting & Regulatory Challenges of Banks' Troubled Assets
- PIIE Policy Brief "Fiscal Resiliency in a Deeply Uncertain World"
- Digital Banking Through Challenging Times - Helping Customers With Personal Finances
- TTCS Virtual Tax Conference 2021
- Dawn Raid: Don't Be Caught Unprepared
- Tax Conference - Tackling Practical Problems Faced by Taxpayers
- Audit Committee Conference - Agility, Emphaty and Resilience: How Audit Committees will Thrive in the New Normal
- iRAC (Integrity, Risk, Assurance, Compliance)
- Responsible Investments and the Sustainability Agenda
- Board and Audit Committees Priorities
- Investing in Crypto Assets
- Board's Role in Changing World of Work
- SRI 2021 Conference - Paving the way for Profitability through Sustainability
- Malaysia Insolvency Conference 2021 - Flattening the Insolvency Curve through Restructuring and Rescue Reliefs
- PNB Knowledge Forum 2021 - Rising above COVID-19: Reimagining Work in Malaysia & Beyond
- Value Creation Strategies - An Innovative Take on Creating Impactful, Healthy Companies
- US Force Labor Legislation: Impact on Corporate Malaysia
- Directors' Continuing Education Programme 2021
- Reimagine Leadership and Governance, Not Capitalism
- Cyber Concerns for the Board in the New Normal
- Environment, Social & Governance (ESG) - Insights for Directors
- Sustainability Forum and the launching of EPF Sustainability Investments Policy
- Waqf Link Unit Trust Fund

**Maybank Islamic Berhad
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Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Directors' training (cont'd.)

Trainings programmes, conferences, forums and talks attended by the directors for the financial year ended 31 December 2021 were as follows (cont'd.):

External training (cont'd.)

(ii) Other external seminars/conferences/talks (cont'd.)

- 16th Kuala Lumpur Islamic Finance Forum 2021
- Global Summit on Climate Change
- The Job Market in the Changing World and its Impact to Higher Education Delivery Model
- Board Knowledge Sharing Session on Behavioral Insight
- International Conference of Islamic Financial Literacy
- Closed Door Intellectual Discourse on Waqaf Muaqqat
- Board & Leadership Talk Series 2: Trends in Customer Behaviours
- Board & Leadership Talk Series 3: Best Practices in Pension Design
- Board & Leadership Talk Series 4: Social Protection - Towards Responsive System
- Board & Leadership Talk Series 5: Data Culture
- Board & Leadership Talk Series 6: Managing Cyber Risk in a Rapidly Evolving Threat Landscape
- ISRA International Shariah Scholars Dialogue
- AAOFI 19th Annual Shariah Board Conference
- Closed Door Discussion on Alternative Benchmark Rate for Islamic Financial Instruments: Post LIBOR
- Islamic Finance Webinar Series 2021: Social Impact Sukuk - An Instrument to Combat COVID-19 Pandemic
- JC3 Flagship Conference 2021
- Integrating ESG in Fundamental and Financial Analysis
- Annual Dialogue with Governor of Bank Negara Malaysia
- Webinar Series of Climate Governance Malaysia - Progressing from Sustainability to Climate Action in the Palm Oil Sector
- EY Webcast - Cloud: Game Changer
- Asia Pacific Board Leadership Centre Webinar: Board and Audit Committee Priorities 2021
- Implementing Amendments in the Malaysia Code of Corporate Governance
- Nominating and Remuneration Committees - Beyond Box-Ticking & Enhancing Effectiveness

**Maybank Islamic Berhad
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Corporate governance (cont'd.)

1. The Board of Directors (cont'd.)

Directors' training (cont'd.)

Trainings programmes, conferences, forums and talks attended by the directors for the financial year ended 31 December 2021 were as follows (cont'd.):

External training (cont'd.)

(ii) Other external seminars/conferences/talks (cont'd.)

- Governance in Groups
- Islamic Finance for Board of Director Programme
- Webinar on Fiscal Resiliency in a Deeply Uncertain World
- TerraLex Webinar: Global Trade Under a Biden Administration
- Islamic Finance for Board of Director (IF4BOD)
- Sapura Energy Talk by UN on ESG
- Ethics and Integrity, Professionalism and Corporate Dilemma
- Antitrust & Competition PG: Failing Firm Doctrine in Merger Review-Has COVID-19 Made a Difference?
- Global Trade & Policy: Networking & Discussion
- SLR Network Roundtable Series: The Importance of Coaching and Building Your Successor
- Smart Collaboration: "How Professionals and Their Firms Succeed by Breaking Down Silos"
- S P Setia In-House Directors' Training
 - Corporate Governance Rules - Post MCCG 2021 Updates
 - The Board & Sustainability Leadership for the Decade of Action
- ICDM Board ESG Training Session
- ICDM Digital Series for Board: Series 1 - Cyber Threats, What Board Should Know
- Capital Market Masterplan by Securities Commission's Deputy of CEO
- The Brown Bag Series Episode 3: Talk by Tan Sri Azman Mokhtar on National Treasure
- Virtual Workshop - ESG & Leadership: The Formula for a Sustainable Future
- Anti-Bribery and Anti-Corruption Virtual Training by PwC
- PNB Talk on MACC Section 17A
- Training on Board Trends for the ICDM's Board of Directors
- Briefing on Services Tax: Revised Guide on Professional Services
- ICDM Digital Series for Board: Series 2 - Data Adoption and AI to Drive Better Business Decisions
- SEB Group Business Plan Challenge Workshop No. 2
- S P Setia Governance, Risk & Audit Forum
- ICDM Digital Series for Board: Series 4 - Data Privacy Comprehensibility

Corporate governance (cont'd.)

2. Internal control framework

Introduction

In pursuant to the requirement under the BNM Corporate Governance policy document, the internal control framework is presented herewith outlining the key features of rules governing Maybank Islamic's organisational and operational structure, including reporting processes and control functions.

Under the leverage model, Islamic business operations are residing in Maybank Group. Hence, Maybank Islamic Berhad ("the Bank" or "MIB") is similarly adopting Maybank Group's risk management and internal control system with customisation, where required to address the Bank's internal control environment.

Governance and oversight

The Board of Directors

The Board affirms its overall responsibilities for establishing a sound risk management and internal control system, as well as for reviewing its adequacy and effectiveness in identifying, assessing and responding to risks which may hinder the Bank from achieving its objectives. One of the vital roles of the Board is to establish the Bank's risk appetite, which articulates the levels and types of risk that it is willing to accept in the pursuit of its business and strategic objectives. In this respect, the Board actively participates in setting the strategic goals and plans of the Bank and ensures that the corresponding risks are adequately mitigated within its approved risk appetite. In view of the inherent limitations in any risk management and internal control system, the Board recognises that such a system can only provide reasonable, rather than absolute assurance against material financial misstatement, fraud or losses.

The Board plays a crucial role in establishing a strong risk management and internal control governance structure, which is critical in setting the tone and culture of effective risk management and internal control. To carry out its risk and control oversight responsibilities effectively, the Board is assisted by the Maybank Group Board level Committees, namely, Risk Management Committee ("RMC"), Compliance Committee of the Board ("CCB") and Audit Committee of the Board ("ACB") to oversee matters relating to risk, compliance and controls respectively.

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Governance and oversight (cont'd.)

Shariah Committee

The Board has appointed an independent Shariah Committee (“SC”) to provide decision, views and opinions related to Shariah matters, as well as perform oversight role on Shariah matters related to the business operations and activities to ensure compliance with Shariah. Among its main duties and responsibilities are to provide relevant advice to the Board and the management in addition to assessing the work carried out by Shariah Review and Compliance and Shariah Audit.

Management Committee

The Management Committee of the Bank is established to assist and support the Board to oversee the core areas of business operations and implement the Board’s policies and procedures on risks and controls. MIB is also leveraging on the various Maybank Group Executive Level Management Committees (“ELCs”) to oversee risks, compliance and controls, namely, the Group Executive Committee, Group Executive Risk Committee, Group Asset and Liability Management Committee, Group Management Credit Committee, Group Client Onboarding and Review Committee, Group Non-Financial Risk Committee, EXCO Sustainability Committee, Group Procurement and Property Committee, Group IT Steering Committee, Group Transformation Steering Committee, Group Internal Audit Committee, Group Staff Committee and Whistleblowing Governance Committee.

Lines of defence

MIB’s governance model provides a transparent and effective governance structure that promotes active involvement from the Board and senior management to ensure a uniform view of risk. The governance model aims to place accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the lines of defence, which include the following:

Line of Defence	Key Responsibilities
1 st Line	<ul style="list-style-type: none"> ● Owns and manages day-to-day risks inherent in its business and/or activities, including that of risk taking. ● Ensure the business operates within the established risk strategies, tolerance, appetite, frameworks, policies and procedures.

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Governance and oversight (cont'd.)

Lines of defence (cont'd.)

MIB’s governance model provides a transparent and effective governance structure that promotes active involvement from the Board and senior management to ensure a uniform view of risk. The governance model aims to place accountability and ownership whilst facilitating an appropriate level of independence and segregation of duties between the lines of defence, which include the following (cont'd.):

Line of Defence	Key Responsibilities
<p>2nd Line</p>	<ul style="list-style-type: none"> ● Establish frameworks, policies and procedures. ● Provide overall risk governance and oversight and challenge the 1st line. ● Support sustainable and quality asset growth with optimal returns. ● Ensure compliance to the applicable laws, regulations, established policies and procedures.
<p>3rd Line</p>	<ul style="list-style-type: none"> ● Provide assurance via independent assessment, review and validation of: <ul style="list-style-type: none"> Internal control framework, policies and tools are sufficiently robust and consistent with regulatory standards. Controls to mitigate risks are adequate. Adequate oversight by the 2nd line over the 1st line.

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System

The Risk Management team within MIB provides independent risk assessment and oversight, and ensures the established risk management strategies, frameworks and policies are well implemented within the Bank. At the enterprise-wide level, Group Risk also provides oversight, independent assessment and monitoring of risk management practices, risk exposures and all risk challenges. In 2021, continued focus was given on value creation and supporting the Bank in meeting its strategic and business objectives. In the continuous pursuit to drive effectiveness, Risk Centres of Excellence ("COEs") were created, building on the specialisation of risk professionals to provide value-added risk insights in support of business decision-making. The identified COEs set consistent standards in relation to risk policies, risk reporting and risk modelling, specialise in the management of specific risk areas and manage all risks associated with our external environment and material matters strategically.

The key elements of risk management and internal control system established by the Board that provides effective governance and oversight of risks and internal controls include:

Risk management framework

Risk management has evolved into an important driver for strategic decisions in support of business strategies while balancing the appropriate levels of risk taken to the desired level of returns. To complement this, the Enterprise Risk Management Framework has been established to institutionalise vigilance and awareness of the most significant risks to the achievement of the most important objectives, i.e. to humanise financial services by putting customers and the wider community at the heart of everything that the Bank does. It is underpinned by a set of building blocks which serves as the foundation in driving a strong risk management culture, encompassing practices and processes:

1.	Risk Culture	Risk culture is a vital component in strengthening risk governance and forms a fundamental principle of strong risk management.
2.	Risk Coverage	The Bank must determine its business strategy and assess the risks to ensure the appropriate risk strategies are put in place to give a greater level of assurance on achieving its business strategy.

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Risk management framework (cont'd.)

3.	Risk Appetite	The risk appetite defines the types and levels of risk that the Bank is willing to accept in pursuit of its business and strategic goals.
4.	Risk Response	Selection of the appropriate risk response is imperative to align all risks with the Bank’s risk tolerance and risk appetite.
5.	Governance and Risk Oversight	There is a clear, effective and robust governance structure with well-defined, transparent and consistent lines of responsibility.
6.	Risk Management Practices and Processes	Robust risk management processes are in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Bank.
7.	Stress Test	Stress testing is used to identify and quantify possible events or future changes in the financial and economic condition that could have unfavourable effects on the Bank’s exposure.
8.	Resources and System Infrastructure	Ensure sufficient resources, infrastructure and techniques are established to enable effective risk management.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Risk appetite

Risk appetite is an integral component of the risk management framework and is driven by both top-down Board leadership and bottom-up involvement of Management at all levels. The risk appetite enables the Board and Senior Management to communicate and assess the types and levels of risk that the Bank is willing to accept in pursuit of its business and strategic goals while taking into consideration the constraints under a stressed environment. The risk appetite defines our risk capacity and translates it into risk limits and/or tolerances as guidance, which are then used to regularly measure and evaluate our risk profile.

The risk appetite is integrated into the strategic planning process, and remains dynamic and responsive to the changing internal and external drivers such as market conditions, stakeholders' expectations and internal capabilities. In addition, the budgeting process is aligned to the risk appetite in ensuring that projected revenues arising from business transactions are consistent with the risk profiles established. The risk appetite also provides a consistent structure in understanding risk and is embedded in day-to-day business activities and decisions.

Guided by these principles, our risk appetite is articulated through a set of Risk Appetite Statements for all material risks to ultimately balance the strategic objectives of the Bank.

Risk Governance and Oversight

The governance model adopted by the Bank provides a formalised, transparent and effective governance structure that promotes the active involvement of the Board and senior management in the risk management process to ensure a uniform view of risks.

Our governance model places accountability and ownership in ensuring an appropriate level of independence and segregation of duties between the three lines of defence. The management of risk broadly takes place at different hierarchical levels and is emphasised through various levels of committees, business lines, control and reporting functions.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Risk and Compliance Culture

The risk and compliance culture is driven by a strong tone from the top and strengthened by the tone from the middle which serves as the foundation upon which robust enterprise wide risk management structure and governance are built. This is to ingrain the expected values and principles of conduct that shape the behaviour and attitude of employees at all levels of business and activity across the Bank.

Risk and compliance policies are clearly defined, consistently communicated and continuously reinforced throughout the Bank to embed a robust culture that cultivates active identification, assessment and mitigation of risks. As part of the risk and compliance culture, the Bank has instilled a culture where the Board, Senior Management and employees are committed to adhere to the requirements of relevant laws, rules and regulations. This commitment is clearly demonstrated through the establishment and strengthening of policies, processes and controls in managing and preventing non-compliances.

Risk and compliance culture programmes are emplaced amongst others, value capsules, induction programmes, engagement sessions, e-Learnings and roadshows. An integrated assurance platform is also emplaced to provide a single, collective view of risk controls, compliance and governance. This ensures that risk considerations are embraced by all employees in enhancing customer experience, building trust and brand value of the Bank for long-term sustainability of the organisation.

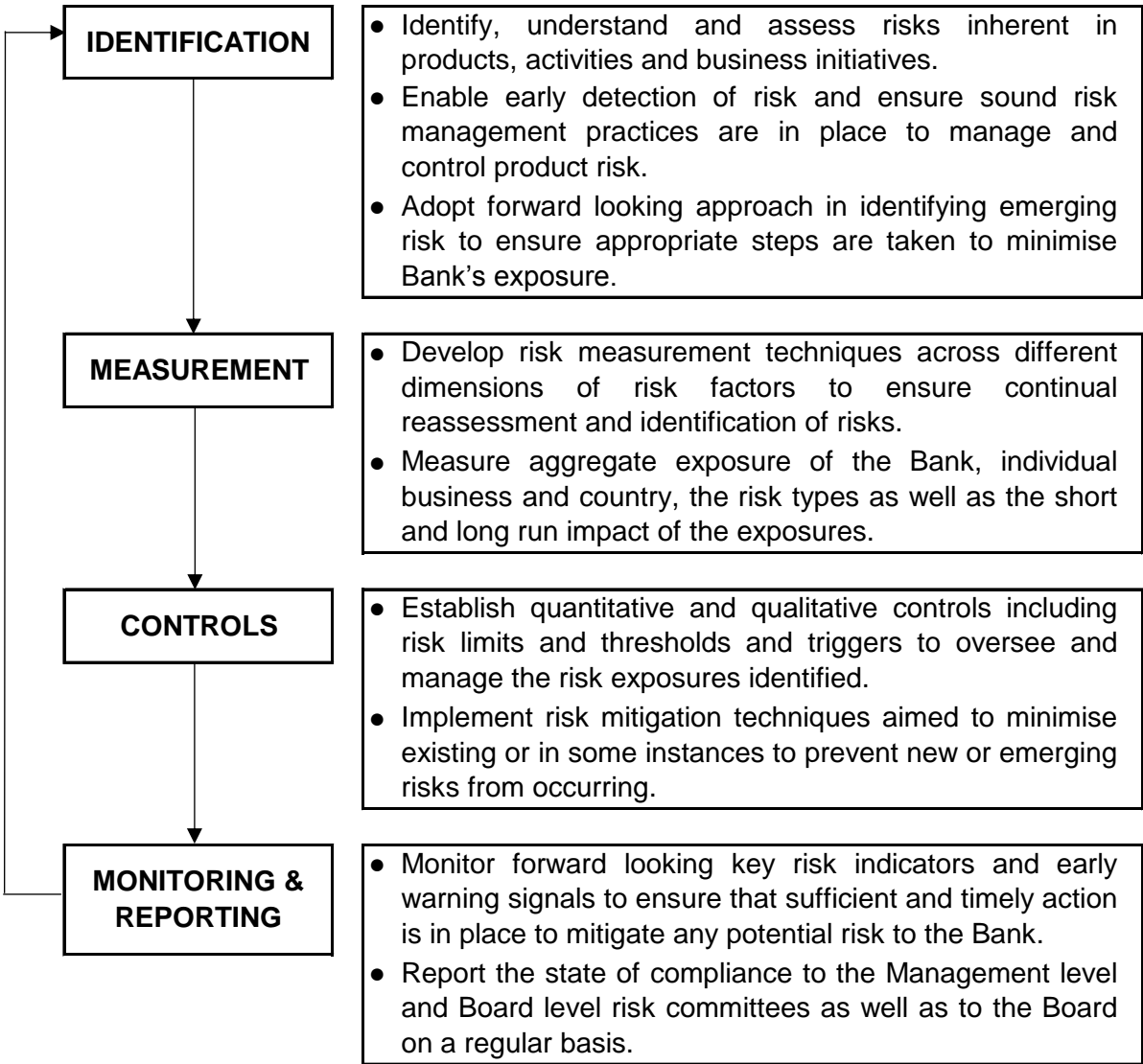
Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Risk management practices and processes

The risk management practices and processes enable systematic identification, measurement, control, monitoring and reporting of risk exposures across the Bank.



**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Compliance framework

The Framework provides the key principles and guidelines for managing Compliance Risk. It serves as a guide for Compliance function alongside Board of Directors, senior management and all employees in understanding, complying and managing compliance risk. It is adopted and implemented across by operating entities across the Group.

The Framework outlines:

- The overarching principles for the management of compliance risk;
- The overall strategy in managing compliance risk to ensure uniformity in practices across the Group in meeting regulatory and legal obligations;
- The minimum expected standards for compliance risk management; and
- The roles and responsibilities of compliance risk management across the Group.

Compliance Oversight within MIB

The Bank promotes a compliance culture that inculcates a sense of responsibility in our employees to be in compliance with all relevant laws and regulations; while the business is conducted ethically and we proactively play our part in maintaining public confidence in the financial system. MIB Compliance as the second line of defence provides the oversight on the compliance matters within MIB, in terms of giving advice and guidance, where appropriate.

Key Roles	Description
Regulatory Management	Provide guidance and advice on the proper application and interpretation of regulatory requirements applicable to its business lines including identifying gaps and appropriate action plans.
Compliance Assessment	Compliance assessment helps to identify the applicable regulations that associated with the particular projects/initiatives initiated by the Bank prior to the implementation.

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Compliance Oversight within MIB (cont'd.)

Key Roles	Description
Compliance Monitoring and Mitigation	In order to keep abreast with the changes in regulatory requirements, it is important to maintain close ties with domestic and foreign regulatory bodies to keep up-to-date as and when there are changes with the requirements and the industry best practice globally.
Compliance Reporting	<p>A key aspect of the role of compliance function is to assist the Board and Senior Management in discharging its oversight functions through management reporting.</p> <p>Compliance issues including incidences of non-compliance and deficiencies, corrective measures and information are promptly updated in the monthly Compliance Report to facilitate the Board and Senior Management having a holistic and overall view of all compliance matters across Maybank Group.</p>
Shariah Compliance	Conducts regular assessment on the compliance of the operations, business, affairs and activities of the Bank with Shariah requirements (under Shariah Review function).

MIB Compliance will continue to enhance its capability to ensure that new and existing regulations are complied with and expectations from regulators are met.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Shariah Governance Framework

Maybank Group Shariah Governance Framework sets out expectations for the effective Shariah governance structures, processes and arrangements of all businesses that execute Islamic business transactions. The framework was established in accordance with BNM's Shariah Governance Policy document. This is to ensure that all of its operations and business activities are in accordance with the Shariah principles as well as to provide comprehensive guidance to the Board, Shariah Committee and Management in discharging their duties in matters relating to Shariah.

The Shariah Governance Framework reflects the responsibility of the Board, Management, Shariah Committee and Shariah control functions, namely, Shariah Risk, Shariah Review and Shariah Audit to ensure effective management of Shariah Non-Compliance risks. The end-to-end Shariah-compliant governance mechanism is executed through three lines of defence that cater for both pre-execution and post-execution. The three lines of defence are as follows:

- 1st - Business and Support Units, Shariah Management and Shariah Secretariat;
- 2nd - Shariah Risk and Shariah Review; and
- 3rd - Shariah Audit

Stress Test

The stress testing programme is embedded within risk and capital management process and is also a key function of the business planning process. It serves as a forward looking tool to facilitate the understanding of risk profiles under extreme but plausible events that may be contributed by various factors such as economic, political and environmental as well as to ascertain the impact to the Bank and how this can be proactively managed.

The current initiative of an integrated stress testing application enhances stress testing capabilities with on-demand generation of risk profiles under various scenarios.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Responsible Lending

Our long term financial success depends upon our ability to not only identify and address environmental, social and governance ("ESG") issues that present risks to our business but more importantly, to identify areas of opportunities for our businesses as well as our customers to grow sustainably. With this, and premised on the guiding principles of ESG risk management which are embedded in the Environmental, Social and Governance Risk Management Framework (ESG Risk Management Framework), we continuously review and enhance our ESG practices by working with our stakeholders to drive sustainable business activities. As part of enhancing our ESG practices, the Bank takes a proactive approach to incorporate ESG considerations into business processes in a meaningful way by developing ESG Risk Acceptance Criteria for high ESG risk industries. ESG interventions are managed by the ESG Industry Scrum teams, which work with industry players and clients to promote understanding of the ESG impacts and identify opportunities to integrate sustainability into clients' business practices.

Cyber and technology risk management frameworks

The Cyber Risk Management Framework has been established based on the standards issued by National Institute of Standards and Technology ("NIST") and guidance issued by regulatory bodies which emphasise on identifying risks, building resilience, detecting cyber threats and responding effectively to cyber related events. The framework encompasses the cyber risk management strategy, governance structure and risk management enablers. It complements the Technology Risk Management Framework and covers both Business and Technology drivers from an end-to-end perspective, focusing on the key layers of People, Process and Technology.

The Technology Risk Management Framework sets out the standards for identifying the risks and required controls in the organisation's technology-related functionalities and for taking the appropriate risk remedial actions. This is established to standardise the technology operations environment, which will help to increase the level of service delivered to customers as well as the business units. For both frameworks, separate assessments have been established to measure compliance and identify gaps. Additionally, an assessment has been established for outsourced vendor security controls and practices.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include:

- **Organisation Structure**

The Board has established an organisation structure with clearly defined lines of responsibility, authority limits and accountabilities, aligned with business and operations requirements to support the maintenance of a strong control environment.

- **Annual Business Plan and Budget**

The Board deliberates and approves the annual business plan and budget for the year. The performance achievements are reviewed monthly against the targeted results, allowing time for the appropriate responses and required remedial actions to be taken. The Board regularly reviews reports from the management on key operational statistics, as well as legal and regulatory matters.

- **Oversight by Audit Committee of the Board**

The ACB assists the Board in the execution of its governance and oversight responsibilities, as well as to ensure that there is a reliable and transparent financial reporting process within the Group. The responsibilities include assessment of the adequacy and effectiveness of the Bank's governance, risk management and internal control system through the Internal Audit function. The ACB has active oversight of the independence, scope of work and resources of the Internal Audit. The ACB meets periodically to review audit and investigation reports prepared by Internal Audit, taking into consideration the corresponding Internal Audit Committee ("IAC")'s deliberation of the same report. Significant control lapses are escalated by the ACB to the Board for further deliberation, where necessary. As for the unresolved audit findings, the ACB deliberates on them and ensure that the management undertakes the necessary remedial actions within the committed timeline.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Oversight by Risk Management Committee**

The Board has delegated the risk oversight responsibility to the Risk Management Committee ("RMC"). The committee is responsible for formulating policies and frameworks to identify, measure, monitor, manage and control the material risk components impacting the businesses. The effectiveness of the risk management system is monitored and evaluated by the Risk Management function at the Entity and Group level on an on-going basis.

- **Oversight by Compliance Committee of the Board**

The Board is assisted by the Compliance Committee of the Board ("CCB") in the oversight of compliance risk. The overall objective of the CCB is to ensure that compliance risk management is given the needed attention at the highest level to ensure regulatory compliance risk is effectively managed to support business growth in line with the Bank's aspirations and risk appetite. The role of the CCB, amongst others, is to review and assess the adequacy of infrastructure, resources and systems to manage compliance risk across the Bank and recommend improvement to ensure effectiveness of the compliance framework.

Further information on the roles and responsibilities of the CCB can be found in the Corporate Governance Report ("CG Report") which is available on Maybank's corporate website at www.maybank.com.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Other Board Committees**

There are other Board level Committees that assist the Board in executing its overall governance responsibilities and oversight function. They are the Board Investment Committee, as well as Maybank Group Board level Committees i.e. Credit Review Committee, Board Sustainability Committee, and Nomination and Remuneration Committee. These Committees are authorised to examine all matters within the scope defined in their respective terms of reference.

- **Executive Level Management Committees**

There are various Executive Level Management Committees ("ELC"s) assisting and supporting the various Board Committees in overseeing the core areas of business operations and controls. These ELCs include the Group Executive Committee, Group Client Onboarding and Review Committee, Group Management Credit Committee, Group Executive Risk Committee, Group Asset and Liability Management Committee, EXCO Sustainability Committee, Group Non-Financial Risk Committee, Group Procurement and Property Committee, Group IT Steering Committee, Group Transformation Steering Committee, Group Internal Audit Committee, Group Staff Committee and Whistleblowing Governance Committee.

- **Management of Information Assets**

Confidentiality, integrity and availability of information are critical to the day-to-day operations and to facilitate management decision-making. The Group Information Risk Management Guidelines outline the guiding principles for an effective management of information assets. All information must be properly managed, controlled and protected as guided by these information handling rules which are also within the Cyber and Technology Risk Management Frameworks.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Management of Information Assets (cont'd.)**

With the increased adoption of technology capabilities and the increasing risk of cyber threats, information security has been among the key focus areas. Technology controls are applied at various stages of the information cycle. Amongst the controls is Data Loss Protection to protect and prevent the potential of data loss or theft.

Technology infrastructure and security controls continue to be strengthened and monitored as the Bank embraces mobile work arrangements following COVID-19 pandemic outbreak. Clear desk policy is reinforced in the primary, alternative or mobile work arrangement site(s) to protect confidential and proprietary information.

- **Sustainability Management**

Premised on the mission of Humanising Financial Services, the Group has established the Maybank Group Sustainability Framework to serve as the overarching document outlining the sustainability mission, principles, goals, targets, governance and approach to all our activities. It is supported by other policies and procedures which represent the values we uphold. The framework reflects the six key principles and four commitments which are entwined with the 2025 Strategy, whereby sustainability is one of the Group's three strategic priorities. The sustainability strategy covers three key pillars, which are: Responsible Transition; Enabling Our Communities with a Vision of the Future; and Our House is in Order and We Walk the Talk. This involves:

- (1) Enabling the transition to a low-carbon economy and balancing environmental and social imperatives with stakeholders' expectation;
- (2) Building community resilience across ASEAN and undertaking responsive action to promote economic development and social well-being; and
- (3) Leading by example with good management practices and ensuring that the ESG strategy is based on a strong foundation.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Sustainability Management (cont'd.)**

In line with our effort to solidify our commitment and seriousness towards embedding sustainability in everything that we do, the Group has also established the EXCO Sustainability Committee which is chaired by the Group President & CEO. Concurrently, the Board Sustainability Committee, chaired by our Group Chairman, has been set up to oversee the Group's overall strategy on sustainability and review the effectiveness of the strategies and practices in place.

- **Regular Updates and Communication of Risk Management Principles, Policies, Procedures and Practices**

Risk management principles, policies, procedures and practices are reviewed and updated regularly to ensure relevance to the current business environment as well as compliance with current/applicable laws and regulations. MIB has a dedicated risk management function to facilitate establishment and review of these documents and ensure their implementation within the Bank.

- **Standard Practice Instruction**

Policies and procedures are in place to ensure compliance with internal controls and the prescribed laws and regulations. These policies and procedures are set out in the Group's Standard Practice Instructions ("SPI"s) and are updated from time to time in accordance with changes to the business environment or regulatory guidelines. These SPIs are published on the communication portal, which is made available to all employees.

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Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Maybank Group People Policies**

The Maybank Group People Policies ("MGPP") serves as a baseline with clarity on the philosophy and principles for people management and development in the Group. It incorporates key principles and philosophies that support the Group's mission of Humanising Financial Services. The MGPP consists of a set of policies and guidelines that govern all aspects of human resource management, from talent acquisition and development, performance and consequence management and code of conduct to cessation of employment. A Disciplinary Policy is also established to provide a structure where disciplinary matters are dealt with fairly, consistently and in line with the prevailing labour laws and employment regulations.

Due to the COVID-19 pandemic and as a requirement by Business Continuity Management ("BCM") in anticipation of future pandemics, Maybank has introduced a Mobile Work Arrangement Policy. The policy reflects the overall mobile working arrangement that will enable the organisation to balance its objectives of achieving a highly productive and harmonious work environment that is responsive to the changing professional and personal needs of today's workforce, while taking into account business and organisational needs to ensure business continuity and sustainability. The policy enables employees to work from home, on-site and at split locations. It is a bilateral agreement between Maybank and the employees which offers mutually-beneficial outcomes for both parties. Various controls and engagements are put in place to actively manage and ensure employees under the Mobile Work Arrangement continue to be supported. Being a disciplined and tracked arrangement, employees are assigned an agreed Management Model which includes agreed expectations and outcomes, minimum weekly scheduled physical/virtual check-ins and performance updates reflected in the myHR2u Conversation Log.

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Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Core Values and Code of Ethics and Conduct**

MIB observes the Islamic code and values. The Shariah is the overarching principle steering the Bank at all times in all its businesses and operations. In addition, the Maybank Group's core values, T.I.G.E.R. (Teamwork, Integrity, Growth, Excellence and Efficiency, Relationship Building) are the essential guiding principles to drive behavioural ethics while fulfilling our collective responsibility to serve our mission of Humanising Financial Services. It is further complemented by the Code of Ethics and Conduct that sets out sound principles and standards of good practice observed by all.

- **Fraud Management**

The Bank instils a culture of vigilance amongst employees in handling and combating fraud as well as to deter future occurrences. Robust and comprehensive tools/ infrastructure and programmes are emplaced to ensure risks resulting from fraud are identified, escalated/reported and managed in a decisive and timely manner. Stern disciplinary action is taken against employees involved in fraud.

- **Reputational Risk Management**

The Bank adopts a holistic approach and sound governance in managing reputational risk and to institutionalise awareness and its consequences. Protecting our reputation is paramount to operating as an institution providing financial services. Upholding trust and creating better customer experience and security are vital parts of our obligations as a financial institution. Hence, policy is in placed with roles and responsibilities of key stakeholders and processes, such as monitoring of social media sentiment, to facilitate an effective reputational risk management and monitoring of risk exposures to be within the risk appetite.

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Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Whistleblowing Policy**

The Bank is committed to the highest standard of ethics and integrity in its conduct of business and operations. Maybank Group Whistleblowing Policy and Procedures encapsulates the governance and standards to promote an ethical, responsible and secure whistleblowing practice in the Bank in line with the requirements of BNM's Corporate Governance Policy. The Policy and Procedures provides a proper and secured avenue for the employees and members of the public to report any knowledge of improper conduct in good faith, without fearing any adverse consequences.

The access to whistleblowing information is governed with strictest confidentiality under the oversight of an Independent Non-Executive Director of the Board.

- **Anti-Bribery and Corruption Policy**

The Bank adopts a zero tolerance approach against all forms of bribery and corruption in carrying out its daily operations. Maybank Group complies with the Malaysian Anti-Corruption Commission Act 2009, as well as other laws and regulations in the countries where we operate. The Maybank Group Anti-Bribery & Corruption Policy and Procedures sets out the guiding principles for the Bank to address and manage bribery and corruption risks in all its dealings within and outside the Bank.

- **Financial Crime Compliance**

The Bank is committed to fight financial crimes and ensure compliance with the relevant laws and regulations. Financial crime risks are managed to protect the integrity and reputation of the Bank. The Bank has established comprehensive controls to anticipate, prevent, detect and respond to money laundering terrorist financing and sanctions risks.

Corporate governance (cont'd.)

2. Internal control framework (cont'd.)

Risk Management And Internal Control System (cont'd.)

Internal Control System (cont'd.)

The key elements of the internal control system established by the Board that provides effective governance and oversight of internal controls include (cont'd.):

- **Independent Assurance by Internal Audit**

The Board established the Internal Audit function to provide independent assurance on the adequacy and effectiveness of risk management, control, anti-corruption, whistle-blowing and governance processes. The Internal Audit function is independent from the activities and operations of other operating units within the Group. It is led by the Group Chief Audit Executive, who reports functionally to the ACB and administratively to the Group President & Chief Executive Officer ("GPCEO"). Internal Audit processes and activities are guided by the Audit Charter and governed by relevant regulatory guidelines, the Group's Code of Ethics and mandatory guidance established under the International Professional Practices Framework by The Institute of Internal Auditors ("The IIA").

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Corporate governance (cont'd.)

3. Remuneration

Rewards and remuneration

Our remuneration and rewards philosophy is aligned with our business strategies and values, fostering a performance-oriented and prudent risk management culture that delivers long-term sustainable returns to stakeholders. We have in place a comprehensive Total Rewards system which is a critical component of the integrated Talent Management framework that guides us to effect “Reward Right” principles to drive positive outcomes and deliver exponential business results responsibly. The system not only supports Maybank Group’s strategy and business plan, it is also critical to improving employee productivity and engagement. Focusing on the right compensation, benefits and development support inspires our employees to achieve their personal and professional aspirations.

Environmental, Social and Governance (“ESG”) elements are inculcated in various aspects of our Total Rewards management through proper governance, performance measurement standards and risk management considerations. Governed by sound principles, our remuneration policies and practices are reviewed periodically to ensure alignment with regulatory requirements and to reinforce a high-performance culture. The aim is to attract, motivate and retain talents through market competitiveness and responsible values.

Components of remuneration

Our holistic Total Rewards Framework comprises three main elements, namely Total Compensation, Benefits & Well-Being and Development & Career Opportunities.

i) Total compensation:

Maybank Group’s Compensation Policy ensures our employees receive salaries on par with the market. In addition to fixed pay, we offer differentiated compensation that are competitive in the form of variable bonus and a long-term incentive award (for eligible senior management and above). Employee’s compensation is reviewed annually and is geared towards retaining, motivating and rewarding our employees.

Targeted Pay Mix levels (Fixed Pay and Variable Pay (i.e. Variable Bonus and Long-term Incentive Award)) have been designed to align with the long-term performance goals and objectives of the organisation. The compensation framework provides a balanced approach between fixed and variable components that change according to the performance of the Group, business/corporate function and individual.

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Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Components of remuneration (cont'd.)

i) Total compensation (cont'd.):

Fixed Pay	Variable Pay	
	Variable Bonus	Long-term Incentive Award
<ul style="list-style-type: none"> Attract and retain talent by providing competitive and equitable level of pay. Reviewed annually in a holistic approach through internal and external benchmarking against relevant peers/locations, with consideration of market dynamics, individual responsibilities, functions/roles, performance, skillsets, and competency. 	<ul style="list-style-type: none"> Reinforce a pay-for-performance culture and adherence to Maybank Group's Core Values, T.I.G.E.R. Variable cash award aligned with risk management and the Maybank's long-term performance goals through our deferral and claw-back policies. Based on the overall performance of the Maybank, business/corporate function and individual. Premised on the Balanced Scorecard ("BSC") comprising financial and non-financial KPIs tailored to drive desired behaviours and performance in creating long-term shareholder value. In FY2021, we have incorporated ESG-related KPIs in the Maybank BSC and individual BSC which reflects our commitment to develop and drive compelling ESG values to generate sustainable and superior long-term results. 	<ul style="list-style-type: none"> Comprises a significant component of senior management's total compensation with the intent to drive sustainable, longer-term risk management and to meet the Bank's M25 Strategy.

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Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Components of remuneration (cont'd.)

i) Total compensation (cont'd.):

Fixed Pay	Variable Pay	
	Variable Bonus	Long-term Incentive Award
	<p>Deferral Policy:</p> <ul style="list-style-type: none"> Any Variable Bonus in excess of certain thresholds will be deferred over a period of time. A deferred Variable Bonus will lapse immediately upon termination of employment (including resignation) except in the event of ill health, disability, redundancy, retirement or death. <p>Clawback Provision:</p> <ul style="list-style-type: none"> Maybank’s Board has the right to make adjustments or clawbacks to any Variable Bonus or Long-term Incentive Award if deemed appropriate based on risk management issues, financial misstatement, fraud, gross negligence or wilful misconduct. 	

ii) Benefits & Well-being

Employee benefits are integral to our Total Rewards management. ESG values and M25 objectives have been embedded in our employee benefits and are priorities in our rewards management.

Maybank’s benefits programme offers financial protection, healthcare, paid time-off, financing at preferential rates and work-life integration support is reviewed periodically to remain competitive and reflect evolving trends in a rapidly changing business environment. We embrace a holistic, sustainable way of working that considers our employees’ physical, mental and emotional well-being, financial needs, social needs, career development and opportunities to allow them to achieve higher levels of competencies and professionalism.

Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Components of remuneration (cont'd.)

iii) Development and career opportunities

In line with our strong learning culture, we continue to deploy best-in-class learning and development programmes that are flexible and customisable to nurture our employees at all levels for long-term relevance, competitive advantage and growth.

Employees are encouraged to assume personal ownership of their development by upgrading their skills and taking on stretch assignments as well as expanded responsibilities.

Long-term incentive award

Employees' Shares Grant Plan

In December 2018, Maybank rolled out the Employees' Share Grant Plan ("ESGP") under the Long-Term Incentive Award to replace a previous scheme that expired in June 2018. The ESGP, valid for seven years, serves as a long-term incentive for eligible talents and senior management.

Vesting eligibility of the ESGP is subject to fulfilment of the ESGP vesting conditions as well as meeting performance criteria at the Maybank Group and individual levels. The first ESGP Award that was granted in December 2018 has vested in December 2021. The fourth ESGP Award, granted in September 2021, will vest in 2024.

Governance and controls – remuneration practice

Our remuneration policies and practices comply with all statutory and regulatory requirements, and are strengthened by sound risk management and controls, ensuring remuneration practices are carried out responsibly.

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Governance and controls – remuneration practice (cont'd.)

The Bank has strong internal governance on the performance and remuneration of control functions which are measured and assessed independently of the business units to avoid any conflict of interest. The remuneration of employees in control functions are predominantly fixed to reflect the nature of their responsibilities. Annual reviews of their compensation are benchmarked internally and against the market to ensure they are competitive.

Based on sound Performance Management principles, our Key Performance Indicators ("KPIs") continue to focus on outcomes and are aligned with our business plans. Each of the Senior Officers and Other Material Risk Takers ("OMRTs") carries Risk, Governance and Compliance goals in his/her individual scorecards which are cascaded accordingly. The right KPI setting continues to shape our organisational culture while driving risk and compliance agendas effectively. Inputs from control functions and Board Committees are incorporated into the respective functional area and individual performance results.

Senior Officers and Other Material Risk Takers

The remuneration of Senior Officers and OMRTs are reviewed annually and submitted to the Nomination and Remuneration Committee for recommendation to the Board for approval.

The remuneration of Maybank Islamic's Senior Officers and OMRTs in financial year ended 31 December 2021 is summarised in the table below:

Total value of remuneration awards for the financial year	Senior Officers [^]	
	Unrestricted RM	Deferred RM
Fixed remuneration		
- Cash-based	7,001,654	-
Variable remuneration		
- Cash-based	2,721,813	-
- Shares and share-linked instruments*	837,159 [^]	-

Maybank Islamic Berhad
(Incorporated in Malaysia)

Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Senior Officers and Other Material Risk Takers (cont'd.)

The remuneration of Maybank Islamic's Senior Officers and OMRTs in financial year ended 31 December 2021 is summarised in the table below (cont'd.):

Total value of remuneration awards for the financial year	OMRTs	
	Unrestricted RM	Deferred RM
Fixed remuneration		
- Cash-based	376,615	-
Variable remuneration		
- Cash-based	650,680	476,000
- Shares and share-linked instruments*	32,680 [^]	-
Definition	Senior Officers of the Group are defined as Members of the Group Executive Committee (EXCO); Group Chief Compliance Officer; Group Chief Audit Executive and Group General Counsel and Company Secretary.	
	OMRTs are defined as employees who can materially commit or control significant amounts of a financial institution's resources, or whose actions are likely to have a significant impact on its risk profile, or those among the most highly remunerated officers.	

Notes:

- * In FY2021, a total of 217,000 and 19,000 units of Maybank shares (for On Target performance levels) under Maybank Group Employees' Share Grant Plan (ESGP)/Cash-settled Employees' Share Grant Plan (CESGP) were awarded to 10 Senior Officers and 1 OMRT respectively. The number of ESGP/CESGP units to be vested/paid by 2024 is conditional upon the said employees fulfilling the vesting/payment criteria.

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**Maybank Islamic Berhad
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Corporate governance (cont'd.)

3. Remuneration (cont'd.)

Senior Officers and Other Material Risk Takers (cont'd.)

The remuneration of Maybank Islamic's Senior Officers and OMRTs in financial year ended 31 December 2021 is summarised in the table below (cont'd.):

- [^] A total of 106,700 units of ESGP/CESGP granted in December 2018 were vested to 10 Senior Officers (102,700 units) and 1 OMRT (4,000 units) in December 2021. ESGP values is based on statutory guidelines for taxable gains calculation and CESGP value is based on volume weighted average market price (VWAMP) for the five (5) market days immediately preceding the CESGP vesting date.

**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Shariah Committee's report

In the name of Allah, the Most Compassionate, the Most Merciful

All praise is due to Allah, the Cherisher of the Worlds, and peace and blessings be upon the Prophet of Allah, on his family and all his companions.

'Assalamualaikum warahmatullahi wabarakatuh'

To the shareholder, depositors and customers of Maybank Islamic Berhad ("the Bank"):

We, the members of the Shariah Committee of the Bank ("the Committee"), do hereby confirm that we have reviewed the principles and the contracts relating to the transactions and applications introduced by the Bank from 1 January 2021 until 31 December 2021. During the year, the Committee had convened 28 times inclusive of 4 special meetings and all members have satisfied the minimum attendance requirement required as per paragraph 11.4 of the BNM's Shariah Governance Policy Document which requires a Committee member to attend personally at least 75% of the Committee meetings held in each financial year.

We have provided the Shariah advisory services on various aspects to the Bank in order to ensure compliance with applicable Shariah principles as well as the relevant resolutions and rulings made by the Shariah Advisory Councils of the regulatory bodies.

The Bank has carried out Shariah audit performed by the Internal Audit Division and Shariah review by the Shariah Review and Compliance department throughout the organisation and the reports were deliberated in the Committee meetings. The Bank has organised a region-wide Shariah training program to enhance Shariah compliance awareness throughout the organisation.

The Bank's management is responsible for ensuring that the Bank conducts its business in accordance with Shariah rules and principles. It is our responsibility to form an independent opinion, based on our review of the operations of the Bank and to report to you.

We are of the opinion that:

- (a) The new products, business initiatives and enhanced processes introduced by the Bank during the year ended 31 December 2021, that we have reviewed are in compliance with the Shariah rules and principles;
- (b) Subject to paragraph (e) below, the contracts, transactions and dealings entered into by the Bank during the year ended 31 December 2021, that we have reviewed are in compliance with the Shariah rules and principles;

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Shariah Committee's report (cont'd.)

- (c) The main funding sources and investments of the Bank disclosed to us conform to the basis that had been approved by us in accordance with the Shariah rules and principles;
- (d) 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;
- (e) The Shariah non-compliant events and disposal of any earnings from prohibited sources/means by the Bank during the year ended 31 December 2021 had been rectified as disclosed in Note 45;
- (f) The financial statements of the Bank for the year ended 31 December 2021 together with the calculation of zakat disclosed to us are in compliance with the Shariah rules and principles;
- (g) Nothing has come to our attention that causes the Bank to believe that the operations, business, affairs and activities of the Bank involve any material Shariah non-compliances; and
- (h) To the best of our knowledge and belief that the information provided is true and accurate.

We beg Allah SWT to grant us wisdom, strength and humility to perform our tasks in the best possible way and Allah knows best.



Assoc. Prof. Dr. Aznan bin Hasan
Chairman of the Committee



Dr. Azrul Azlan bin Iskandar Mirza
Member of the Committee

Kuala Lumpur, Malaysia
22 February 2022

Co. Reg. No.: 200701029411

**Independent auditors' report to the member of
Maybank Islamic Berhad
(Incorporated in Malaysia)**

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Maybank Islamic Berhad ("the Bank"), which comprise the statement of financial position as at 31 December 2021, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 67 to 251.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2021, and of its financial performance and cash flows for the 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 opinion.

Independence and other ethical responsibilities

We are independent 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 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 information included in the directors' report and corporate governance, but does not include the financial statements of the Bank and our auditors' report thereon.

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

Co. Reg. No.: 200701029411

**Independent auditors' report to the member of
Maybank Islamic Berhad (cont'd.)
(Incorporated in Malaysia)**

Information other than the financial statements and auditors' report thereon (cont'd.)

In connection with our audit of the financial statements 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 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 on the directors' report.

Responsibilities of the directors for the financial statements

The directors of the Bank are responsible for the preparation of financial statements 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 Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Bank, the directors are responsible for assessing 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 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 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.

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**Independent auditors' report to the member of
Maybank Islamic Berhad (cont'd.)
(Incorporated in Malaysia)**

Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

- Identify and assess the risks of material misstatement of the financial statements 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 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 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 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 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 Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Bank, including the disclosures, and whether the financial statements of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.


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.

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Independent auditors' report to the member of
Maybank Islamic Berhad (cont'd.)
(Incorporated in Malaysia)

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



Muhammad Sya'rizal Bin Abdul Rahim
No.03157/01/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
22 February 2022

Maybank Islamic Berhad
(Incorporated in Malaysia)
Statement of financial position as at 31 December 2021

	Note	2021 RM'000	2020 RM'000
Assets			
Cash and short-term funds	5	12,123,992	9,890,517
Deposits and placements with banks and other financial institutions	6	3,000,157	-
Financial assets purchased under resale agreements	7	10,420,749	3,625,611
Financial investments at fair value through profit or loss	8(i)	784,302	-
Financial investments at fair value through other comprehensive income	8(ii)	15,082,779	18,453,139
Financial investments at amortised cost	8(iii)	22,867,781	16,381,007
Financing and advances	9	192,465,717	203,666,875
Derivative assets	10	117,420	385,303
Other assets	11	4,804,475	2,804,924
Statutory deposit with Bank Negara Malaysia	12	20,447	12,591
Property, plant and equipment	13	546	979
Right-of-use assets	14	6,126	9,901
Deferred tax assets	19	190,616	-
Total assets		261,885,107	255,230,847
Liabilities			
Customers' funding:			
- Deposits from customers	15	179,514,918	165,268,246
- Investment accounts of customers ¹	16	28,720,799	23,840,796
Deposits and placements of banks and other financial institutions	17	24,186,628	38,770,852
Bills and acceptances payable		19,561	38,086
Derivative liabilities	10	177,545	656,302
Other liabilities	18	1,521,121	339,080
Provision for zakat		27,544	14,373
Term funding	20	10,923,177	10,895,058
Subordinated sukuk	21	2,021,814	2,028,303
Capital securities	22	1,002,441	1,002,441
Deferred tax liabilities	19	-	449,812
Total liabilities		248,115,548	243,303,349

¹ Investment accounts of customers are used to fund financing and advances as disclosed in Note 9.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of financial position as at 31 December 2021 (cont'd.)

	Note	2021 RM'000	2020 RM'000
Equity attributable to equity holder of the Bank			
Share capital	23	10,322,374	7,929,444
Retained profits	24	3,247,267	2,756,457
Other reserves	24	199,918	1,241,597
		<u>13,769,559</u>	<u>11,927,498</u>
Total liabilities and shareholder's equity		<u>261,885,107</u>	<u>255,230,847</u>
Restricted investment accounts managed by the Bank	16	<u>30,147,795</u>	-
Total Islamic banking assets owned and managed by the Bank		<u>292,032,902</u>	<u>255,230,847</u>
Commitments and contingencies	39	<u>83,982,957</u>	<u>76,524,814</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Maybank Islamic Berhad
(Incorporated in Malaysia)

Income statement
For the year ended 31 December 2021

	Note	2021 RM'000	2020 RM'000
Income derived from investment of depositors' funds	25	8,811,464	8,577,690
Income derived from investment of investment account funds	26	951,680	1,008,062
Income derived from investment of shareholder's funds	27	506,671	411,548
Allowances for impairment losses on financing and advances, net	28	(524,543)	(928,878)
Writeback of/(allowances for) impairment losses on financial investments, net	29	241,111	(253,252)
Allowances for impairment losses on other financial assets, net	30	(5,629)	(1,452)
Total distributable income		9,980,754	8,813,718
Profit share income from investment accounts		85	-
Profit distributed to depositors	31	(3,472,144)	(4,361,490)
Profit distributed to investment account holders		(289,503)	(370,986)
Total net income		6,219,192	4,081,242
Overhead expenses	32	(1,660,118)	(1,595,737)
Finance cost	34	(409,401)	(482,323)
Profit before taxation and zakat		4,149,673	2,003,182
Taxation	35	(1,007,119)	(478,886)
Zakat		(25,533)	(13,248)
Profit for the year		3,117,021	1,511,048
Earnings per share attributable to equity holder of the Bank - basic/diluted (sen)	36	808.4	429.8

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of comprehensive income
For the year ended 31 December 2021

	Note	2021 RM'000	2020 RM'000
Profit for the year		3,117,021	1,511,048
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net (loss)/gain on foreign exchange translation		(451)	321
Net (loss)/gain on financial investments at fair value through other comprehensive income		(567,768)	306,702
- Net (loss)/gain from change in fair value		(744,977)	399,934
- Changes in expected credit losses		(1,585)	2,752
- Income tax effect	19	178,794	(95,984)
Other comprehensive (loss)/income for the financial year, net of tax		(568,219)	307,023
Total comprehensive income for the year, net of tax		2,548,802	1,818,071
Total comprehensive income attributable to:			
Equity holder of the Bank		2,548,802	1,818,071

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of changes in equity
For the year ended 31 December 2021

	<----- Non-distributable ----->					Distributable	
	Share capital (Note 23) RM'000	Equity contribution from the holding company (Note 24) RM'000	Fair value through other comprehensive income reserve (Note 24) RM'000	Regulatory reserve (Note 24) RM'000	Exchange fluctuation reserve (Note 24) RM'000	Retained profits (Note 24) RM'000	Total equity RM'000
At 1 January 2021	7,929,444	1,697	645,023	594,474	403	2,756,457	11,927,498
Profit for the year	-	-	-	-	-	3,117,021	3,117,021
Other comprehensive loss	-	-	(567,768)	-	(451)	-	(568,219)
Total comprehensive (loss)/income for the year	-	-	(567,768)	-	(451)	3,117,021	2,548,802
Transfer from regulatory reserve	-	-	-	(473,460)	-	473,460	-
Issue of ordinary shares (Note 23)	2,392,930	-	-	-	-	-	2,392,930
Dividend on ordinary shares (Note 37)	-	-	-	-	-	(3,099,671)	(3,099,671)
Total transactions with shareholder/ other equity movements	2,392,930	-	-	(473,460)	-	(2,626,211)	(706,741)
At 31 December 2021	10,322,374	1,697	77,255	121,014	(48)	3,247,267	13,769,559

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Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of changes in equity (cont'd.)
For the year ended 31 December 2021 (cont'd.)

	<----- Non-distributable ----->					Distributable	
	Share capital (Note 23) RM'000	Equity contribution from the holding company (Note 24) RM'000	Fair value through other comprehensive income reserve (Note 24) RM'000	Regulatory reserve (Note 24) RM'000	Exchange fluctuation reserve (Note 24) RM'000	Retained profits (Note 24) RM'000	Total equity RM'000
At 1 January 2020	7,197,398	1,697	338,321	846,497	82	2,457,477	10,841,472
Profit for the year	-	-	-	-	-	1,511,048	1,511,048
Other comprehensive income	-	-	306,702	-	321	-	307,023
Total comprehensive income for the year	-	-	306,702	-	321	1,511,048	1,818,071
Transfer from regulatory reserve	-	-	-	(252,023)	-	252,023	-
Issue of ordinary shares (Note 23)	732,046	-	-	-	-	-	732,046
Dividend on ordinary shares (Note 37)	-	-	-	-	-	(1,464,091)	(1,464,091)
Total transactions with shareholder/ other equity movements	732,046	-	-	(252,023)	-	(1,212,068)	(732,045)
At 31 December 2020	7,929,444	1,697	645,023	594,474	403	2,756,457	11,927,498

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of cash flows
For the year ended 31 December 2021

	2021	2020
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation and zakat	4,149,673	2,003,182
Adjustments for:		
Amortisation of premiums, net	55,478	31,983
Allowances for impairment losses on financing and advances, net	598,721	1,019,200
(Writeback of)/allowances for impairment losses on financial investments, net	(241,111)	253,252
Allowances for impairment losses on other financial assets, net	5,629	1,452
Modification loss on contractual cash flows arising from financial assets	106,838	240,920
Depreciation of property, plant and equipment	446	505
Depreciation of right-of-use assets	2,503	3,129
Finance cost on lease liabilities	297	398
Unrealised (gains)/losses on revaluation of derivatives	(1,456)	15,203
Unrealised (gains)/losses on revaluation of financial investments at fair value through profit or loss	(1,417)	674
Gains on disposal of financial investments at fair value through other comprehensive income	(73,199)	(101,270)
Gains on disposal of financial investments at fair value through profit or loss	(2,819)	(8,829)
Gains on redemption of financial investments at amortised cost	(889)	-
Losses/(gains) on foreign exchange translations	11,183	(97,821)
ESGP expenses	2,903	2,066
Finance cost	409,401	482,323
Operating profit before working capital changes	5,022,181	3,846,367
Change in deposits and placements with banks and other financial institutions	(3,000,157)	-
Change in financial assets purchased under resale agreements	(6,800,767)	(3,627,063)
Change in financial investments portfolio	(9,706,258)	(9,268,095)
Change in financing and advances	(14,329,256)	(15,155,806)
Change in derivative assets and liabilities	(209,418)	234,536
Change in other assets	(2,427,278)	937,068
Change in statutory deposit with Bank Negara Malaysia	(7,856)	4,229,446
Change in deposits from customers	14,246,672	4,229,106
Brought forward	(17,212,137)	(14,574,441)

Maybank Islamic Berhad
(Incorporated in Malaysia)

Statement of cash flows (cont'd.)
For the year ended 31 December 2021

	2021	2020
	RM'000	RM'000
Carried forward	(17,212,137)	(14,574,441)
Change in deposits and placements of banks and other financial institutions	14,916,552	41,028
Change in investment accounts of customers	5,515,840	3,103,126
Change in bills and acceptances payable	(18,525)	(99,807)
Change in other liabilities	1,181,684	168,381
Cash generated from/(used in) operating activities	4,383,414	(11,361,713)
Taxes and zakat paid	(1,052,569)	(237,239)
Net cash generated from/(used in) operating activities	3,330,845	(11,598,952)
Cash flows from investing activities		
Purchase of property, plant and equipment	(15)	(3)
Net cash used in investing activities	(15)	(3)
Cash flows from financing activities		
Proceeds from issuance of shares	2,392,930	732,046
Dividend paid on ordinary shares	(3,099,671)	(1,464,091)
Dividend paid for capital securities	(49,500)	(49,364)
Dividend paid for subordinated sukuk	(82,647)	(91,759)
(Redemption)/drawdown of term funding	(2,270)	1,115,919
Dividend paid for term funding	(253,354)	(453,790)
Repayment of lease liabilities	(2,843)	(2,728)
Net cash used in financing activities	(1,097,355)	(213,767)
Net increase/(decrease) in cash and cash equivalents	2,233,475	(11,812,722)
Cash and cash equivalents at beginning of year	9,890,517	21,703,239
Cash and cash equivalents at end of year	12,123,992	9,890,517
Cash and cash equivalents comprise:		
Cash and short term funds (Note 5)	12,123,992	9,890,517

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**Maybank Islamic Berhad
(Incorporated in Malaysia)**

Notes to the financial statements - 31 December 2021

1. Corporate information

The Bank is a public limited liability company, incorporated on 5 September 2007 and domiciled in Malaysia. The registered office of the Bank is located at 15th Floor, Tower A Dataran Maybank, 1, Jalan Maarof, 59000 Kuala Lumpur.

The Bank is principally engaged in the business of Islamic Banking and the provision of related financial services. There were no significant changes in these activities during the financial year.

The holding company of the Bank is Malayan Banking Berhad ("Maybank"), a licensed bank incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

These financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 22 February 2022.

2. Accounting policies

2.1 Basis of preparation and presentation of the financial statements

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

The financial statements of the Bank has been prepared under the historical cost basis unless otherwise indicated in the summary of significant accounting policies disclosed in Note 2.2.

The Bank presents the statement of financial position in the order of liquidity.

Financial assets and financial liabilities are offset and the net amounts are reported in the statement of financial position of the Bank only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously. Income and expenses are not offset in the income statement of the Bank unless required or permitted by an accounting standard or interpretation, and as specifically disclosed in the accounting policies of the Bank.

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

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies

(i) Financial assets

(a) Date of recognition

All financial assets are initially recognised on the trade date i.e. the date that 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 established by regulation or convention in the market place.

All financial assets are measured initially at their fair value plus directly attributable transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

The Bank classifies all of its financial assets based on the business model for managing the assets and the asset's contractual cash flow characteristics.

(b) Initial recognition and subsequent measurement

i) Business model

The Bank determines its business model at the level that best reflects how groups of financial assets are managed to achieve its business objective.

The Bank does not assess the business model 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 portfolio and the financial assets held within that business model are evaluated and reported to the 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 Bank's assessment.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

i) Business model (cont'd.)

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 Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model, but incorporate such information when assessing newly originated or newly purchased financial assets going forward.

ii) The solely payments of principal and profit ("SPPP") test

Upon determination of business model, the Bank will assess 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).

The most significant elements of profit within a financing arrangement are typically the consideration for the time value of money and credit risk. In making the SPPP assessment, the Bank applies judgement and consider 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 fair value through profit or loss.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

Included in financial assets are the following:

- Amortised cost, as explained in Note 2.2(i)(b)(1);
- Fair value through other comprehensive income ("FVOCI"), as explained in Note 2.2(i)(b)(2); and
- Fair value through profit or loss ("FVTPL"), as explained in Note 2.2(i)(b)(3).

(1) Financial assets at amortised cost

The Bank measures financial assets at amortised cost if both of 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 flows that are solely payments of principal and profit on the principal amount outstanding.

Included in financial assets at amortised cost are cash and short-term funds, deposits and placements with financial institutions, financial assets purchased under resale agreements, financial investments and financing and advances as disclosed in the respective notes to the financial statements.

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

The Bank measures financial assets at FVOCI when both of the following conditions are met:

- The instrument is held within a business model, the objective of which is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial assets meet the SPPP test.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

(2) Fair value through other comprehensive income ("FVOCI") (cont'd.)

Financial assets at FVOCI are subsequently measured at fair value with gains and losses arising due to changes in fair value recognised in Other Comprehensive Income ("OCI"). Finance income and foreign exchange gains and losses are recognised in profit or loss in the same manner as for financial assets measured at amortised cost. Where the Bank hold more than one investment in the same security, they are deemed to be disposed-off on a first-in, first-out basis. On derecognition, cumulative gains or losses previously recognised in OCI are reclassified from OCI to profit or loss.

Equity instruments are normally measured at FVTPL. However, for non-traded equity instruments, with an irrevocable option at inception, the Bank measure the changes through FVOCI (without recycling profit or loss upon derecognition).

Included in financial asset FVOCI are financial investments and financing and advances to customers.

(3) Financial assets at fair value through profit or loss ("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. The Bank designates an instrument at FVTPL upon initial recognition when one of the following criteria are 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.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

(3) Financial assets at fair value through profit or loss ("FVTPL") (cont'd.)

Included in financial assets at FVTPL are financial investments and derivatives.

Subsequent to initial recognition, financial assets designated at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recognised in the income statement under the caption of 'other operating income'.

(c) Derecognition

A financial asset is derecognised when there is substantial modification of terms and conditions or factors other than substantial modification.

(1) Derecognition due to substantial modification of terms and conditions

The Bank derecognises a financial asset, such as a financing to a customer, when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new financing with the difference recognised as a derecognition gain or loss, to the extent that an impairment loss has not already been recorded.

The newly recognised financing are classified as Stage 1 for Expected Credit Losses ("ECL") measurement purposes, unless the new financing is deemed to be purchased or originated credit-impaired ("POCI").

If the modification does not result in cash flows that are substantially different, the modification does not result in derecognition. Based on the change in cash flows discounted at the original effective profit rate ("EPR"), the Bank records a modification gain or loss, to the extent that an impairment loss has not already been recorded.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(c) Derecognition (cont'd.)

(2) Derecognition other than for substantial modification

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- (i) The rights to receive cash flows from the financial asset have expired; or
- (ii) The transfer of financial asset is as set out below and the transfer qualifies for derecognition.

The Bank has transferred the financial asset if, and only if, either:

- The Bank has transferred its contractual rights to receive cash flows from the financial asset; or
- It retains the rights to the cash flows, but has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement.

Pass-through arrangements are transactions whereby the Bank retains the contractual rights to receive the cash flows of a financial asset (the 'original asset'), but assume a contractual obligation to pay those cash flows to one or more entities (the 'eventual recipients'), when all of the following three conditions are met:

- The Bank has no obligation to pay amounts to the eventual recipients unless it has collected equivalent amounts from the original asset, excluding short-term advances with the right to full recovery of the amount financed plus accrued profit at market rates;
- The Bank cannot sell or pledge the original asset other than as security to the eventual recipients; and
- The Bank has to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the Bank is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents including profit earned, during the period between the collection date and the date of required remittance to the eventual recipients.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(c) Derecognition (cont'd.)

(2) Derecognition other than for substantial modification (cont'd.)

A transfer only qualifies for derecognition if either the Bank has:

- Transferred substantially all the risks and rewards of the asset; or
- Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Bank considers control to be transferred if and only if, the transferee has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without imposing additional restrictions on the transfer.

When the Bank has neither transferred nor retained substantially all the risks and rewards and has retained control of the asset, the asset continues to be recognised only to the extent of the Bank's continuing involvement, in which case, the Bank also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflect the rights and obligations that the Bank has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration the Bank could be required to pay.

If continuing involvement takes the form of a written or purchased option (or both) on the transferred asset, the continuing involvement is measured at the value the Bank would be required to pay upon repurchase. In the case of a written put option on an asset that is measured at fair value, the extent of the entity's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(d) Impairment of financial assets

The MFRS 9 impairment requirements are based on an ECL model. The ECL model applies to financial assets measured at amortised cost or at FVOCI, irrevocable financing commitments and financial guarantee contracts, which include financing and advances and debt instruments held by the Bank. The ECL model also applies to contract assets under MFRS 15 *Revenue from Contracts with Customers* and lease receivables under MFRS 16 *Leases*.

The measurement of ECL involves increased complexity and judgement that include:

- (i) Determining a significant increase in credit risk since initial recognition ("SICR")

The assessment of SICR is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The Bank performed quantitative and qualitative assessments to determine the SICR by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.

The Bank applies a three-stage approach based on the change in credit quality since initial recognition:

3-Stage approach	Stage 1	Stage 2	Stage 3
	Performing	Under-performing	Non-performing
ECL Approach	12-month ECL	Lifetime ECL	Lifetime ECL
Criterion	No significant increase in credit risk	Credit risk increased significantly	Credit-impaired assets
Recognition of profit income	On gross carrying amount	On gross carrying amount	On net carrying amount

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(d) Impairment of financial assets (cont'd.)

(ii) ECL Measurement

There are three main components to measure ECL which are a probability of default model ("PD"), a loss given default model ("LGD") and an exposure at default model ("EAD"). The model is to leverage as much as possible on the Bank's existing Basel II models and perform the required adjustments to produce MFRS 9 compliant model.

MFRS 9 does not distinguish between individual assessment and collective assessment. Therefore, the Bank has decided to continue to measure the impairment mainly on an individual transaction basis for financial assets that are deemed to be individually significant, and collectively assess for other financial assets.

(iii) Expected life

Lifetime ECL must be measured over the expected life. This is restricted to the maximum contractual life and takes into account expected prepayment, extension, call and similar options, except for certain revolving financial instruments such as credit cards and cashline. The expected life for these revolving facilities generally refers to its behavioural life.

(iv) Debt instruments at FVOCI

The ECL 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.

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2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(d) Impairment of financial assets (cont'd.)

(v) Forward-looking information

ECL measurement is based on unbiased probability-weighted credit losses determined by evaluating a range of possible outcomes and considering future economic conditions. The reasonable and supportable forward-looking information is obtained on the Maybank Group's and the Bank's research arm, Maybank Investment Banking Group ("MIBG"). MIBG research's assumptions and analysis are based on the collation of macroeconomic data obtained from various sources such as, but not limited to regulators, government and foreign ministries as well as independent research organisations.

Where applicable, the Bank incorporates forward-looking adjustments in credit risk factors of PD and LGD used in ECL calculation; taking into account the impact of multiple probability-weighted future forecast economic scenarios.

Embedded in ECL is a broad range of forward-looking information as economic inputs, such as:

- Gross Domestic Product ("GDP") growth;
- Unemployment rates;
- House Price indices; and
- Bank Negara Malaysia ("BNM") policy rates.

The Bank applies the following three alternatives macroeconomic scenarios to reflect an unbiased probability-weighted range of possible future outcomes in estimating ECL:

Base scenario: This scenario reflects that current macroeconomic conditions continue to prevail; and

Upside and Downside scenarios: These scenarios are set relative to the base scenario, reflecting best and worst-case macroeconomic conditions based on subject matter expert's best judgement of current economic conditions.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(d) Impairment of financial assets (cont'd.)

(vi) Valuation of collateral held as security for financial assets

The Bank's valuation policy for collateral assigned to its financial assets are dependent on its financing arrangements.

(e) Modification of financing

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

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

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(i) Financial assets (cont'd.)

(e) Modification of financing (cont'd.)

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

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

(f) Reclassification of financial assets

Reclassification of financial assets is permissible when and only when there is change in business model for managing financial assets.

The Bank does not consider the following changes in circumstances as reclassifications:

- An item that was previously a designated and effective hedging instrument in a cash flow hedge or net investment hedge no longer qualifies as such;
- An item becomes a designated and effective hedging instrument in a cash flow hedge or net investment hedge; and
- Changes in measurement where the Bank adopt fair value option.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(ii) Financial liabilities

(a) Date of recognition

All financial liabilities are initially recognised on the trade date i.e. the date that the Bank becomes a party to the contractual provision of the instruments. This includes regular way trades: purchases or sales of financial liabilities that require settlement of liabilities within the time frame generally established by regulation or convention in the market place.

(b) Initial recognition and subsequent measurement

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability. All financial liabilities are measured initially at fair value plus directly attributable transaction costs.

(1) Other financial liabilities

The Bank's other financial liabilities include deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, debt securities (including term funding), payables, bills and acceptances payable and other liabilities.

(1) Deposits from customers, investment accounts of customers and deposits and placements of banks and other financial institutions

Deposits from customers, investment accounts of customers and deposits and placements of banks and other financial institutions are stated at placement values. Profit expense of deposits from customers, investment accounts of customers and deposits and placements from banks and other financial institutions measured at amortised cost is recognised using the effective yield method.

(2) Debt securities

Debt securities issued by the Bank are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Bank's debt securities issued consist of subordinated sukuk, capital securities and term funding.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(ii) Financial liabilities (cont'd.)

(b) Initial recognition and subsequent measurement (cont'd.)

(1) Other financial liabilities (cont'd.)

(2) Debt securities (cont'd.)

These debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Bank to make cash payments of either principal or profit or both to holders of the debt securities and that the Bank is contractually obliged to settle the financial instrument in cash or another financial instrument.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost, with any difference between proceeds net of transaction costs and the redemption value being recognised in the income statement over the period of the term fundings on an effective yield method.

(3) Payables

Payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective yield method.

(4) Bills and acceptances payable

Bills and acceptances payable represent the Bank's own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are measured at amortised cost using the effective yield method.

(5) Other liabilities

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

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(ii) Financial liabilities (cont'd.)

(c) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying amount of the original financial liability and the consideration paid is recognised in the income statement.

(iii) Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position of the Bank if there is a current legal enforceable right to offset the recognised amount and there is an intention to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The financial assets and financial liabilities of the Bank that are subject to offsetting, enforceable master netting arrangements and similar agreements are disclosed in Note 42.

(iv) Derivative financial instruments and hedge accounting

(a) Derivative financial instruments

The Bank trades derivatives such as profit rate swaps, foreign exchange swaps, forward foreign exchange contracts and options on profit rates and foreign currencies.

Derivative financial instruments are initially recognised at fair value. For non-option derivatives, their fair value are normally zero or negligible at inception. For purchased or written options, their fair value are equivalent to the market premium paid or received. The derivatives are subsequently remeasured at their fair value. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques that include discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statement.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(iv) Derivative instruments and hedge accounting (cont'd.)

(b) Hedge accounting

The Bank uses derivative instruments to manage exposures to profit rate, foreign currency and credit risks. In order to manage these particular risks, the Bank applies hedge accounting for transactions which meet specified criteria.

At the inception of the hedge relationship, the Bank formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the risk management objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship at inception and on ongoing basis.

(v) Embedded derivatives

Embedded derivatives in financial assets are not separated from a host financial asset are classified based on the business model and their contractual terms as outlined in Note 2.2(i).

Derivatives embedded in financial liabilities and in non-financial host contracts are treated as separate derivatives and recorded at fair value if their economic characteristic and risk are not closely related to those of the host contract is not itself held for trading or designated at FVTPL. The embedded derivatives separated from the host are carried at fair value in the trading portfolio with changes in fair value recognised in the income statement.

(vi) Resale and repurchase agreements

Securities purchased under resale agreements are securities which the Bank purchased with a commitment to resell at future dates. The commitments to resell the securities are reflected as assets on the statement of financial position. The difference between the purchase and resale prices is recognised in the income statement under the caption of 'income derived from investment of depositors' funds/shareholder's funds' and is accrued over the life of the agreement using the effective yield method.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(vii) Property, plant and equipment and depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset, if and only if, it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably.

Subsequent to initial recognition, all items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any. When significant parts of property, plant and equipment are required to be replaced in intervals, the Bank recognises such parts as individual assets with specific useful lives and depreciate them accordingly. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in the income statements as incurred.

Depreciation of other property, plant and equipment is computed on a straight-line basis over its estimated useful life at the following annual rates:

Office furniture, fittings, equipment and renovations	10% - 25%
Computers and peripherals	14% - 25%
Motor vehicles	20% - 25%

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year end and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the income statement.

Details of property, plant and equipment of the Bank are disclosed in Note 13.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(viii) Other assets

Included in other assets are other debtors, prepayments and deposits and tax recoverable.

Other assets are carried at anticipated realisable values. An estimate is made for doubtful debts based on a review of all outstanding balances as at the reporting date. Bad debts are written-off when identified.

(ix) Cash and short-term funds

Cash and short-term funds in the statement of financial position comprise cash balances and deposits with financial institutions and money at call with a maturity of one month or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents comprise of cash and short-term funds and deposits and placements with financial institutions, with the original maturity of three (3) months or less.

(x) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If there is such indication or when annual impairment testing for an asset is required, the Bank estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit ("CGU")'s fair value less costs to sell and its value-in-use ("VIU"). When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered to be impaired and is written down to its recoverable amount.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(x) Impairment of non-financial assets (cont'd.)

The Bank bases its VIU calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Bank's CGU to which the individual assets are allocated. In assessing VIU, 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. In determining fair value less costs to sell, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

For other non-financial assets, an assessment is made at each reporting date as to whether any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Bank estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceeds the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement.

(xi) Provisions

Provisions are recognised when the Bank has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xi) Provisions (cont'd.)

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. Any increases in the provision due to the passage of time is recognised in the income statement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Where it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed and recognised in income statement.

(xii) Foreign currencies

(a) Functional and presentation currency

The financial statements are presented in Ringgit Malaysia ("RM") which is the Bank's functional and presentation currency.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Bank and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates.

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rate of exchange at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in the income statement.

Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the spot exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the spot exchange rates at the date when the fair value was determined.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xii) Foreign currencies (cont'd.)

(b) Foreign currency transactions and balances (cont'd.)

Exchange differences arising on the translation of non-monetary items carried at fair value are included in the income statement for the financial year except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income.

(xiii) Income and deferred taxes

(a) Income tax

Current tax assets/recoverable and current tax liabilities/provisions 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.

Income taxes for the year comprises current and deferred taxes.

Current tax expense relating to items recognised directly in equity, is recognised in other comprehensive income or in equity and not in the income statements.

Details of income taxes for the Bank are disclosed in Note 35.

(b) Deferred tax

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xiii) Income and deferred taxes (cont'd.)

(b) Deferred tax (cont'd.)

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside income statement is recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Details of deferred tax assets and liabilities are disclosed in Note 19.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xiv) Zakat

This represents business zakat payable by the Bank to comply with the principle of Shariah. Zakat provision is calculated based on 'Shareholders' Equity with Adjustment' method, at 2.5%. The beneficiaries of the zakat fund are determined by the Zakat Committee and subject to the approval of the Shariah Committee.

(xv) Leases

(a) Classification

At inception of a contract, the Bank assesses whether a contract is, or contains, a lease arrangement based on whether the contract that conveys to the user (the lessee) the right to control the use of an identified asset for a period of time in exchange for consideration. If a contract contains more than one lease component, or a combination of leasing and services transactions, the consideration is allocated to each of these lease and non-lease components on conclusion and on each subsequent re-measurement of the contract on the basis of their relative stand-alone selling prices. The Bank combine lease and non-lease components, in cases where splitting the non-lease component is not possible.

(b) Recognition and initial measurement

(1) Bank as a lessee

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

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

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xv) Leases (cont'd.)

(b) Recognition and initial measurement (cont'd.)

(1) Bank as a lessee (cont'd.)

Right-of-use ("ROU") assets

The cost of ROU assets includes the amount of lease liabilities 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 term includes periods covered by an option to extend if the Bank is reasonably certain to exercise that option. Unless the Bank is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment assessment. The impairment policy for ROU assets are in accordance with impairment of non-financial assets as described in Note 2.2(x).

Lease liabilities

At the commencement date of the lease, the Bank recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payment includes fixed payments (less any lease incentive receivables), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

The lease payment also includes the exercise price of a purchase option reasonably certain to be exercised by the Bank and payments of penalties for terminating the lease, if the lease term reflects the Bank exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period in which the event or condition that triggers the payment occurs.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xv) Leases (cont'd.)

(b) Recognition and initial measurement (cont'd.)

(1) Bank as a lessee (cont'd.)

Lease liabilities (cont'd.)

In calculating the present value of lease payment, the Bank uses incremental funding rate at the commencement date if the profit rate implicit in the lease is not readily determinable. After the commencement date, the amount of the lease liabilities is increased to reflect the accretion of profit and reduced for the lease payment made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the fixed lease payment or a change in the assessment of an option to purchase the underlying asset.

(2) Short-term leases and leases of low-value assets

The Bank applies the short-term lease recognition exemption to its short-term leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. The Bank also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low-value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense when incurred.

(xvi) Fair value measurement

The Bank measures financial instruments such as financial investments at FVTPL, financial investments at FVOCI and derivatives at fair value at each statement of financial position date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

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2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xvi) Fair value measurement (cont'd.)

The principal or the most advantageous market must be accessible to the Bank.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Bank uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Bank determines whether transfers have occurred between fair value hierarchy levels by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The fair value hierarchies of financial instruments that are measured at fair value are disclosed in Note 41(c).

While the fair value hierarchies of financial instruments that are not measured at fair value, for which the fair value is disclosed are presented in Note 41(g).

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xvii) Income recognition

For all financial instruments measured at amortised cost and profit-bearing financial investments at FVTPL, financial investments at FVOCI, profit income for all profit-bearing financial instruments are recognised within finance income in the income statement using the effective yield method.

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

Profit on impaired financial assets is recognised using the rate of profit used to discount the future cash flows for the purpose of measuring the impairment loss.

Profit income and profit distributed to depositors from the business are recognised on an accrual basis in accordance with the principles of Shariah.

(xviii) Other operating income

Commitment and guarantee fees are recognised as income based on time apportionment basis.

Handling fees paid to motor vehicle dealers for Islamic hire purchase financing are amortised in the income statement over the tenure of the financing in accordance with BNM's Circular on "Accounting Treatment of Handling Fees for Hire Purchase Financing" dated 16 October 2006 and is set off against income recognised on the Islamic hire purchase financing.

(xix) Financing and related expense recognition

Finance cost and income attributable to deposits, investment accounts and term funding of the Bank are amortised using the effective yield method.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xx) Employee benefits

(a) Short-term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the income statement in the year in which the associated services are rendered by employees of the Bank. Short-term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short-term non-accumulating compensated absences such as sick leave are recognised as an expense in the income statement when the absences occur.

(b) Defined contribution plans

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement when incurred.

(c) Share-based compensation

(1) Employees' Share Grant Plan ("ESGP Shares")

The ESGP Shares is awarded to the eligible Executive Directors and employees of the participating Maybank Group excluding dormant subsidiaries. The ESGP Shares may be settled by way of issuance and transfer of new Maybank shares or cash at the absolute discretion of the ESGP Committee.

The total fair value of ESGP Shares granted to eligible employees is recognised as an employee cost with a corresponding increase in the reserve within equity over the vesting period and taking into account the probability that the ESGP Shares will vest. The fair value of ESGP Shares is measured at grant date, taking into account, the market and non-market vesting conditions upon which the ESGP Shares were granted.

Upon vesting of ESGP Shares, the Bank will recognise the impact of the actual numbers of ESGP Shares vested as compared to original estimates.

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2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xx) Employee benefits (cont'd.)

(c) Share-based compensation (cont'd.)

(2) Cash-settled Performance-based Employees' Share Grant Plan ("CESGP")

The CESGP is awarded to the eligible executive directors and employees of the participating Maybank Group, subject to achievement of performance criteria set out by the Board of Directors and prevailing market practices in the respective countries. Upon vesting, the cash amount equivalent to the value of the Maybank Reference Shares will be transferred to the eligible employees.

The total fair value of CESGP granted to eligible employees is recognised as an employee cost with a corresponding increase in the liability over the vesting period and taking into account the probability that the CESGP will vest. The fair value of CESGP is measured at grant date, taking into account, the market and non-market vesting conditions upon which the CESGP were granted.

Upon vesting of CESGP, the Bank will recognise the impact of the actual numbers of CESGP vested as compared to original estimates.

(xxi) Share capital and dividends declared

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

Dividends declared on ordinary shares are recognised as a liability and deducted from equity in the period in which all relevant approvals have been obtained.

(xxii) Contingent assets and contingent liabilities

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Bank. The Bank does not recognise contingent assets but discloses its existence when inflows of economic benefits are probable, but not virtually certain.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xxii) Contingent assets and contingent liabilities (cont'd.)

Contingent liabilities are possible obligations that arise from past events, whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Bank; or are present obligations that have arisen from past events but are not recognised because it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably. The Bank does not recognise contingent liabilities. Contingent liabilities are disclosed, unless the probability of outflow of economic benefits is remote.

(xxiii) Earnings per share ("EPS")

The Bank presents basic and diluted (where applicable) EPS for profit or loss from continuing operations attributable to the ordinary equity holder of the Bank on the face of the income statement.

Basic and diluted EPS are calculated by dividing the net profit attributable to equity holder of the Bank by the weighted average number of ordinary shares in issue during the financial year.

(xxiv) Restricted Profit Sharing Investment Accounts ("RPSIA")

RPSIA placements are used to fund specific financial assets and are based on the principle of Mudharabah whereby profits will be shared between the Bank as Mudharib and the investors as Rabbul Mal whereas losses shall be borne solely by the investors.

Before 31 December 2021, these placements by the holding company and the associated financial assets are recorded in the Bank's financial statements as its liabilities and assets in accordance with MFRS 9. Any impairment allowances required on the financial assets are not recognised in the income statement of the Bank but charged to and borne by the investors.

From 31 December 2021, these placements by the holding company and the associated financial assets are recorded off-balance sheet in the financial statements of the Bank upon the revision in agreement between the Bank and the holding company on the timing of cash flow remittance received from the financial assets to the investment account holders.

The Bank disclosed details of these placements and financial assets recorded as off-balance sheet items in Notes 8(iii), 9 and 16 in accordance with BNM's policy document on Financial Reporting for Islamic Banking Institution.

2. Accounting policies (cont'd.)

2.2 Summary of significant accounting policies (cont'd.)

(xxv) Financial assistance scheme

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

The benefit of a financing or a facility under a government scheme that addresses identified costs or expenses incurred by the Bank is recognised in the profit or loss in the same financial period when the costs or expenses are recognised, when the required conditions are fulfilled in accordance with MFRS 120 *Accounting for Government Grants and Disclosure of Government Assistance*.

2.3 Changes in accounting policies and disclosures

On 1 January 2021, the Bank adopted the following amendments to MFRS and annual improvements to MFRSs:

Description	Effective for annual periods beginning on or
Amendments to MFRS 4, MFRS 7, MFRS 9, MFRS 16 and MFRS 139 <i>Profit Rate Benchmark Reform (Phase 2)</i>	1 January 2021
Amendment to MFRS 16 <i>Leases COVID-19 Related Rent Concessions beyond 30 June 2021</i>	1 April 2021

Amendments to MFRS 4, MFRS 7, MFRS 9, MFRS 16 and MFRS 139 *Profit Rate Benchmark Reform (Phase 2)*

The amendments provide temporary relief which address the financial reporting effects when interbank offered rate ("IBOR") is replaced with an alternative nearly risk-free rate ("RFR").

2. Accounting policies (cont'd.)

2.3 Changes in accounting policies and disclosures (cont'd.)

Amendments to MFRS 4, MFRS 7, MFRS 9, MFRS 16 and MFRS 139 *Profit Rate Benchmark Reform (Phase 2)*(cont'd.)

The amendments provide a practical expedient whereby an entity would not derecognise or adjust the carrying amount of financial instruments for modifications required by profit rate benchmark reform, but would instead update the effective profit rate to reflect the change in the profit rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or changes made to the hedged item and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

The amendments are effective for annual reporting periods beginning on or after 1 January 2021, retrospectively in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, without the need to restate comparative information. Restatement of prior periods is permitted if, and only if, it is possible without the use of hindsight. Earlier application is permitted. These amendments do not have any significant impact to the financial statements of the Bank.

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

The amendment extends the availability of the practical expedient provided in 2020 where the amendment provides lessees with an option to treat qualifying COVID-19 related rent concession not as lease modification. Lessees may account the concession as a variable lease payment in the period it is granted. This practical expedient applies to rent concession that due on or before 30 June 2022.

The amendment applies to annual reporting periods beginning on or after 1 April 2021, which has been early adopted by the Bank. This amendment does not have any significant impact to the financial statements of the Bank.

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2. Accounting policies (cont'd.)

2.4 Significant changes in regulatory requirements

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

During the financial year ended 31 December 2021, BNM had announced the extension of regulatory measures to facilitate financing repayment assistance to customers affected by the COVID-19 pandemic in line with the Government economic stimulus packages.

The support measures include the following:

Targeted repayment assistance ("TRA") and moratorium

(a) Enhanced targeted repayment assistance under Perlindungan Ekonomi dan 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 can apply for 3-month deferment of instalment or a 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 (who are recipients of Bantuan Prihatin National ("BPN")) and microenterprises with financing facilities not more than RM150,000 that were approved on or before 30 September 2020 and not in arrears for more than 90 days.

(b) Targeted repayment assistance under Program Strategik Memperkasa Rakyat dan Ekonomi Tambahan ("PEMERKASA+")

TRA 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 facilities not more than RM150,000 that were approved on or before 30 June 2021 and not in arrears for more than 90 days. All affected customers may opt for 3-month deferment of instalment or a 50% reduction in their monthly instalment payment for a period of 6 months.

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2. Accounting policies (cont'd.)

2.4 Significant changes in regulatory requirements (cont'd.)

(i) Measures announced by Bank Negara Malaysia ("BNM") to assist individuals, small-medium enterprise ("SMEs") and microenterprises affected by COVID-19 (cont'd.)

The support measures include the following (cont'd.):

Targeted repayment assistance ("TRA") and moratorium (cont'd.)

(c) Six-month moratorium under Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH")

The six-month moratorium under PEMULIH was announced on 28 June 2021. The moratorium applies to ringgit and foreign currency denominated financing approved on or before 30 June 2021, not in arrears exceeding 90 days and customers must not be adjudicated bankrupts or under bankruptcy proceedings. All individuals, SMEs and microenterprises may opt for 6-month deferment of instalment or 50% reduction in their monthly instalment payment for a period of 6 months. There will be no compounding profit and any penalty profit during the moratorium period.

(d) Financial Management and Resilience Programme ("URUS")

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"), 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").

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2. Accounting policies (cont'd.)

2.4 Significant changes in regulatory requirements (cont'd.)

(i) Measures announced by Bank Negara Malaysia ("BNM") to assist individuals, small-medium enterprise ("SMEs") and microenterprises affected by COVID-19 (cont'd.)

The support measures include the following (cont'd.):

Targeted repayment assistance ("TRA") and moratorium (cont'd.)

(d) Financial Management and Resilience Programme ("URUS") (cont'd.)

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

- (i) A 3-month profit waiver, commencing the month following the customers' on boarding into the scheme; or
- (ii) A 3-month 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 credit cards.

Application for URUS is open from 15 November 2021 until 31 January 2022 for individual customers:

- (i) from B50 income segment (having gross household income of RM5,880 or lower based on definition by the Department of Statistics of Malaysia);
- (ii) that have experienced either loss of employment or reduction of income of at least 50%;
- (iii) under an existing repayment assistance programme (e.g. Targeted Repayment Assistance, PEMERKASA+, PEMULIH, the Bank's own rescheduling and restructuring, etc.) as at 30 September 2021; and
- (iv) whose financing is still performing (not in arrears exceeding 90 days) as at the date of their application.

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2. Accounting policies (cont'd.)

2.4 Significant changes in regulatory requirements (cont'd.)

(i) Measures announced by Bank Negara Malaysia ("BNM") to assist individuals, small-medium enterprise ("SMEs") and microenterprises affected by COVID-19 (cont'd.)

The support measures include the following (cont'd.):

Targeted repayment assistance ("TRA") and moratorium (cont'd.)

The financial impacts of the moratorium to the income statements of the Bank are as follows:

	2021	2020
	RM'000	RM'000
(i) Loss on modification of cash flows included in financing income	(106,838)	(689,084)
(ii) Benefits recognised under the various government schemes included in financing income (Note 20)	-	448,164
Net effects of (i) and (ii) included in financing income (Note 27(a))	<u>(106,838)</u>	<u>(240,920)</u>

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 SICR. The Bank will continue to apply judgement and perform more holistic assessment of all relevant indicators and information such as historical repayment and delinquency trend in determining SICR.

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

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2. Accounting policies (cont'd.)

2.4 Significant changes in regulatory requirements (cont'd.)

- (i) **Measures announced by Bank Negara Malaysia ("BNM") to assist individuals, small-medium enterprise ("SMEs") and microenterprises affected by COVID-19 (cont'd.)**

The support measures include the following (cont'd.):

Supervisory and Prudential Measures

During the financial year ended 31 December 2021, financial institutions are allowed to operate below the minimum Liquidity Coverage Ratio of 100%, lowered Net Stable Funding Ratio to 80% from 100%, draw down the capital conservation buffer of 2.5% and reduce the regulatory reserves held against expected losses to 0%. However, financial institutions are expected to restore their buffer to the minimum regulatory requirement by 30 September 2021.

As at 31 December 2021, the Bank did not opt for any of the prudential buffers.

3. Significant accounting judgements, estimates and assumptions

The preparation of the Bank's financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of income, expenses, assets, liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Although these estimates and judgements are based on management's best knowledge of current events and actions, actual results may differ. The most significant uses of judgements and estimates are as follows:

3.1 Going concern

The Bank's management has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, management is not aware of any material uncertainties that may cast significant doubt upon the Bank's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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3. Significant accounting judgements, estimates and assumptions (cont'd.)

3.2 Impairment of financial investments portfolio (Notes 8 and 29)

The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

In carrying out the impairment review, the following management's judgements are required:

- (i) Determination whether the investment is impaired based on certain indicators such as, amongst others, difficulties of the issuers or obligors, deterioration of the credit quality of the issuers or obligors; and
- (ii) Determination of ECL that reflect:
 - (a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
 - (b) The time value of money; and
 - (c) Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The overlays and post-model adjustments arising from COVID-19 pandemic 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 purposes. The impact is outlined in Note 3.6.

3.3 Deferred tax (Note 19) and income taxes (Note 35)

The Bank is subject to income taxes in Malaysia and significant judgement is required in estimating the provision for income taxes. There are many transactions and interpretations of tax law for which the final outcome will not be established until some time later. Liabilities for taxation are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the year in which the estimate is revised or the final liability is established.

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3. Significant accounting judgements, estimates and assumptions (cont'd.)

3.3 Deferred tax (Note 19) and income taxes (Note 35) (cont'd.)

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

3.4 Leases - renewal option

The Bank determines 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.

The Bank has the option, under some of its leases to lease the assets for additional terms of three to five years. The Bank applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the Bank reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (e.g., a change in business strategy). The Bank includes the renewal period as part of the lease term for leases of premises due to the significance of these assets to its operations.

3.5 Fair value estimation of financial investments at FVTPL (Note 8), financial investments at FVOCI (Note 8) and derivative financial instruments (Note 10)

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair values are measured using valuation techniques. Valuation techniques include the discounted cash flows method, option pricing models, credit models and other relevant valuation models.

The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Refer to Note 41 for further disclosures.

3. Significant accounting judgements, estimates and assumptions (cont'd.)

3.6 Impairment losses on financing and advances (Notes 9, 18 and 28)

The Bank reviews its individually significant financing and advances at each reporting date to assess whether an impairment loss should be recorded in the income statement. In particular, management's judgement is required in the estimation of the amount and timing of future cash flows when determining the impairment losses. In estimating these cash flows, the Bank makes judgements about the customer's financial situation and the net realisable value of collateral. These estimates are based on assumptions on a number of factors and actual results may differ, resulting in future changes to the allowances.

The Bank's ECL calculations under MFRS 9 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:

- (i) Internal credit grading model, which assigns PDs to the individual grades;
- (ii) Criteria for assessing possible significant increase in credit risk and qualitative information to determine if allowances should be measured using lifetime ECL basis;
- (iii) The segmentation of financial assets when their ECL is assessed on a collective basis;
- (iv) Development of ECL models, including the various formulas and the choice of inputs;
- (v) 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
- (vi) Selection of forward-looking macroeconomic scenarios and their probability weightings to derive the economic inputs into the ECL models.

3. Significant accounting judgements, estimates and assumptions (cont'd.)

3.6 Impairment losses on financing and advances (Notes 9, 18 and 28) (cont'd.)

Overlays and adjustments for ECL amid COVID-19 environment

As the current MFRS 9 models are not expected to generate levels of ECL with sufficient reliability in view of the unprecedented and on-going COVID-19 pandemic, overlays and post-model adjustments have been applied to determine a sufficient overall level of ECL as at 31 December 2021.

These overlays and post-model adjustments were taken to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact to delinquencies and defaults when the various relief and support measures expire.

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

The customers who have received repayment supports remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. The overlays and post-model adjustments were generally made at portfolio level in determining the sufficient level of ECL.

The impact of these post-model adjustments were estimated at both portfolio and vulnerable obligors level amounting to RM1,219.2 million (2020: RM800.0 million) for the Bank as at 31 December 2021.

This overlay includes impact assessment on impairment of financial investments portfolio outlined in Note 3.2.

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4. Standards and annual improvements to standards issued but not yet effective

The following are standards and annual improvements to standards issued by Malaysian Accounting Standards Board (“MASB”), but not yet effective, up to the date of issuance of the Bank’s financial statements. The Bank intends to adopt these standards and annual improvements to standards, if applicable, when they become effective:

Description	Effective for annual periods beginning on or after
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Provisions, Contingent Liabilities and Contingent Assets - Onerous Contract - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101 <i>Presentation of Financial Statements - Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 10 and MFRS 128: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

Annual Improvements to MFRS Standards 2018 - 2020

The amendments permit a subsidiary that elects to apply paragraph D13(a) of MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* to measure cumulative translation differences using the amounts reported by the parent, based on the parent’s date of transition to MFRS. The amendments are also applied to an associate or joint venture that elects to apply paragraph D13(a) of MFRS 1. The amendments are effective for annual reporting periods beginning on or after 1 January 2022 with earlier adoption permitted. The amendments are not expected to have any impact on the Bank’s financial statements.

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4. Standards and annual improvements to standards issued but not yet effective (cont'd.)

Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendments are effective for annual reporting periods beginning on or after 1 January 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment. The amendments are not expected to have any impact on the Bank's financial statements.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets - Onerous Contract - Cost of Fulfilling a Contract

The amendments clarify that the direct costs of fulfilling a contract include both the incremental costs of fulfilling the contract and an allocation of other costs directly related to fulfilling contracts. Before recognising a separate provision for an onerous contract, the entity recognises any impairment loss that has occurred on assets used in fulfilling the contract.

The amendments are to be applied prospectively in annual periods beginning on or after 1 January 2022, with earlier application permitted. The amendments are not expected to have any impact on the Bank's financial statements.

Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting Policies

The amendments require companies to disclose material accounting policies rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosure on MFRS applications.

The amendments explain that an accounting policy is material if, without it the users of the financial statements would be unable to understand other material information in the financial statements or/and when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decision that the primary users of general purpose financial statements make on the basis of those financial statements. Immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting information.

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4. Standards and annual improvements to standards issued but not yet effective (cont'd.)

Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting Policies (cont'd.)

The amendments are to be applied prospectively in annual periods beginning on or after 1 January 2023, earlier application is permitted. These amendments are not expected to have a significant impact on the preparation of the Bank's financial statements.

Amendments to MFRS 101 Classification of Liabilities as Current or Non-current

The amendments clarify the following:

- What is meant by a right to defer settlement;
- That a right to defer must exist at the end of the reporting period;
- That classification is unaffected by the likelihood that an entity will exercise its deferral right; and
- That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification.

The amendments are to be applied prospectively in annual periods beginning on or after 1 January 2023, with earlier application permitted. The amendments are not expected to have any impact on the Bank's financial statements.

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

The amendments redefined accounting estimates as "monetary amounts in financial statements that are subject to measurement uncertainty". These amendments provide clarity on how to distinguish changes in accounting policies from changes in accounting estimates. The amendments clarify that the effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate if the changes do not arise from prior period errors.

The distinction is important because changes in accounting estimates are applied prospectively but changes in accounting policies are applied retrospectively. The amendments are to be applied prospectively in annual periods beginning on or after 1 January 2023, earlier application is permitted. These amendments are not expected to have a significant impact on the preparation of the Bank's financial statements.

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**4. Standards and annual improvements to standards issued but not yet effective
(cont'd.)**

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

The amendments specify the treatment for deferred tax on transactions related to leases and decommissioning obligation. The amendments clarify that the initial recognition exemption set out in MFRS 112 does not apply to transactions that give rise to equal amounts of taxable and deductible temporary difference. The aim of the amendments is to reduce diversity in the reporting of deferred tax on leases and decommissioning obligations.

The amendments are to be applied prospectively in annual periods beginning on or after 1 January 2023, earlier application is permitted. These amendments are not expected to have a significant impact on the preparation of the Bank's financial statements.

Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify that:

- Gains and losses resulting from transactions involving assets that do not constitute a business, between investor and its associate or joint venture are recognised in the entity's financial statements only to the extent of unrelated investors' interests in the associate or joint venture; and
- Gains and losses resulting from transactions involving the sale or contribution of assets to an associate or a joint venture that constitute a business is recognised in full.

The amendments are to be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined by the MASB. Earlier application is permitted. These amendments are not expected to have any impact on the Bank.

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5. Cash and short-term funds

	2021	2020
	RM'000	RM'000
Cash and balances with banks and other financial institutions	267	43
Money at call and interbank placements with remaining maturity not exceeding one month	<u>12,123,725</u>	<u>9,890,474</u>
	<u>12,123,992</u>	<u>9,890,517</u>

6. Deposits and placements with banks and other financial institutions

	2021	2020
	RM'000	RM'000
Licensed banks	<u>3,000,157</u>	-
	<u>3,000,157</u>	<u>-</u>

7. Financial assets purchased under resale agreements

The financial assets purchased under resale agreements are as follows:

	Note	2021	2020
		RM'000	RM'000
Malaysian Government Investment Issues		9,662,381	3,627,063
Corporate Bonds and Sukuk		<u>765,449</u>	-
		<u>10,427,830</u>	<u>3,627,063</u>
Allowances for impairment losses	(i)	<u>(7,081)</u>	<u>(1,452)</u>
		<u>10,420,749</u>	<u>3,625,611</u>

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7. Financial assets purchased under resale agreements (cont'd.)

- (i) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial assets purchased under resale agreements are as follows:

As at 31 December 2021

Changes in the financial assets purchased under resale agreements for the Bank that contributed to the changes in the loss allowances during the financial year ended 31 December 2021 was mainly due to the following:

- The overall increase in the gross carrying amount for financial assets purchased under resale agreements was mainly contributed by new financial assets purchased which correspondingly increase the ECL allowances.

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2021	1,452	-	-	1,452
New financial assets purchased	7,081	-	-	7,081
Financial assets derecognised	(1,452)	-	-	(1,452)
At 31 December 2021	7,081	-	-	7,081

As at 31 December 2020

Changes in the financial assets purchased under resale agreements for the Bank that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2020 was mainly due to the following:

- The overall increase in the gross carrying amount for financial assets purchased under resale agreements was mainly contributed by new financial assets purchased which correspondingly increase the ECL allowances.

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2020	-	-	-	-
New financial assets purchased	1,452	-	-	1,452
At 31 December 2020	1,452	-	-	1,452

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8. Financial investments portfolio

	Note	2021 RM'000	2020 RM'000
Financial investments at fair value through profit or loss	(i)	784,302	-
Financial investments at fair value through other comprehensive income	(ii)	15,082,779	18,453,139
Financial investments at amortised cost	(iii)	22,867,781	16,381,007
		<u>38,734,862</u>	<u>34,834,146</u>

(i) Financial investments at fair value through profit or loss ("FVTPL")

	2021 RM'000	2020 RM'000
At fair value		
Money market instruments:		
Malaysian Government Treasury Bills	<u>659,118</u>	-
Unquoted securities:		
Outside Malaysia:		
Islamic Corporate Sukuk	<u>125,184</u>	-
Total financial investments at FVTPL	<u>784,302</u>	-

(ii) Financial investments at fair value through other comprehensive income ("FVOCI")

	Note	2021 RM'000	2020 RM'000
At fair value			
Money market instruments:			
Malaysian Government Investment Issues	(a)	10,848,583	13,473,916
Khazanah Sukuk		29,614	29,032
		<u>10,878,197</u>	<u>13,502,948</u>
Unquoted securities:			
In Malaysia:			
Corporate Sukuk	(b)	3,274,997	4,147,084
Government Sukuk		-	41,892
Equity		1,250	1,250
		<u>3,276,247</u>	<u>4,190,226</u>

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8. Financial investments portfolio (cont'd.)

(ii) Financial investments at fair value through other comprehensive income ("FVOCI") (cont'd.)

	2021	2020
	RM'000	RM'000
Unquoted securities (cont'd.):		
Outside Malaysia:		
Islamic Corporate Sukuk	<u>928,335</u>	<u>759,965</u>
	<u>4,204,582</u>	<u>4,950,191</u>
Total financial investments at FVOCI	<u>15,082,779</u>	<u>18,453,139</u>

(a) Included in the financial investments at FVOCI is the Malaysian Government Investment Issues which has been recognised as part of Statutory Reserve Account ("SRA") balance amounting to RM10.0 million (2020: RM5.0 million) for the Bank.

(b) As at 31 December 2021, the Corporate Sukuk funded by RPSIA amounting to RM343.8 million was recorded off-balance sheet in accordance with the accounting policy as disclosed in Note 2.2(xxiv).

(c) The maturity profile of money market instruments are as follows:

	2021	2020
	RM'000	RM'000
Within one year	584,570	158,839
One year to three years	3,880,036	5,251,253
Three years to five years	1,501,305	1,538,523
After five years	4,912,286	6,554,333
	<u>10,878,197</u>	<u>13,502,948</u>

(d) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at FVOCI are as follows:

As at 31 December 2021

Changes in the financial investments at FVOCI for the Bank that contributed to the changes in the loss allowances during the financial year ended 31 December 2021 was mainly due to the following:

- The overall decrease in the gross carrying amount of financial investments at FVOCI was mainly contributed by Malaysian Government Investment Issues ("GII") which did not attract loss allowances.

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8. Financial investments portfolio (cont'd.)

(ii) Financial investments at fair value through other comprehensive income ("FVOCI") (cont'd.)

- (d) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at FVOCI are as follows (cont'd.):

As at 31 December 2021 (cont'd.)

Changes in the financial investments at FVOCI for the Bank that contributed to the changes in the loss allowances during the financial year ended 31 December 2021 was mainly due to the following (cont'd.):

- The increase in the gross carrying amount of Foreign Islamic Corporate Sukuk due to new financial assets purchased during the year which correspondingly increase the ECL allowances.

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2021	2,812	551	-	3,363
Transferred to Stage 1	551	(551)	-	-
Net remeasurement of allowances	(114)	-	-	(114)
New financial assets purchased	2,923	-	-	2,923
Financial assets derecognised	(2,649)	-	-	(2,649)
Changes in models/ risk parameters	31	-	-	31
Exchange differences	78	-	-	78
At 31 December 2021	<u>3,632</u>	<u>-</u>	<u>-</u>	<u>3,632</u>

As at 31 December 2020

Changes in the financial investments at FVOCI for the Bank that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2020 was mainly due to the following:

- The overall increase in the gross carrying amount of financial investments at FVOCI was mainly contributed by Corporate Sukuk due to new financial assets purchased. The increase in the gross carrying amount resulted in corresponding increase in ECL allowances measured on a 12-month basis.

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8. Financial investments portfolio (cont'd.)**(ii) Financial investments at fair value through other comprehensive income ("FVOCI") (cont'd.)**

(d) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at FVOCI are as follows (cont'd.):

As at 31 December 2020 (cont'd.)

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2020	1,866	-	-	1,866
Transferred to Stage 2	(279)	279	-	-
Net remeasurement of allowances	246	272	-	518
New financial assets purchased	2,261	-	-	2,261
Financial assets derecognised	(1,142)	-	-	(1,142)
Changes in models/ risk parameters	(34)	-	-	(34)
Exchange differences	(106)	-	-	(106)
At 31 December 2020	<u>2,812</u>	<u>551</u>	<u>-</u>	<u>3,363</u>

(e) Equity instrument at FVOCI is as follows:

	2021 RM'000	2020 RM'000
Raeed Holdings Berhad	<u>1,250</u>	<u>1,250</u>

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8. Financial investments portfolio (cont'd.)**(iii) Financial investments at amortised cost**

	Note	2021 RM'000	2020 RM'000
At amortised cost			
Money market instruments:			
Malaysian Government Investment Issues	(a)	11,246,266	4,588,339
Khazanah Sukuk		826,400	932,288
		<u>12,072,666</u>	<u>5,520,627</u>
Unquoted securities:			
In Malaysia:			
Corporate Sukuk	(b)	10,823,470	11,130,024
Allowances for impairment losses	(d)	(28,355)	(269,644)
Total financial investments at amortised cost		<u>22,867,781</u>	<u>16,381,007</u>

(a) Included in financial investments at amortised cost is the Malaysian Government Investment Issues which has been recognised as part of SRA balance amounting to RM2,840.0 million (31 December 2020: RM2,845.0 million) for the Bank.

(b) As at 31 December 2020, included in the financial investments at amortised cost are Corporate Sukuk funded by RPSIA amounting to RM2,884.2 million.

Effective 31 December 2021, the Corporate Sukuk funded by RPSIA amounting to RM4,984.0 million was recorded off-balance sheet in accordance with the accounting policy as disclosed in Note 2.2(xxiv).

(c) The maturity profile of money market instruments are as follows:

	2021 RM'000	2020 RM'000
Within one year	582,677	129,399
One year to three years	1,123,916	1,072,518
Three years to five years	-	618,567
After five years	10,366,073	3,700,143
	<u>12,072,666</u>	<u>5,520,627</u>

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8. Financial investments portfolio (cont'd.)

(iii) Financial investments at amortised cost (cont'd.)

(d) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at amortised cost are as follows:

As at 31 December 2021

Changes in the financial investments at amortised cost for the Bank that contributed to the changes in the loss allowances during the financial year ended 31 December 2021 were mainly due to following:

- The overall increase in the gross carrying amount of financial investments at amortised cost was contributed by GII which did not attract loss allowances.
- The decrease in the gross carrying amount of Corporate Sukuk due to derecognition of financial assets during the financial year which correspondingly decrease ECL allowances.

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2021	38,379	231,265	-	269,644
Transferred to Stage 1	346	(346)	-	-
Net remeasurement of allowances	(17,119)	-	-	(17,119)
New financial assets purchased	1,636	-	-	1,636
Financial assets derecognised	(1,249)	(230,919)	-	(232,168)
Changes in models/ risk parameters	6,349	-	-	6,349
Exchange differences	13	-	-	13
At 31 December 2021	28,355	-	-	28,355

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8. Financial investments portfolio (cont'd.)

(iii) Financial investments at amortised cost (cont'd.)

(d) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financial investments at amortised cost are as follows (cont'd.):

As at 31 December 2020

Changes in the financial investments at amortised cost for the Bank that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2020 were mainly due to following:

- The increase in the gross carrying amount of financial investments at amortised cost was contributed by Corporate Sukuk, due to new financial assets purchased which correspondingly increased the ECL allowances.
- The increase in the ECL for Stage 2 was due to deterioration in credit risk which correspondingly increase the net remeasurement of allowances.

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2020	17,995	-	-	17,995
Transferred to Stage 2	(1,879)	1,879	-	-
Net remeasurement of allowances	16,628	229,386	-	246,014
New financial assets purchased	9,257	-	-	9,257
Financial assets derecognised	(3,695)	-	-	(3,695)
Changes in models/ risk parameters	73	-	-	73
At 31 December 2020	38,379	231,265	-	269,644

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9. Financing and advances

	2021	2020
	RM'000	RM'000
Financing and advances*:		
(A) Financing and advances at FVOCI	2,175,615	2,741,267
(B) Financing and advances at amortised cost	262,214,501	289,662,732
	264,390,116	292,403,999
Unearned income	(68,980,345)	(85,698,158)
Gross financing and advances	195,409,771	206,705,841
Allowances for ECL and impairment losses:		
- Stage 1 - 12-month ECL	(556,209)	(574,213)
- Stage 2 - Lifetime ECL not credit impaired	(1,678,410)	(1,209,931)
- Stage 3 - Lifetime ECL credit impaired	(709,435)	(1,254,822)
Net financing and advances	192,465,717	203,666,875

* As at 31 December 2020, included in the financing and advances are financial assets funded by RPSIA amounting to RM26,483.7 million. The expected credit losses relating to these financing amounting to RM446.6 million are reflected as a reduction in both financing and advances and deposits and placements of banks and other financial institutions as disclosed in Note 17.

Effective 31 December 2021, the financial and advances funded by RPSIA amounting to RM25,033.6 million was recorded off-balance sheet in accordance with the accounting policy as disclosed in Note 2.2(xxiv).

The gross exposure of the financing funded by investment accounts of customers ("IA") as at 31 December 2021 was RM28,720.8 million (2020: RM23,840.8 million).

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9. Financing and advances (cont'd.)

(i) Financing and advances analysed by type and Shariah concepts are as follows:

2021	Bai' ¹ RM'000	Murabahah RM'000	Musharakah RM'000	Al-Ijarah Thumma Al- Bai' ("AITAB") ² RM'000	Ijarah ³ RM'000	Others RM'000	Total financing and advances RM'000
Cashline	-	6,287,366	-	-	-	-	6,287,366
Term financing							
- House financing	12,828,267	81,673,329	1,719,726	-	-	602	96,221,924
- Syndicated financing	-	5,955,729	-	-	-	-	5,955,729
- Hire purchase receivables	-	11,676,586	-	36,500,533	-	-	48,177,119
- Lease receivables	-	-	-	-	815,909	-	815,909
- Other term financing	8,317,772	82,612,398	536,521	-	-	30,604	91,497,295
Trust receipts	-	132,385	-	-	-	-	132,385
Claims on customers under acceptance credits	-	5,227,288	-	-	-	-	5,227,288
Staff financing	340,773	2,357,766	7,330	156,719	-	36,492	2,899,080
Credit card receivables	-	-	-	-	-	1,355,004	1,355,004
Revolving credit	-	5,760,355	-	-	-	-	5,760,355
Share margin financing	-	55,212	-	-	-	-	55,212
Financing to:							
- Directors of the Bank	-	1,451	-	-	-	4	1,455
- Directors of related companies	-	3,570	-	300	-	125	3,995
	21,486,812	201,743,435	2,263,577	36,657,552	815,909	1,422,831	264,390,116
Unearned income							(68,980,345)
Gross financing and advances ⁴							195,409,771
Allowances for ECL and impairment losses:							
- Stage 1 - 12-month ECL							(556,209)
- Stage 2 - Lifetime ECL not credit impaired							(1,678,410)
- Stage 3 - Lifetime ECL credit impaired							(709,435)
Net financing and advances							192,465,717

¹ Bai' comprises of Bai'-Bithaman Ajil, Bai' Al-Inah and Bai'-Al-Dayn.

² The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer via sale at the end of the Ijarah financing.

³ The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer at the end of the Ijarah financing subject to the customer's execution of the purchase option.

⁴ Included in financing and advances are the underlying assets under the IA.

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9. Financing and advances (cont'd.)

(i) Financing and advances analysed by type and Shariah concepts are as follows (cont'd.):

2020	Bai'¹ RM'000	Murabahah RM'000	Musharakah RM'000	Al-Ijarah Thumma Al- Bai' ("AITAB")² RM'000	Ijarah³ RM'000	Others RM'000	Total financing and advances RM'000
Cashline	-	6,354,760	-	-	-	-	6,354,760
Term financing							
- House financing	13,846,268	77,006,822	1,877,969	-	-	609	92,731,668
- Syndicated financing	-	7,106,556	-	-	-	-	7,106,556
- Hire purchase receivables	-	9,635,007	-	35,204,145	-	-	44,839,152
- Lease receivables	-	-	-	-	303,050	-	303,050
- Other term financing	10,653,246	106,866,849	610,568	-	-	18,364	118,149,027
Bills receivable	-	-	-	-	-	50	50
Trust receipts	-	106,257	-	-	-	-	106,257
Claims on customers under acceptance credits	-	4,723,695	-	-	-	-	4,723,695
Staff financing	390,857	2,110,096	8,384	179,242	-	33,633	2,722,212
Credit card receivables	-	-	-	-	-	1,263,404	1,263,404
Revolving credit	-	14,068,861	-	-	-	-	14,068,861
Share margin financing	-	29,008	-	-	-	-	29,008
Financing to:							
- Directors of the Bank	-	2,024	-	-	-	8	2,032
- Directors of related companies	-	3,879	-	340	-	48	4,267
	<u>24,890,371</u>	<u>228,013,814</u>	<u>2,496,921</u>	<u>35,383,727</u>	<u>303,050</u>	<u>1,316,116</u>	<u>292,403,999</u>
Unearned income							(85,698,158)
Gross financing and advances ⁴							<u>206,705,841</u>
Allowances for ECL and impairment losses:							
- Stage 1 - 12-month ECL							(574,213)
- Stage 2 - Lifetime ECL not credit impaired							(1,209,931)
- Stage 3 - Lifetime ECL credit impaired							(1,254,822)
Net financing and advances							<u>203,666,875</u>

¹ Bai' comprises of Bai'-Bithaman Ajil, Bai' Al-Inah and Bai'-Al-Dayn.

² The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer via sale at the end of the Ijarah financing.

³ The Bank is the owner of the asset. The ownership of an asset will be transferred to the customer at the end of the Ijarah financing subject to the customer's execution of the purchase option.

⁴ Included in financing and advances are the underlying assets under the RPSIA and IA.

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9. Financing and advances (cont'd.)

(ii) Financing and advances analysed by type of customers are as follows:

	2021	2020
	RM'000	RM'000
Domestic non-banking financial institutions	4,102,492	4,385,735
Domestic business enterprises:		
- Small and medium enterprises	30,636,404	26,319,703
- Others	19,993,497	30,637,837
Government and statutory bodies	2,315,399	16,144,388
Individuals	136,439,893	127,787,608
Other domestic entities	75,855	33,265
Foreign entities	1,846,231	1,397,305
Gross financing and advances	<u>195,409,771</u>	<u>206,705,841</u>

(iii) Financing and advances analysed by profit rate sensitivity are as follows:

	2021	2020
	RM'000	RM'000
Fixed rate:		
- House financing	1,618,632	1,506,079
- Hire purchase receivables	32,783,987	31,474,156
- Other financing	13,899,657	33,281,314
Floating rate:		
- House financing	59,652,877	53,987,854
- Other financing	87,454,618	86,456,438
Gross financing and advances	<u>195,409,771</u>	<u>206,705,841</u>

(iv) Financing and advances analysed by their economic purposes are as follows:

	2021	2020
	RM'000	RM'000
Purchase of securities	25,278,402	24,118,381
Purchase of transport vehicles	43,898,276	40,840,421
Purchase of landed properties:		
- Residential	61,572,937	54,518,350
- Non-residential	16,204,503	14,667,103
Purchase of fixed assets (excluding landed properties)	177,947	148,492
Personal use	3,252,580	4,784,845
Purchase of consumer durables	520	346
Constructions	2,037,500	2,542,260
Mergers and acquisitions	500,000	-
Working capital	41,086,366	63,783,960
Credit cards	1,400,740	1,301,683
Gross financing and advances	<u>195,409,771</u>	<u>206,705,841</u>

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9. Financing and advances (cont'd.)

(v) The maturity profile of financing and advances are as follows:

	2021	2020
	RM'000	RM'000
Within one year	23,468,423	33,131,625
One year to three years	7,961,295	8,896,910
Three years to five years	16,372,043	15,229,505
After five years	147,608,010	149,447,801
Gross financing and advances	<u>195,409,771</u>	<u>206,705,841</u>

(vi) Movements in the credit impaired financing and advances are as follows:

	2021	2020
	RM'000	RM'000
Gross impaired financing and advances at 1 January	2,452,406	3,115,266
Impaired during the financial year	238,626	584,878
Reclassified as non-impaired	(36,215)	(485,955)
Amount recovered	(339,776)	(437,564)
Amount written-off	(233,810)	(317,043)
Amount related to Restricted Investment Account	(588,475)	(7,176)
Gross impaired financing and advances at 31 December	<u>1,492,756</u>	<u>2,452,406</u>
Less: Stage 3 - Lifetime ECL credit impaired	<u>(709,435)</u>	<u>(1,254,822)</u>
Net impaired financing and advances at 31 December	<u>783,321</u>	<u>1,197,584</u>

Calculation of ratio of net impaired financing and
advances (excluding financing funded by IA)¹:

Gross impaired financing and advances	1,429,024	1,776,012
Less: Stage 3 - Lifetime ECL credit impaired	(709,435)	(1,254,822)
Net impaired financing and advances	<u>719,589</u>	<u>521,190</u>

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9. Financing and advances (cont'd.)

(vi) Movements in the credit impaired financing and advances are as follows (cont'd.):

Calculation of ratio of net impaired financing and
advances (excluding financing funded by IA)¹ (cont'd.):

	2021	2020
	RM'000	RM'000
Gross financing and advances	166,688,972	156,381,322
Less: Allowances for financing and advances at amortised cost and at fair value through other comprehensive income	(2,946,356)	(3,043,122)
Net financing and advances	163,742,616	153,338,200
Ratio of net impaired financing and advances	0.44%	0.34%

¹ Excludes financing funded by RPSIA for the financial year ended 31 December 2020

(vii) Credit impaired financing and advances analysed by their economic purposes are as follows:

	2021	2020
	RM'000	RM'000
Purchase of securities	11,569	76,253
Purchase of transport vehicles	126,187	174,184
Purchase of landed properties:		
- Residential	291,858	381,806
- Non-residential	146,632	178,437
Purchase of fixed assets (excluding landed properties)	920	889
Personal use	39,409	49,336
Purchase of consumer durables	2	2
Constructions	25,099	50,111
Working capital	844,904	1,536,493
Credit cards	6,176	4,895
	1,492,756	2,452,406

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9. Financing and advances (cont'd.)

(viii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows:

As at 31 December 2021

Changes in the gross carrying amount of financing and advances carried at fair value through other comprehensive income and amortised cost for the Bank that contributed to the changes in the loss allowance during the financial year ended 31 December 2021 were mainly due to the following:

- Reduction in other term financing by 23% due to financial assets funded by RPSIA is recorded as off-balance sheet item effective 31 December 2021 which correspondingly resulted in the decrease in ECL allowances.
- The above decrease is mitigated by the financing growth from hire purchase receivables and house financing by 7% and 4% respectively.
- The ECL for Stage 1 (12-month ECL) decreased primarily due to the improvement in macro-economic outlook and repayment behavioral trend while ECL for Stage 2 (lifetime ECL not credit impaired) increased mainly contributed by accounts under high risk industry.
- The gross carrying amount of financing and advances that was written off during the year, which is still subject to recovery activity was RM233.8 million (2020: RM317.0 million). This has resulted in the reduction of Stage 3 lifetime ECL credit impaired by the same amount.

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9. Financing and advances (cont'd.)

(viii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows (cont'd.):

As at 31 December 2021 (cont'd.)

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At fair value through other comprehensive income				
At 1 January 2021	1,662	2,494	-	4,156
Net remeasurement of allowances	133	-	-	133
New financial assets originated or purchased	47	-	-	47
Financial assets derecognised	(636)	(2,494)	-	(3,130)
Changes in models/risk parameters	1,085	-	-	1,085
Exchange differences	11	-	-	11
At 31 December 2021	<u>2,302</u>	<u>-</u>	<u>-</u>	<u>2,302</u>

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9. Financing and advances (cont'd.)

(viii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows (cont'd.):

As at 31 December 2021 (cont'd.)

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime ECL	Lifetime ECL	Total
	ECL	not credit	credit	
	RM'000	impaired	impaired	RM'000
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
At 1 January 2021	574,213	1,209,931	1,254,822	3,038,966
Transferred to Stage 1	241,131	(229,027)	(12,104)	-
Transferred to Stage 2	(17,310)	45,043	(27,733)	-
Transferred to Stage 3	(5,392)	(27,532)	32,924	-
Net remeasurement of allowances	(245,822)	741,141	117,932	613,251
New financial assets originated or purchased	115,763	51,554	-	167,317
Financial assets derecognised	(42,288)	(75,656)	(24,227)	(142,171)
Changes in models/risk parameters	(44,063)	(20,640)	-	(64,703)
Amount related to Restricted Investment Accounts	(20,279)	(17,223)	(409,064)	(446,566)
Amount written-off	-	-	(233,810)	(233,810)
Exchange differences	256	819	10,695	11,770
At 31 December 2021	556,209	1,678,410	709,435	2,944,054

9. Financing and advances (cont'd.)

(viii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows (cont'd.):

As at 31 December 2020

Changes in the gross carrying amount of financing and advances carried at fair value through other comprehensive income and amortised cost for the Bank that contributed to the changes in the loss allowances during the previous financial year ended 31 December 2020 were mainly due to the following:

- The high volume of hire purchase receivables, house financing and other term financing originated, increased the gross carrying amount by 9%, 6% and 3% respectively which correspondingly resulted in the increase in ECL allowances.
- However, there was a reduction in cashline and revolving credits by 6% and 5% respectively which resulted in a decrease in ECL allowances.
- Consistent with industry guidance, the Bank has introduced a number of support measures for customers impacted by COVID-19, including the deferral of payments for retail and non-retail customers for an initial period of up to six months. This has resulted in day-one modification loss to contractual cash flows recognised by the Bank amounting to RM689.1 million.
- Given the disruptive impact of the COVID-19 pandemic, the ECL for Stage 1 (12-month ECL) and Stage 2 (lifetime ECL not credit impaired) increased primarily due to forward-looking provision.
- The gross carrying amount of financing and advances that was written-off during the financial year, which is still subject to recovery activity was RM317.0 million. This has resulted in the reduction of Stage 3 lifetime ECL credit impaired by the same amount.

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9. Financing and advances (cont'd.)

(viii) Analysis of changes in gross carrying amount and the corresponding allowances for impairment losses on financing and advances are as follows (cont'd.):

As at 31 December 2020 (cont'd.)

	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
At fair value through other comprehensive income				
At 1 January 2020	523	2,378	-	2,901
New financial assets originated or purchased	1,036	-	-	1,036
Changes in models/risk parameters	103	116	-	219
At 31 December 2020	<u>1,662</u>	<u>2,494</u>	<u>-</u>	<u>4,156</u>
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	Total
	RM'000	RM'000	RM'000	RM'000
At amortised cost				
At 1 January 2020	371,029	616,576	1,252,818	2,240,423
Transferred to Stage 1	192,492	(180,987)	(11,505)	-
Transferred to Stage 2	(24,260)	216,014	(191,754)	-
Transferred to Stage 3	(5,653)	(133,942)	139,595	-
Net remeasurement of allowances	89,882	615,209	436,543	1,141,634
New financial assets originated or purchased	111,779	105,132	-	216,911
Financial assets derecognised	(53,808)	(78,272)	(163,013)	(295,093)
Changes in models/risk parameters	(110,039)	40,745	-	(69,294)
Amount related to Restricted Investment Accounts	3,084	11,681	122,297	137,062
Amount written-off	-	-	(317,043)	(317,043)
Exchange differences	(293)	(2,225)	(13,116)	(15,634)
At 31 December 2020	<u>574,213</u>	<u>1,209,931</u>	<u>1,254,822</u>	<u>3,038,966</u>

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10. Derivative financial instruments

The table below shows the fair values of derivative financial instruments, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross, is the amount of derivative's underlying asset, reference rate or index and is the basis upon which change in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the reporting date and are indicative of neither the market risks nor the credit risk.

The Bank enters into derivative financial instruments at the request and on behalf of its customers as well as to hedge the Bank's own exposures and not for speculative purpose.

	2021			2020		
	Principal amount RM'000	Fair value ----->		Principal amount RM'000	Fair value ----->	
		Assets RM'000	Liabilities RM'000		Assets RM'000	Liabilities RM'000
Trading derivatives						
<u>Foreign exchange related contracts</u>						
Currency forwards:						
- Less than one year	8,617,698	26,173	(35,464)	7,302,204	16,665	(215,360)
- One year to three years	574,349	2,475	(2,475)	881,114	8,609	(8,609)
- More than three years	2,704,174	6,242	(6,242)	2,498,574	30,465	(30,465)
	11,896,221	34,890	(44,181)	10,681,892	55,739	(254,434)
Currency swaps:						
- Less than one year	15,398,762	19,239	(65,804)	15,836,028	180,934	(260,507)
Currency spots:						
- Less than one year	400,910	65	(1,283)	426,413	11,262	(865)

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10. Derivative financial instruments (cont'd.)

	2021			2020		
	Principal amount RM'000	Fair value Assets RM'000 Liabilities RM'000		Principal amount RM'000	Fair value Assets RM'000 Liabilities RM'000	
<u>Trading derivatives (cont'd.)</u>						
<u>Foreign exchange related contracts (cont'd.)</u>						
Currency options:						
- Less than one year	7,157	38	(38)	1,161	10	(10)
Cross currency profit rate swaps:						
- Less than one year	2,114,560	7,548	(7,548)	-	-	-
- One year to three years	24,137	112	(112)	2,092,853	31,242	(31,242)
- More than three years	405,012	7,759	(7,759)	415,320	2,135	(2,135)
	2,543,709	15,419	(15,419)	2,508,173	33,377	(33,377)
<u>Profit rate related contracts</u>						
Profit rate swaps:						
- Less than one year	490,000	4,185	(4,185)	80,340	456	(452)
- One year to three years	4,622,648	37,370	(36,085)	1,490,000	35,702	(35,702)
- More than three years	392,321	6,214	(10,550)	2,145,654	67,823	(70,955)
	5,504,969	47,769	(50,820)	3,715,994	103,981	(107,109)
Total	35,751,728	117,420	(177,545)	33,169,661	385,303	(656,302)

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11. Other assets

	2021	2020
	RM'000	RM'000
Amount due from holding company	3,880,724	1,772,618
Handling fees	190,877	191,339
Prepayments and deposits	16,079	21,796
Tax recoverable	171,447	319,391
Margin account with holding company	114,110	98,420
Other debtors	431,238	401,360
	<u>4,804,475</u>	<u>2,804,924</u>

12. Statutory deposit with Bank Negara Malaysia

The non-profit bearing statutory deposit maintained with Bank Negara Malaysia is in compliance with the requirements of the Central Bank of Malaysia Act 2009, the amount of which is determined as set percentages of total eligible liabilities.

13. Property, plant and equipment

As at 31 December 2021	Office furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2021	1,098	139	401	1,638
Additions	2	13	-	15
Exchange differences	(1)	-	-	(1)
At 31 December 2021	<u>1,099</u>	<u>152</u>	<u>401</u>	<u>1,652</u>
Accumulated depreciation				
At 1 January 2021	508	36	115	659
Depreciation charge for the financial year (Note 32)	337	30	79	446
Exchange differences	1	-	-	1
At 31 December 2021	<u>846</u>	<u>66</u>	<u>194</u>	<u>1,106</u>
Net carrying amount	<u>253</u>	<u>86</u>	<u>207</u>	<u>546</u>

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13. Property, plant and equipment (cont'd.)

As at 31 December 2020	Office furniture, fittings, equipment and renovations RM'000	Computers and peripherals RM'000	Motor vehicles RM'000	Total RM'000
Cost				
At 1 January 2020	1,083	139	398	1,620
Additions	3	-	-	3
Exchange differences	12	-	3	15
At 31 December 2020	<u>1,098</u>	<u>139</u>	<u>401</u>	<u>1,638</u>
Accumulated depreciation				
At 1 January 2020	122	7	33	162
Depreciation charge for the financial year (Note 32)	392	30	83	505
Exchange differences	(6)	(1)	(1)	(8)
At 31 December 2020	<u>508</u>	<u>36</u>	<u>115</u>	<u>659</u>
Net carrying amount	<u>590</u>	<u>103</u>	<u>286</u>	<u>979</u>

14. Right-of-use assets

	Premises 2021 RM'000	2020 RM'000
Cost		
At 1 January	15,148	15,096
Modification	(1,793)	-
Exchange differences	(5)	52
At 31 December	<u>13,350</u>	<u>15,148</u>
Accumulated depreciation		
At 1 January	5,247	2,130
Depreciation charge for the financial year (Note 32)	2,503	3,129
Modification	(527)	-
Exchange differences	1	(12)
At 31 December	<u>7,224</u>	<u>5,247</u>
Net carrying amount		
At 31 December	<u>6,126</u>	<u>9,901</u>

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15. Deposits from customers

	2021	2020
	RM'000	RM'000
Savings deposits		
Murabahah	26,302,000	-
Qard	3,496,477	23,708,048
	29,798,477	23,708,048
Demand deposits		
Murabahah	32,042,239	-
Qard	1,362,014	26,703,465
	33,404,253	26,703,465
Term deposits		
Murabahah	115,751,729	114,498,944
Qard	560,459	357,789
	116,312,188	114,856,733
	179,514,918	165,268,246

During the financial year ended 31 December 2021, the Bank changed the underlying shariah contract for deposit from customers from Qard to Murabahah for certain applicable products.

(i) The maturity profile of term deposits are as follows:

	2021	2020
	RM'000	RM'000
Within six months	98,667,962	93,537,277
Six months to one year	17,388,379	11,127,134
One year to three years	227,460	10,167,779
Three years to five years	28,387	24,543
	116,312,188	114,856,733

(ii) The deposits are sourced from the following type of customers:

	2021	2020
	RM'000	RM'000
Business enterprises	54,833,259	55,608,362
Individuals	51,692,158	45,188,774
Government and statutory bodies	36,389,382	32,798,930
Others	36,600,119	31,672,180
	179,514,918	165,268,246

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16. Investment accounts

	2021 RM'000	2020 RM'000
Investment accounts of customers		
- Unrestricted investment accounts ¹	28,720,799	23,840,796
	28,720,799	23,840,796
Restricted investment accounts managed by the Bank ²	30,147,795	-

(i) Movements in the investment accounts are as follows:

	Unrestricted investment accounts ¹ RM'000	Restricted investment accounts RM'000	Total investment accounts of customers RM'000	Restricted investment accounts managed by the Bank ² RM'000
2021				
<u>Funding inflows/(outflows)</u>				
At 1 January	23,840,796	-	23,840,796	-
New placement during the financial year	42,089,839	-	42,089,839	610,725
Redemption during the financial year	(37,209,403)	-	(37,209,403)	-
Profit payable	(433)	-	(433)	25,112
Transfer from on- balance sheet (Note 17)	-	-	-	29,511,958
At 31 December	28,720,799	-	28,720,799	30,147,795
2020				
<u>Funding inflows/(outflows)</u>				
At 1 January	20,616,075	121,595	20,737,670	-
New placement during the financial year	48,131,364	-	48,131,364	-
Redemption during the financial year	(44,901,140)	(121,576)	(45,022,716)	-
Profit payable	(5,503)	(19)	(5,522)	-
At 31 December	23,840,796	-	23,840,796	-

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16. Investment accounts (cont'd.)

(ii) Investment accounts are sourced from the following type of customers:

	Unrestricted investment accounts¹ RM'000	Restricted investment accounts managed by the Bank² RM'000
2021		
Business enterprises	16,564,421	-
Individuals	10,159,957	-
Government and statutory bodies	205,058	-
Licensed banks	-	29,511,958
Others	1,791,363	635,837
	28,720,799	30,147,795
	Unrestricted investment accounts RM'000	Restricted investment accounts managed by the Bank² RM'000
2020		
Business enterprises	13,328,580	-
Individuals	9,200,552	-
Government and statutory bodies	112,309	-
Others	1,199,355	-
	23,840,796	-

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16. Investment accounts (cont'd.)

(iii) Maturity structure of investment accounts are as follows:

	Unrestricted investment accounts¹ RM'000	Restricted investment accounts managed by the Bank² RM'000
2021		
- without maturity	23,666,368	-
- with maturity	5,054,431	30,147,795
Within six months	3,560,977	8,099,298
Six months to one year	1,483,337	54,362
One year to three years	4,741	3,715,037
Three years to five years	5,376	18,279,098
	28,720,799	30,147,795
2020		
- without maturity	18,243,257	-
- with maturity	5,597,539	-
Within six months	4,241,279	-
Six months to one year	1,342,789	-
One year to three years	9,158	-
Three years to five years	4,313	-
	23,840,796	-

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16. Investment accounts (cont'd.)

(iv) The allocation of investment asset are as follows:

	Unrestricted investment accounts¹ RM'000	Restricted investment accounts managed by the Bank² RM'000
2021		
Retail financing	26,965,529	-
Non-retail financing	1,755,270	24,819,965
Corporate Sukuk	-	5,327,830
	<u>28,720,799</u>	<u>30,147,795</u>
	Unrestricted investment accounts RM'000	Restricted investment accounts managed by the Bank² RM'000
2020		
Retail financing	22,550,499	-
Non-retail financing	1,290,297	-
	<u>23,840,796</u>	<u>-</u>

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16. Investment accounts (cont'd.)

(v) Profit sharing ratio and rate of return are as follows:

	Investment account holder ("IAH")	
	Average profit sharing ratio (%)	Average rate of return (%)
2021		
Investment accounts of customers		
- Unrestricted investment accounts ¹	29.55	1.18
Restricted investment accounts managed by the Bank ²	78.41	3.20
2020		
Investment accounts of customers		
- Unrestricted investment accounts	36.53	1.64
- Restricted investment accounts ³	99.95	4.03

¹ Included in the unrestricted investment accounts are funds received from the Multi-Asset Investment Account-i ("MAIA") product of RM254.1 million that are managed by the Bank. The amount represents 50% of the total funds invested in MAIA product of RM515.4 million. The remaining are managed by a related entity, Maybank Islamic Asset Management Sdn Bhd ("MIAM") where the funds are invested in marketable securities with net asset value of RM261.3 million as at 31 December 2021. The funds managed by MIAM are excluded from the asset and liability of the Bank.

² Included in restricted investment accounts managed by the Bank is an arrangement between the Bank with the holding company and with the third party where the Bank acts as an investment agent to manage and administer the restricted investment accounts amounting to RM29,512.0 million and RM635.8 million respectively. The amount of restricted investment accounts managed by the Bank are disclosed net of any impairment allowances required on the underlying financial assets funded by the restricted investment accounts.

³ As at 31 December 2020, the restricted investment accounts have been fully withdrawn.

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17. Deposits and placements of banks and other financial institutions

	2021	2020
	RM'000	RM'000
<u>Mudharabah fund</u>		
Licensed banks ¹	-	28,997,440
	-	28,997,440
<u>Non-Mudharabah fund</u>		
Licensed banks	21,378,327	7,662,450
Licensed Islamic banks	948,712	549,213
Licensed investment banks	267,265	49,721
Other financial institutions	1,592,324	1,512,028
	24,186,628	9,773,412
Total	24,186,628	38,770,852

¹ As at 31 December 2020, included in the Mudharabah deposits and placements of licensed banks is the RPSIA placed by the holding company amounting to RM28,997.4 million. These placements are used to fund certain specific financing and advances and purchase of financial investments at amortised cost.

Effective 31 December 2021, the Mudharabah deposits and placements of licensed banks funded by RPSIA amounting to RM29,512.0 million were recorded off-balance sheet in accordance with the accounting policy as disclosed in Note 2.2(xxiv). Details of these Mudharabah deposits and placements are now disclosed in Note 16 under restricted investment accounts managed by the Bank.

18. Other liabilities

	Note	2021	2020
		RM'000	RM'000
Sundry creditors		1,285,618	175,210
Deposit on trade financing		125,593	34,457
Provisions and accruals		44,371	25,654
Provisions for commitments and contingencies	(i)	-	47,918
Allowances for impairment losses on financing commitments and financial guarantee contracts	(ii)	50,720	36,341
Lease liabilities	(iii)	5,957	9,896
Structured deposits		3,592	1,161
Amount due to related company		5,270	8,443
		1,521,121	339,080

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18. Other liabilities (cont'd.)

(i) The movements of provisions for commitments and contingencies are as follows:

	2021	2020
	RM'000	RM'000
At 1 January	47,918	-
Addition (Note 32)	-	47,918
Written back (Note 32)	(47,918)	-
At 31 December	-	47,918

(ii) Movements in the allowances for impairment losses on financing commitments and financial guarantee contracts are as follows:

As at 31 December 2021

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime ECL	Lifetime ECL	Total
	ECL	not credit	credit	
	RM'000	impaired	impaired	RM'000
	RM'000	RM'000	RM'000	RM'000
At 1 January 2021	26,366	9,592	383	36,341
Transferred to Stage 1	76	(76)	-	-
Transferred to Stage 2	(18)	18	-	-
Transferred to Stage 3	(98)	-	98	-
Net remeasurement of allowances	(22,761)	563	1,422	(20,776)
New credit exposures originated or purchased	31,073	9,653	-	40,726
Credit exposures derecognised	(3,190)	(2,294)	(281)	(5,765)
Changes in models/risk parameters	1	(39)	-	(38)
Exchange differences	216	16	-	232
At 31 December 2021	31,665	17,433	1,622	50,720

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18. Other liabilities (cont'd.)

- (ii) Movements in the allowances for impairment losses on financing commitments and financial guarantee contracts are as follows (cont'd.):

As at 31 December 2020

	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
At 1 January 2020	20,003	4,541	2,138	26,682
Transferred to Stage 1	337	(327)	(10)	-
Transferred to Stage 2	(6,163)	6,163	-	-
Transferred to Stage 3	-	(73)	73	-
Net remeasurement of allowances	689	355	(1,772)	(728)
New credit exposures originated or purchased	14,393	2,260	-	16,653
Credit exposures derecognised	(2,851)	(3,294)	(46)	(6,191)
Changes in models/risk parameters	1	(16)	-	(15)
Exchange differences	(43)	(17)	-	(60)
At 31 December 2020	26,366	9,592	383	36,341

- (iii) Lease liabilities

The movement in lease liabilities are as follows:

	2021 RM'000	2020 RM'000
At 1 January	9,896	12,228
Finance cost on lease liabilities	297	398
Lease obligation reduction	(2,843)	(2,728)
Modification	(1,394)	-
Exchange differences	1	(2)
At 31 December	5,957	9,896

The undiscounted maturity analysis of lease liabilities are as follows:

Less than one year	2,016	4,068
Between one and five years	4,060	6,772
	6,076	10,840

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19. Deferred tax

	2021	2020
	RM'000	RM'000
At 1 January	449,812	83,002
Recognised in income statement (Note 35)	(461,634)	270,826
Relating to origination and reversal of temporary differences	(35,221)	270,826
Over provision in prior year	(428,546)	-
Effect of an increase in tax rate	2,133	-
Recognised in statement of other comprehensive income	(178,794)	95,984
At 31 December	(190,616)	449,812

Presented after appropriate offsetting as follows:

Deferred tax assets	(213,156)	(180,239)
Deferred tax liabilities	22,540	630,051
	(190,616)	449,812

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 income taxes relate to the same fiscal authority.

The component and movement of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Bank:

	Impairment losses on financing, financial investments and other financial assets	Other temporary differences	Total
	RM'000	RM'000	RM'000
At 1 January 2021	(175,686)	(4,553)	(180,239)
Recognised in income statement:			
Relating to origination and reversal of temporary differences	(32,024)	(3,032)	(35,056)
Effect of an increase in tax rate	2,235	(96)	2,139
At 31 December 2021	(205,475)	(7,681)	(213,156)

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19. Deferred tax (cont'd.)

The component and movement of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (cont'd.):

Deferred tax assets of the Bank (cont'd.):

	Impairment losses on financing, financial investments and other financial assets RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2020	(19,557)	(2,794)	(22,351)
Recognised in income statement	(156,129)	(1,759)	(157,888)
At 31 December 2020	<u>(175,686)</u>	<u>(4,553)</u>	<u>(180,239)</u>

Deferred tax liabilities of the Bank:

	FVOCI reserve RM'000	Unabsorbed capital allowance RM'000	Profit on financing moratorium RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2021	201,320	21	428,546	164	630,051
Recognised in income statement:					
Relating to origination and reversal of temporary differences	-	(1)	-	(164)	(165)
Over provision in prior year	-	-	(428,546)	-	(428,546)
Effect of an increase in tax rate	-	(6)	-	-	(6)
Recognised in statement of other comprehensive income	<u>(178,794)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(178,794)</u>
At 31 December 2021	<u>22,526</u>	<u>14</u>	<u>-</u>	<u>-</u>	<u>22,540</u>

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19. Deferred tax (cont'd.)

The component and movement of deferred tax assets and liabilities during the financial year prior to offsetting are as follows (cont'd.):

Deferred tax liabilities of the Bank (cont'd.):

	FVOCI reserve RM'000	Unabsorbed capital allowance RM'000	Profit on financing moratorium RM'000	Other temporary differences RM'000	Total RM'000
At 1 January 2020	105,336	17	-	-	105,353
Recognised in income statement	-	4	428,546	164	428,714
Recognised in statement of other comprehensive income	95,984	-	-	-	95,984
At 31 December 2020	<u>201,320</u>	<u>21</u>	<u>428,546</u>	<u>164</u>	<u>630,051</u>

Deferred tax assets have not been recognised in respect of the following items:

	2021 RM'000	2020 RM'000
Unutilised tax losses	<u>177,258</u>	<u>158,974</u>

The Bank has not recognised deferred tax assets in respect of unused tax losses from International Currency Business Unit ("ICBU") as it is not probable that future taxable profits will be available against which they can be utilised.

Pursuant to Finance Bill 2021, the tax losses can be utilised up to a maximum of ten consecutive years effective retrospectively from year of assessment 2019.

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20. Term funding

	2021	2020
	RM'000	RM'000
Unsecured term funding:		
(i) Commercial Paper		
- Less than one year	7,947,135	7,945,896
(ii) Medium Term Notes		
- Less than one year	2,002,762	-
- More than one year	-	2,003,222
(iii) Term funding		
- More than one year (note(a))	973,280	945,940
Total term funding	10,923,177	10,895,058

Note(a): Term funding relates to amounts received by the Bank under government financing scheme as part of the government support measure in response to COVID-19 pandemic for the purpose of SME financing at a below market rate with a six-year maturity to be repaid on 17 June 2026. The financing under the government scheme is for financing at concession rates to SMEs and for COVID-19 related relief measures. The benefits under the government financing scheme that are recognised in the profit or loss are as disclosed in Note 2.4(i) of the financial statements.

Included in the unsecured term funding issued by the Bank are as follows:

RM10.0 billion Islamic Commercial Paper/Islamic Medium Term Note Programme

On 21 February 2017, the Bank established a RM10.0 billion Islamic Commercial Paper/Islamic Medium Term Note Programme, pursuant to which the Bank may issue, from time to time, Ringgit Malaysia Islamic Commercial Papers ("RM ICPs") and/or Ringgit Malaysia Islamic Medium Term Notes ("RM IMTNs") of up to RM10.0 billion in nominal value under the Shariah principle of Wakalah Bi Al-Istithmar.

The ICP/IMTN Programme will give the Bank flexibility to raise funds via the issuance of Islamic commercial papers and/or Islamic medium term notes from time to time which can be utilised, amongst others, to fund the Bank's working capital, general banking and other Shariah compliant corporate purposes, including the refinancing of any existing financing or debt instruments issued by the Bank.

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20. Term funding (cont'd.)

The following are the changes in the term funding that include the commercial papers/medium term notes/sukuk issued/redeemed by the Bank during the financial year ended 31 December 2021:

Issuance of Commercial Papers

The aggregate nominal value of the commercial papers issued by the Bank and outstanding as at 31 December 2021 are as follows:

Currency	Description	Aggregate Nominal Value (RM' million)
RM	Zero Profit ICP	8,000.0

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21. Subordinated sukuk

	Note	2021 RM'000	2020 RM'000
RM1,000 million subordinated sukuk due in 2026	(i)	-	1,017,454
RM1,000 million subordinated sukuk due in 2029	(ii)	1,010,849	1,010,849
RM1,000 million subordinated sukuk due in 2031	(iii)	1,010,965	-
		2,021,814	2,028,303

The details of the issued subordinated sukuk are as follows:

Note	Description	Issue date	First call date	Maturity date	Profit rate (% p.a.)	Nominal Value (RM' million)
	<u>RM10.0 billion Subordinated Sukuk Murabahah Programme</u>					
(i)	Subordinated Sukuk Murabahah ¹	15-Feb-16	15-Feb-21	13-Feb-26	4.65	1,000.0
(ii)	Subordinated Sukuk Murabahah ²	5-Apr-19	5-Apr-24	5-Apr-29	4.50	1,000.0
(iii)	Subordinated Sukuk Murabahah ²	15-Feb-21	16-Feb-26	14-Feb-31	2.90	1,000.0

¹ This subordinated sukuk was fully redeemed on the first call date.

² The Bank may, subject to the prior consent of BNM, redeem these subordinated sukuk, in whole or in part, on the first call date and on each semi-annual profit payment date thereafter.

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22. Capital securities

Description	Issue date	First call date	Maturity date	2021 RM'000	2020 RM'000
<u>RM10.0 billion Additional Tier 1 Sukuk Wakalah Programme</u>					
RM1,000.0 million 4.95% Additional Tier 1 Sukuk Wakalah ¹	14-Dec-17	14-Dec-22	Perpetual	<u>1,002,441</u>	<u>1,002,441</u>

¹ The Bank, may redeem these capital securities, in whole or in part on the first call date and on every Periodic Distribution Date thereafter.

On 14 December 2017, the Bank issued RM1.0 billion of Additional Tier 1 Sukuk Wakalah ("the AT1 Sukuk Wakalah") in nominal value with a tenure of Perpetual Non-Callable five (5) years pursuant to AT1 Sukuk Wakalah Programme of up to RM10.0 billion nominal value established on 23 November 2017. The proceeds from the issuance will be utilised for general banking, working capital and other Shariah compliant corporate purposes, as well as to refinance any existing financing or sukuk of the Bank.

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23. Share capital

	2021 '000	2020 '000	2021 RM'000	2020 RM'000
Issued and fully paid:				
At 1 January	361,504	338,910	7,929,444	7,197,398
Issued during the year	70,606	22,594	2,392,930	732,046
At 31 December	<u>432,110</u>	<u>361,504</u>	<u>10,322,374</u>	<u>7,929,444</u>

During the current financial year ended 31 December 2021, the Bank increased its share capital from RM7,929,443,460 to RM10,322,374,000 via:

- a) issuance of 22,594,000 new ordinary shares at issue price per share of RM31.28 to Maybank on the basis of one new share for every sixteen existing ordinary shares held at 28 June 2021.
- b) issuance of 48,012,250 new ordinary shares at issue price per share of RM35.12 to Maybank on the basis of one new share for every eight existing ordinary shares held at 28 September 2021.

24. Reserves

	Note	2021 RM'000	2020 RM'000
Non-distributable:			
Equity contribution from the holding company		1,697	1,697
FVOCI reserve		77,255	645,023
Exchange fluctuation reserve		(48)	403
Regulatory reserve	(a)	<u>121,014</u>	594,474
		<u>199,918</u>	1,241,597
Distributable:			
Retained profits	(b)	<u>3,247,267</u>	2,756,457
Total reserves		<u>3,447,185</u>	<u>3,998,054</u>

(a) Regulatory reserve

Regulatory reserve is maintained in aggregate, loss allowance for non-credit impaired exposures (commonly known as Stage 1 and Stage 2 provisions) that has been assessed and recognised in accordance with MFRS and which has been transferred to/from retained profits, in accordance with BNM's Revised Financial Reporting Policy document issued on 27 September 2019.

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24. Reserves (cont'd.)**(b) Retained profits**

The retained profits of the Bank as at 31 December 2021 and 31 December 2020 are distributable profits and may be distributed as dividends under the single-tier system.

25. Income derived from investment of depositors' funds

	2021	2020
	RM'000	RM'000
Income derived from investment of:		
(i) General investment deposits	5,708,917	5,961,250
(ii) Other deposits	3,102,547	2,616,440
	<u>8,811,464</u>	<u>8,577,690</u>

(i) Income derived from investment of general investment deposits

	2021	2020
	RM'000	RM'000
Finance income and hibah		
Financing and advances (Note 27 (note(a)))	4,261,360	4,568,090
Money at call and deposits with financial institutions	162,844	220,898
Financial assets purchased under resale agreements	53,361	3,821
Financial investments at FVTPL	3,166	2,756
Financial investments at FVOCI	388,357	410,070
Financial investments at amortised cost	552,221	398,368
	<u>5,421,309</u>	<u>5,604,003</u>
Amortisation of premiums, net	(33,991)	(21,210)
Total finance income and hibah	<u>5,387,318</u>	<u>5,582,793</u>

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25. Income derived from investment of depositors' funds (cont'd.)

(i) Income derived from investment of general investment deposits (cont'd.)

	2021	2020
	RM'000	RM'000
Other operating income		
Fee income:		
- Processing fees	36,747	16,309
- Commissions	127,759	117,363
- Service charges and other fees	114,187	116,459
Gains on disposal of financial investments at FVTPL	1,727	5,855
Gains on disposal of financial investments at FVOCI	44,849	67,158
Gains on redemption of financial investments at amortised cost	296	-
Unrealised gains/(losses) on revaluation of:		
- Financial investments at FVTPL	868	(447)
- Derivatives	892	(10,082)
Gains/(losses) on foreign exchange:		
- Realised	110,233	(28,329)
- Unrealised	(117,085)	93,200
Realised gain on derivatives	508	971
Others	618	-
Total other operating income	321,599	378,457
Total	5,708,917	5,961,250

Included in finance income are income on impaired assets amounting to RM31.0 million (2020: RM42.2 million).

(ii) Income derived from investment of other deposits

	2021	2020
	RM'000	RM'000
Finance income and hibah		
Financing and advances (Note 27 (note(a)))	2,315,575	2,004,970
Money at call and deposits with financial institutions	88,487	96,954
Financial assets purchased under resale agreements	28,996	1,677
Financial investments at FVTPL	1,720	1,210
Financial investments at FVOCI	211,029	179,983
Financial investments at amortised cost	300,071	174,847
	2,945,878	2,459,641
Amortisation of premiums, net	(18,470)	(9,309)
Total finance income and hibah	2,927,408	2,450,332

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25. Income derived from investment of depositors' funds (cont'd.)

(ii) Income derived from investment of other deposits (cont'd.)

	2021	2020
	RM'000	RM'000
Other operating income		
Fee income:		
- Processing fees	19,968	7,158
- Commissions	69,423	51,512
- Service charges and other fees	62,048	51,115
Gains on disposal of financial investments at FVTPL	939	2,570
Gains on disposal of financial investments at FVOCI	24,370	29,476
Gains on redemption of financial investments at amortised cost	545	-
Unrealised gains/(losses) on revaluation of:		
- Financial investments at FVTPL	472	(196)
- Derivatives	485	(4,425)
Gains/(losses) on foreign exchange:		
- Realised	59,899	(12,434)
- Unrealised	(63,622)	40,906
Realised gain on derivatives	276	426
Others	336	-
Total other operating income	175,139	166,108
Total	3,102,547	2,616,440

Included in finance income are income on impaired assets amounting to RM16.9 million (2020: RM18.5 million).

26. Income derived from investment of investment account funds

	2021	2020
	RM'000	RM'000
Finance income and hibah		
Financing and advances (Note 27 (note(a)))	951,347	1,007,631
Total finance income and hibah	951,347	1,007,631
Other operating income		
Fee income:		
- Commissions	294	377
- Service charges and other fees	39	54
Total other operating income	333	431
Total	951,680	1,008,062

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27. Income derived from investment of shareholder's funds

	2021	2020
	RM'000	RM'000
Finance income and hibah		
Financing and advances (note(a))	378,183	315,370
Money at call and deposits with financial institutions	14,452	15,250
Financial assets purchased under resale agreements	4,736	264
Financial investments at FVTPL	281	190
Financial investments at FVOCI	34,466	28,310
Financial investments at amortised cost	49,008	27,502
	481,126	386,886
Amortisation of premiums, net	(3,017)	(1,464)
Total finance income and hibah	478,109	385,422
Other operating income		
Fee income		
- Processing fees	3,261	1,126
- Commissions	11,338	8,102
- Service charges and other fees	10,134	8,040
Gains on disposal of financial investments at FVTPL	153	404
Gains on disposal of financial investments at FVOCI	3,980	4,636
Gains on redemption of financial investments at amortised cost	48	-
Unrealised gains/(losses) on revaluation of:		
- Financial investments at FVTPL	77	(31)
- Derivatives	79	(696)
Gains/(losses) on foreign exchange:		
- Realised	9,783	(1,956)
- Unrealised	(10,391)	6,434
Realised gain on derivatives	45	67
Others	55	-
Total other operating income	28,562	26,126
Total	506,671	411,548

Included in finance income are income on impaired assets amounting to RM2.8 million (2020: RM2.9 million).

Note(a): Included the net effects under government support measures to assist customers adversely impacted by COVID-19 amounting to RM106,838,000 (2020: RM240,920,000) for the Bank.

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28. Allowances for impairment losses on financing and advances, net

	2021	2020
	RM'000	RM'000
(Writeback of)/allowances for impairment losses on financing and advances:		
- Stage 1 - 12-month ECL, net	(210,658)	51,185
- Stage 2 - Lifetime ECL not credit impaired, net	701,788	682,235
- Stage 3 - Lifetime ECL credit impaired, net	94,846	271,712
Impaired financing and advances		
- Written-off	12,458	13,934
- Recovered	(74,178)	(90,322)
Allowances for impairment losses on other debts	287	134
	<u>524,543</u>	<u>928,878</u>

29. (Writeback of)/allowances for impairment losses on financial investments, net

	2021	2020
	RM'000	RM'000
Financial investments at FVOCI		
- Stage 1 - 12-month ECL, net	191	1,331
- Stage 2 - Lifetime ECL not credit impaired, net	-	272
	<u>191</u>	<u>1,603</u>
Financial investments at amortised cost		
- Stage 1 - 12-month ECL, net	(10,383)	22,263
- Stage 2 - Lifetime ECL not credit impaired, net	(230,919)	229,386
	<u>(241,302)</u>	<u>251,649</u>
	<u>(241,111)</u>	<u>253,252</u>

30. Allowances for impairment losses on other financial assets, net

	2021	2020
	RM'000	RM'000
Financial assets purchased under resale agreements		
- Stage 1 - 12-month ECL, net	5,629	1,452
	<u>5,629</u>	<u>1,452</u>

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31. Profit distributed to depositors

	2021	2020
	RM'000	RM'000
Deposits from customers		
- Non-mudharabah fund	<u>2,265,905</u>	3,251,412
Deposits and placements of banks and other financial institutions		
- Mudharabah fund	937,947	922,947
- Non-mudharabah fund	268,217	186,975
	<u>1,206,164</u>	<u>1,109,922</u>
Structured deposits		
- Non-mudharabah fund	75	156
Total	<u>3,472,144</u>	<u>4,361,490</u>

32. Overhead expenses

	2021	2020
	RM'000	RM'000
Personnel expenses:		
- Salaries and wages	28,155	26,692
- Allowances and bonuses	13,683	9,079
- Social security cost	174	171
- Retirement cost	6,325	5,710
- ESGP expenses	2,903	2,066
- Other staff related expenses	4,192	6,045
	<u>55,432</u>	<u>49,763</u>
Establishment costs:		
- Depreciation right-of-use assets (Note 14)	2,503	3,129
- Depreciation property, plant and equipment (Note 13)	446	505
- Repairs, servicing and maintenance	108	65
- Information technology expenses	4,033	4,947
- Finance cost on lease liabilities	297	398
- Others	1	3
	<u>7,388</u>	<u>9,047</u>
Marketing costs:		
- Advertisement and publicity	5,542	5,261
- Others	4,818	7,366
	<u>10,360</u>	<u>12,627</u>

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32. Overhead expenses (cont'd.)

	2021 RM'000	2020 RM'000
Administration and general expenses:		
- Fees and brokerage	77,947	62,391
- Administrative expenses	12,742	11,238
- General expenses:	(37,366)	60,818
(Writeback of)/provision for commitments and contingencies (Note 18(i))	(47,918)	47,918
Other expenses	10,552	12,900
- Auditors' remuneration		
Statutory audit:		
- Ernst & Young PLT	581	531
Assurance and compliance related services:		
- Reporting accountants, review engagements and regulatory-related services	195	274
Non-audit services:		
- Other services	31	34
- Directors' fees and other remunerations (Note 33)	1,326	1,253
- Shared service costs paid/payable to Maybank and related company	1,531,482	1,387,761
	<u>1,586,938</u>	<u>1,524,300</u>
Total	<u>1,660,118</u>	<u>1,595,737</u>

33. Chief executive officer, directors and Shariah Committee members' remuneration

	2021 RM'000	2020 RM'000
Chief executive officer:		
Salary and other remuneration, including meeting allowance	3,129	3,129
ESGP expenses	701	512
Estimated monetary value of benefit-in-kind	55	38
Retirement cost	501	563
Other remunerations	-	390
	<u>4,386</u>	<u>4,632</u>

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33. Chief executive officer, directors and Shariah Committee members' remuneration (cont'd.)

	2021	2020
	RM'000	RM'000
Non-executive directors:		
Fees	1,069	1,004
Other remunerations	192	158
Estimated monetary value of benefit-in-kind	65	91
	<u>1,326</u>	<u>1,253</u>
Shariah Committee members	1,028	907
Total	<u>6,740</u>	<u>6,792</u>
Total (excluding benefit-in-kind)	<u>6,620</u>	<u>6,663</u>

The total remuneration of the directors are as follows:

	Fees	Meeting allowances	Benefits-in-kind	Total
2021	RM'000	RM'000	RM'000	RM'000
Non-executive directors:				
Dato' Zulkiflee Abbas bin Abdul Hamid	235	28	31	294
Encik Dali bin Sardar	183	38	10	231
Datuk Mohd Anwar bin Yahya Associate Professor	178	38	17	233
Dr. Aznan bin Hasan	150	26	2	178
Encik Shariffuddin bin Khalid	150	26	-	176
Dato' Azmi bin Mohd Ali	173	36	5	214
Total directors' remuneration	<u>1,069</u>	<u>192</u>	<u>65</u>	<u>1,326</u>

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33. Chief executive officer, directors and Shariah Committee members' remuneration (cont'd.)

The total remuneration of the directors are as follows (cont'd.):

2020	Fees RM'000	Meeting allowances RM'000	Benefits- in-kind RM'000	Total RM'000
Non-executive directors:				
Dato' Zulkiflee Abbas bin Abdul Hamid	225	32	28	285
Encik Zainal Abidin bin Jamal ¹	96	12	34	142
Encik Dali bin Sardar	183	32	10	225
Datuk Mohd Anwar bin Yahya Associate Professor	178	30	17	225
Dr. Aznan bin Hasan	150	24	2	176
Encik Shariffuddin bin Khalid	150	24	-	174
Dato' Azmi bin Mohd Ali ²	22	4	-	26
Total directors' remuneration	1,004	158	91	1,253

¹ Retired on 31 May 2020

² Appointed on 9 November 2020

The total remuneration of the Shariah Committee members are as follows:

2021	Fees RM'000	Meeting allowances RM'000	Total RM'000
Associate Professor Dr. Aznan bin Hasan	120	58	178
Ustaz Mohd Kamal bin Mokhtar	100	58	158
Dr. Akhtarzaite binti Abdul Aziz	100	58	158
Dr. Azrul Azlan bin Iskandar Mirza	100	58	158
Dr. Nik Abdul Rahim bin Nik Abdul Ghani	100	58	158
Associate Professor Dr. Sharifah Faigah Syed Alwi	67	42	109
Ustaz Muhammad Ali Jinnah Ahmad	67	42	109
Total Shariah Committee remuneration	654	374	1,028

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33. Chief executive officer, directors and Shariah Committee members' remuneration (cont'd.)

The total remuneration of the Shariah Committee members are as follows (cont'd.):

2020	Fees RM'000	Meeting allowances RM'000	Total RM'000
Associate Professor Dr. Aznan bin Hasan	120	60	180
Dr. Mohamed Fairouz bin Abdul Khir	62	36	98
Ustaz Mohd Kamal bin Mokhtar	100	60	160
Dr. Oni Sahroni	52	26	78
Dr. Syahnaz binti Sulaiman	52	30	82
Dr. Akhtarzaite binti Abdul Aziz	83	50	133
Dr. Azrul Azlan bin Iskandar Mirza	75	46	121
Dr. Nik Abdul Rahim bin Nik Abdul Ghani	31	24	55
Total Shariah Committee remuneration	575	332	907

34. Finance cost

	2021 RM'000	2020 RM'000
Subordinated sukuk	76,158	91,751
Capital securities	49,500	49,636
Term funding	283,743	340,936
	409,401	482,323

35. Taxation

	2021 RM'000	2020 RM'000
Malaysian income tax	1,039,566	230,590
Foreign income tax	-	27
	1,039,566	230,617
Under/(over) provision in prior year:		
Malaysian income tax	429,187	(22,557)
	1,468,753	208,060
Deferred tax (Note 19):		
Relating to origination and reversal of temporary differences	(35,221)	270,826
Over provision in prior year	(428,546)	-
Effect of an increase in tax rate	2,133	-
	(461,634)	270,826
	1,007,119	478,886

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35. Taxation (cont'd.)

Domestic current income tax is calculated at the statutory tax rate of 24% of the estimated chargeable profit for the financial year. As announced in the Budget 2022, the prosperity tax (or also known as “Cukai Makmur”) is a one-off tax measure whereby companies with chargeable income above the RM100.0 million will be taxed at a rate of 33% and the income below and equal RM100.0 million will be taxed at the current statutory tax rate of 24% for year of assessment (“YA”) 2022.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Bank is as follows:

	2021	2020
	RM'000	RM'000
Profit before taxation	4,149,673	2,003,182
Taxation at Malaysian statutory tax rate of 24%	995,922	480,764
Foreign income tax	-	27
Over provision of deferred tax in prior year	(428,546)	-
Expenses not deductible for tax purposes	10,480	24,696
Under/(over) provision of income tax in prior years	429,187	(22,557)
Effect of an increase in tax rate	2,133	-
Effect of zakat deduction	(2,057)	(4,044)
Tax expense for the financial year	1,007,119	478,886

36. Earnings per share ("EPS")

The basic and diluted EPS of the Bank are calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	2021	2020
Net profit for the financial year attributable to equity holder of the Bank (RM'000)	3,117,021	1,511,048
Weighted average number of ordinary shares in issue ('000)	385,576	351,538
Basic/diluted EPS (sen)	808.4	429.8

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37. Dividends

	2021	2020
	RM'000	RM'000
Single-tier interim dividend of RM4.39, on 384,098,000 ordinary shares in respect of the financial year ended 31 December 2021	1,686,190	-
Single-tier final dividend of RM3.91, on 361,504,000 ordinary shares in respect of the financial year ended 31 December 2020	1,413,481	-
Single-tier final dividend of RM4.32, on 338,910,000 ordinary shares in respect of the financial year ended 31 December 2019	-	1,464,091
	<u>3,099,671</u>	<u>1,464,091</u>

Subsequent to the financial year end, on 22 February 2022, the Board of Directors declared a single-tier second interim dividend in respect of the current financial year ended 31 December 2021 of RM3.30 per share on 432,110,250 ordinary shares, amounting to a dividend payable of RM1,425,963,825.

The financial statements for the current financial year do not reflect this declared single-tier second interim dividend. Such dividend will be accounted for in the statement of changes in equity as an appropriation of retained profits in the next financial year ending 31 December 2022.

38. Significant related party transactions and balances

(a) The Bank's significant transactions with related parties are as follows:

	2021	2020
	RM'000	RM'000
Holding company		
Income:		
Money at call and deposits with financial institutions	157	-
Financial assets purchased under resale agreements	87,093	5,672
	<u>87,250</u>	<u>5,672</u>
Expenditure:		
Profit distributed to depositors	1,140,562	1,047,521
Finance cost	409,401	465,521
Shared service cost paid/payable to Maybank	1,529,532	1,379,971
	<u>3,079,495</u>	<u>2,893,013</u>

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38. Significant related party transactions and balances (cont'd.)

(a) The Bank's significant transactions with related parties are as follows (cont'd.):

	2021	2020
	RM'000	RM'000
Related companies		
Income:		
Commission	55,132	49,514
Service charges and other fees	388	-
	<u>55,520</u>	<u>49,514</u>
Expenditure:		
Profit distributed to depositors	47,198	89,041
Information technology expenses*	4,021	4,893
Fees and brokerage*	130	149
General expenses	4,452	2,701
Shared service cost paid/payable to related company	1,950	7,790
	<u>57,751</u>	<u>104,574</u>

* Included in these expenses are services rendered in Malaysia.

(b) Included in the statement of financial position of the Bank are balances with holding company and related companies represented by the following:

	2021	2020
	RM'000	RM'000
Holding company		
Amount due from:		
Current accounts and deposits	3,751,619	154,701
Financial assets purchased under resale agreements	10,427,830	3,627,062
Derivative assets	20,856	252,996
Margin account	114,110	98,420
Others	3,880,724	1,772,618
	<u>18,195,139</u>	<u>5,905,797</u>
Amount due to:		
Current accounts and deposits	19,631,235	36,009,288
Derivative liabilities	143,217	369,255
Subordinated sukuk	2,021,814	2,028,303
Capital securities	1,002,441	1,002,441
Term funding	10,923,177	10,895,058
Other liabilities	5,957	7,417
	<u>33,727,841</u>	<u>50,311,762</u>
Others:		
Restricted investment accounts managed by the Bank	<u>29,511,958</u>	<u>-</u>

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38. Significant related party transactions and balances (cont'd.)

(b) Included in the statement of financial position of the Bank are balances with holding company and related companies represented by the following (cont'd.):

	2021	2020
	RM'000	RM'000
Related companies		
Amount due from:		
Current accounts and deposits	<u>3,063</u>	<u>-</u>
Amount due to:		
Fixed return investment deposits	2,459,765	3,762,072
Others	<u>5,270</u>	<u>8,496</u>
	<u>2,465,035</u>	<u>3,770,568</u>

The above transactions have been entered into in the normal course of business and have been established under terms and conditions that are no less favourable than those arranged with independent parties.

(c) Key management personnel compensation

The number of shares awarded for ESGP shares to key management personnel is as follows:

	2021	2020
	'000	'000
At 1 January	312	208
Awarded	104	104
Vested	(52)	-
Forfeited	(52)	-
At 31 December	<u>312</u>	<u>312</u>

Name	Year	Award date	Number of ESGP
			shares awarded
			'000
Dato' Mohamed Rafique	2021	30.09.2021	104
Merican bin Mohd	2020	30.09.2020	104
Wahiduddin Merican	2019	30.09.2019	104
	2018	14.12.2018	104

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38. Significant related party transactions and balances (cont'd.)

(d) Government-related entities

Permodalan Nasional Berhad ("PNB"), a government-linked entity and a shareholder with significant influence on Maybank, with direct shareholding of 7.09% (2020: 7.24%) and indirect shareholding of 34.01% (2020: 35.39%) via Amanah Raya Trustee Berhad (Skim Amanah Saham Bumiputera) as at 31 December 2021. PNB and entities directly controlled by PNB are collectively referred to as government-related entities to the Maybank Group and the Bank.

All the transactions entered into by the Bank with the government-related entities are conducted in the ordinary course of the Bank's business on terms comparable to those with other entities that are not government-related. The Bank has established credit policies, pricing strategy and approval process for financing and advances, which are independent of whether the counterparties are government-related entities or not.

(i) Individually significant transactions and balances with PNB due to its size of transactions:

	2021	2020
	RM'000	RM'000
Transactions during the financial year:		
Financing income	148,444	198,797
Profit share income from investment accounts	<u>84</u>	<u>-</u>
Balances as at reporting dates:		
Financing and advances	3,151,210	3,551,198
Restricted investment accounts managed by the Bank	<u>635,837</u>	<u>-</u>

(ii) Collectively, but not individually, significant transactions

There was no collectively significant transactions with other government-related entities during the financial year ended 31 December 2021 and 31 December 2020.

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38. Significant related party transactions and balances (cont'd.)

(e) Credit exposure arising from credit transactions with connected parties

	2021	2020
Outstanding credit exposure with connected parties (RM'000)	<u>9,720,795</u>	<u>7,655,809</u>
Percentage of outstanding credit exposure to connected parties as a proportion of total credit exposure	<u>3.9%</u>	<u>3.5%</u>
Percentage of outstanding credit exposure to connected parties which are non-performing or in default	<u>-</u>	<u>-</u>

The credit exposure above are derived based on paragraph 9.1 of the Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

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

- (i) Directors of the Bank and their close relatives;
- (ii) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling activities of the Bank and his close relatives;
- (iii) 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;
- (iv) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (iii) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;
- (v) Any person for whom the persons listed in (i) to (iii) above is a guarantor; and
- (vi) Subsidiary of or an entity controlled by the Bank and its connected parties.

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

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39. Commitments and contingencies

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

The risk-weighted exposures of the Bank as at 31 December are as follows:

	Full commitment RM'000	2021 Credit equivalent amount* RM'000	Risk weighted amount* RM'000	Full commitment RM'000	2020 Credit equivalent amount* RM'000	Risk weighted amount* RM'000
<u>Contingent liabilities</u>						
Direct credit substitutes	2,845,299	2,236,690	1,589,255	2,832,337	2,786,746	2,258,338
Certain transaction-related contingent items	3,316,724	1,623,110	1,120,828	2,533,185	1,246,136	778,165
Short-term self-liquidating trade-related contingencies	500,796	102,269	39,713	162,041	34,164	15,170
	6,662,819	3,962,069	2,749,796	5,527,563	4,067,046	3,051,673
<u>Commitments</u>						
Irrevocable commitments to extend credit:						
- maturity within one year	31,073,338	1,493,386	262,960	27,288,508	1,388,834	261,485
- maturity more than one year	10,411,607	20,641,624	8,367,924	10,452,802	17,979,661	7,763,819
	41,484,945	22,135,010	8,630,884	37,741,310	19,368,495	8,025,304
Miscellaneous commitments and contingencies	83,465	-	-	86,280	-	-
Total credit-related commitments and contingencies	48,231,229	26,097,079	11,380,680	43,355,153	23,435,541	11,076,977

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39. Commitments and contingencies (cont'd.)

In the normal course of business, the Bank makes various commitments and incurs certain contingent liabilities with legal recourse to their customers. No material losses are anticipated as a result of these transactions (cont'd.).

The risk-weighted exposures of the Bank as at 31 December are as follows (cont'd.):

	Full commitment RM'000	2021 Credit equivalent amount* RM'000	Risk weighted amount* RM'000	Full commitment RM'000	2020 Credit equivalent amount* RM'000	Risk weighted amount* RM'000
<u>Derivative financial instruments</u>						
Foreign exchange related contracts:						
- less than one year	26,539,087	173,490	54,161	23,565,806	152,805	58,958
- one year to less than five years	1,577,464	87,013	34,567	3,571,063	158,246	123,372
- more than five years	2,130,208	176,384	82,878	2,316,798	185,877	145,433
Profit rate related contracts:						
- less than one year	490,000	5,042	3,028	80,340	80	24
- one year to less than five years	4,714,969	82,015	61,906	3,335,654	146,381	119,953
- more than five years	300,000	22,879	8,803	300,000	34,064	15,797
Total treasury-related commitments and contingencies	35,751,728	546,823	245,343	33,169,661	677,453	463,537
Total commitments and contingencies	83,982,957	26,643,902	11,626,023	76,524,814	24,112,994	11,540,514

* The credit equivalent amount and risk-weighted amount are arrived at using the credit conversion factors and risk-weights respectively as specified by Bank Negara Malaysia for regulatory capital adequacy purposes.

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40. Financial risk management policies

(a) Financial risk management overview

Risk Management is a critical pillar of the Bank's operating model, complementing the other two pillars, which are business sectors and support sectors. A dedicated Board-level Risk Management Committee provides risk oversight of all material risks inclusive of ESG risk across the Bank.

The Management-level Risk Management Committees, which include the Group Executive Risk Committee ("Group ERC"), Group Non-Financial Risk Committee ("GNFRC"), Group Asset and Liability Management Committee ("Group ALCO") and Group Management Credit Committee ("GMCC"), are responsible for the management of all material risks inclusive of ESG risk within the Bank.

The Bank's approach to risk management is premised on the following set of building blocks as the foundation in driving strong risk management culture, practices and process:

- (i) *Risk Culture*: Risk culture is a vital component in strengthening risk governance and forms a fundamental principle of strong risk management.
- (ii) *Risk Coverage*: The Bank must determine its business strategy and assess the risks to ensure the appropriate risk strategies are put in place to give a greater level of assurance on achieving its business strategy.
- (iii) *Risk Appetite*: The risk appetite defines the types and levels of risk that the Bank is willing to accept in pursuit of its business and strategic goals.
- (iv) *Risk Response*: Selection of the appropriate risk response is imperative to align the risks with the Bank's risk tolerance and risk appetite.
- (v) *Governance and Risk Oversight*: There is a clear, effective and robust governance structure with well-defined, transparent and consistent lines of responsibility.
- (vi) *Risk Management Practices and Processes*: Robust risk management processes are in place to actively identify, measure, control, monitor and report risks inherent in all products and activities undertaken by the Bank.
- (vii) *Stress Test*: Stress testing should be used to identify and quantify possible events or future changes in the financial and economic condition that could have unfavourable effects on the Bank's exposure.
- (viii) *Resources and System Infrastructure*: Ensure sufficient resources, infrastructure and techniques are established to enable effective risk management.

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40. Financial risk management policies (cont'd.)

(b) Impairment assessment

The references below show where the Bank's impairment assessment and measurement approach is set out in this note. It should be read in conjunction with the summary of significant accounting policies.

- The Bank's definition and assessment of default and cure (Note 40(b)(i)).
- An explanation of the Bank's internal grading system (Note 40(e)(5)).
- How the Bank defines, calculates and monitors the probability of default, exposure at default and loss given default (Note 40(e)(1)).
- When the Bank considers there has been a significant increase in credit risk of an exposure (Note 40(b)(ii)).
- The Bank's policy of segmenting financial assets where ECL is assessed on a collective basis (Note 40(b)(iii)).
- The details of the ECL calculations for Stage 1, Stage 2 and Stage 3 assets (Note 2.2(i)(d)(i)).

(i) Definition of default and cure

The Bank considers financial instruments defaulted and therefore Stage 3 (credit-impaired) for ECL calculations when:

- Principal or profit or both are past due for more than 90 days; or
- Account less than 90 days past due which exhibit indications of significant increase in credit risk; or
- Impaired financing and advances have been rescheduled and restructured, the financing and advances will continue to be classified as impaired until repayments based on rescheduled or restructured terms have been observed continuously for a period of six (6) months; or
- Default occurs for repayments scheduled on intervals of three (3) months or longer.

The Bank considers treasury and interbank balances defaulted and takes immediate action when the required intraday payments are not settled by the close of business as outlined in the individual agreements.

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40. Financial risk management policies (cont'd.)

(b) Impairment assessment (cont'd.)

(i) Definition of default and cure (cont'd.)

As a part of a qualitative assessment of whether a customer is in default, the Bank also considers a variety of instances that may indicate unlikeliness to pay. When such events occur, the Bank carefully considers whether the event should result in treating the customer as defaulted and therefore assessed as Stage 3 for ECL calculations or whether Stage 2 is appropriate. Such events include:

- significant deterioration in customer's credit rating from initial recognition or last reviewed date;
- breach of covenant not waived by the Bank;
- insolvency of customer;
- probability of the customer entering bankruptcy; and
- suspension of the customer's listed debt or equity at the primary exchange due to rumours or facts about financial difficulties.

It is the Bank's policy to consider a financial instrument as 'cured' and therefore re-classified out of Stage 3 when none of the default criteria have been present. The decision whether to classify an asset as Stage 2 or Stage 1 once cured depends on the updated indicators at the time of the cure, and the asset no longer showing significant increase in credit risk compared to initial recognition.

(ii) Significant increase in credit risk

The Bank continuously monitors all financial assets subject to ECL. In order to determine whether an instrument or a portfolio of instruments is subject to 12-month ECL or Lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk since initial recognition.

The Bank also applies a secondary qualitative method for triggering a significant increase in credit risk for an asset, such as moving a customer/facility to the watch list, or the account becoming forborne. In certain cases, the Bank may also consider that events explained in Note 40(b)(i) are a significant increase in credit risk as opposed to a default. Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly.

When estimating ECL on a collective basis for a group of similar assets (as set out in Note 40(b)(iii)), the Bank applies the same principles for assessing whether there has been a significant increase in credit risk since initial recognition.

40. Financial risk management policies (cont'd.)

(b) Impairment assessment (cont'd.)

(iii) Grouping financial assets measured on a collective basis

As explained in Note 2.2(i)(d)(ii), depending on the factors below, the Bank calculates ECL either on a collective or an individual basis.

Financial assets subject to ECL that have been assessed individually but for which no impairment is required and all individually insignificant exposure are then assessed collectively, in groups of assets with similar credit risk characteristics.

The Bank groups these exposure into smaller homogeneous portfolios, based on a combination of internal and external characteristics of the financial assets.

(c) Analysis of inputs to the ECL models under multiple economic scenarios

An overview of the approach to estimating ECLs is set out in Note 2.2 Summary of significant accounting policies and in Note 3 Significant accounting judgements, estimates and assumptions; in which the macroeconomic factors are regularly monitored as part of the normal credit risk management of the Bank, including the ongoing COVID-19 developments. To ensure completeness and accuracy, the Bank obtained the data used from Maybank Group Economist, MIBG, including determining the weights attributable to the multiple scenarios as at every year end to apply on next financial year's ECL computations.

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40. Financial risk management policies (cont'd.)

(c) Analysis of inputs to the ECL models under multiple economic scenarios (cont'd.)

The following table shows the forecast of the key forward-looking macroeconomic variables used in each of the economic scenarios for the ECL calculations for financial year ended 31 December 2021 and 31 December 2020. The figures for "Subsequent years" represent a long-term average and the same are applied for each scenario.

31 December 2021

Key Variables	ECL Scenario	Assigned Probabilities	2021	2022	2023	2024	2025	Subsequent years
Real GDP (%)	Base case	60	3.8	6.0	5.0	5.0	5.0	5.0
	Upside	10	4.0	6.5	5.5	5.5	5.5	5.5
	Downside	30	3.5	5.3	4.3	4.3	4.3	4.3
Property Price Index (%)	Base case	60	-	0.5	1.5	1.5	1.5	1.5
	Upside	10	1.0	2.0	2.0	2.0	2.0	2.0
	Downside	30	(0.5)	-	1.0	1.0	1.0	1.0
Overnight Policy Rate (%)	Base case	60	1.8	2.0	2.3	2.5	2.8	2.8
	Upside	10	1.8	2.3	2.8	3.0	3.0	3.0
	Downside	30	1.8	1.8	2.0	2.3	2.5	2.8
Unemployment Rate (%)	Base case	60	4.6	4.0	3.8	3.5	3.5	3.5
	Upside	10	4.4	3.5	3.5	3.0	3.0	3.0
	Downside	30	4.8	4.5	4.5	4.0	4.0	4.0

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40. Financial risk management policies (cont'd.)

(c) Analysis of inputs to the ECL models under multiple economic scenarios (cont'd.)

The following table shows the forecast of the key forward-looking macroeconomic variables used in each of the economic scenarios for the ECL calculations for financial year ended 31 December 2021 and 31 December 2020. The figures for "Subsequent years" represent a long-term average and the same are applied for each scenario (cont'd.).

31 December 2020

Key Variables	ECL Scenario	Assigned Probabilities	2020	2021	2022	2023	2024	Subsequent years
Real GDP (%)	Base case	60	(5.4)	5.1	5.0	5.0	5.0	5.0
	Upside	10	(5.0)	5.5	5.5	5.5	5.5	5.5
	Downside	30	(6.4)	4.0	4.5	4.5	4.5	4.5
Property Price Index (%)	Base case	60	(4.3)	-	0.5	1.5	1.5	1.5
	Upside	10	(3.0)	1.0	2.0	2.0	2.0	2.0
	Downside	30	(5.0)	(0.5)	-	1.0	1.0	1.0
Overnight Policy Rate (%)	Base case	60	1.8	1.8	2.0	2.3	2.5	2.5
	Upside	10	1.8	2.0	2.3	2.5	2.8	2.8
	Downside	30	1.3	1.3	1.5	1.8	2.0	2.0
Unemployment Rate (%)	Base case	60	4.8	4.3	4.0	3.8	3.5	3.5
	Upside	10	4.5	4.0	3.5	3.5	3.0	3.0
	Downside	30	5.5	5.0	4.5	4.5	4.0	4.0

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40. Financial risk management policies (cont'd.)**(d) Financial instruments by category**

2021	Fair value through profit or loss RM'000	Fair value through other comprehensive income RM'000	At amortised costs RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
Assets						
Cash and short-term funds	-	-	12,123,992	12,123,992	-	12,123,992
Deposits and placements with banks and other financial institutions	-	-	3,000,157	3,000,157	-	3,000,157
Financial assets purchased under resale agreements	-	-	10,420,749	10,420,749	-	10,420,749
Financial investments portfolio	784,302	15,082,779	22,867,781	38,734,862	-	38,734,862
Financing and advances	-	2,175,615	190,290,102	192,465,717	-	192,465,717
Derivative assets	117,420	-	-	117,420	-	117,420
Other assets	-	-	4,426,072	4,426,072	378,403	4,804,475
Statutory deposit with Bank Negara Malaysia	-	-	20,447	20,447	-	20,447
Property, plant and equipment	-	-	-	-	546	546
Right-of-use assets	-	-	-	-	6,126	6,126
Deferred tax assets	-	-	-	-	190,616	190,616
TOTAL ASSETS	901,722	17,258,394	243,149,300	261,309,416	575,691	261,885,107

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40. Financial risk management policies (cont'd.)**(d) Financial instruments by category (cont'd.)**

2021	Fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Liabilities					
Customers' funding:					
- Deposits from customers	-	179,514,918	179,514,918	-	179,514,918
- Investment accounts of customers	-	28,720,799	28,720,799	-	28,720,799
Deposits and placements of banks and other financial institutions	-	24,186,628	24,186,628	-	24,186,628
Bills and acceptances payable	-	19,561	19,561	-	19,561
Derivative liabilities	177,545	-	177,545	-	177,545
Other liabilities	-	1,495,197	1,495,197	25,924	1,521,121
Provision for zakat	-	-	-	27,544	27,544
Term funding	-	10,923,177	10,923,177	-	10,923,177
Subordinated sukuk	-	2,021,814	2,021,814	-	2,021,814
Capital securities	-	1,002,441	1,002,441	-	1,002,441
TOTAL LIABILITIES	177,545	247,884,535	248,062,080	53,468	248,115,548

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40. Financial risk management policies (cont'd.)**(d) Financial instruments by category (cont'd.)**

2020	Fair value through profit or loss RM'000	Fair value through other comprehensive income RM'000	At amortised costs RM'000	Sub-total RM'000	Assets not in scope of MFRS 9 RM'000	Total RM'000
Assets						
Cash and short-term funds	-	-	9,890,517	9,890,517	-	9,890,517
Financial assets purchased under resale agreements	-	-	3,625,611	3,625,611	-	3,625,611
Financial investments portfolio	-	18,453,139	16,381,007	34,834,146	-	34,834,146
Financing and advances	-	2,741,267	200,925,608	203,666,875	-	203,666,875
Derivative assets	385,303	-	-	385,303	-	385,303
Other assets	-	-	2,272,398	2,272,398	532,526	2,804,924
Statutory deposit with Bank Negara Malaysia	-	-	12,591	12,591	-	12,591
Property, plant and equipment	-	-	-	-	979	979
Right-of-use assets	-	-	-	-	9,901	9,901
TOTAL ASSETS	385,303	21,194,406	233,107,732	254,687,441	543,406	255,230,847

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40. Financial risk management policies (cont'd.)**(d) Financial instruments by category (cont'd.)**

2020	Fair value through profit or loss RM'000	Other financial liabilities RM'000	Sub-total RM'000	Liabilities not in scope of MFRS 9 RM'000	Total RM'000
Liabilities					
Customers' funding:					
- Deposits from customers	-	165,268,246	165,268,246	-	165,268,246
- Investment accounts of customers	-	23,840,796	23,840,796	-	23,840,796
Deposits and placements of banks and other financial institutions	-	38,770,852	38,770,852	-	38,770,852
Bills and acceptances payable	-	38,086	38,086	-	38,086
Derivative liabilities	656,302	-	656,302	-	656,302
Other liabilities	-	321,695	321,695	17,385	339,080
Provision for zakat	-	-	-	14,373	14,373
Term funding	-	10,895,058	10,895,058	-	10,895,058
Subordinated sukuk	-	2,028,303	2,028,303	-	2,028,303
Capital securities	-	1,002,441	1,002,441	-	1,002,441
Deferred tax liabilities	-	-	-	449,812	449,812
TOTAL LIABILITIES	656,302	242,165,477	242,821,779	481,570	243,303,349

40. Financial risk management policies (cont'd.)

(e) Credit risk management

1. Credit risk definition

Credit risk is the risk that a counterparty fails to meet its obligations in accordance with the agreed terms.

Management of credit risk

Corporate and institutional credit risks are assessed by business units where each counterparty is assigned a credit rating based on the assessment of relevant qualitative and quantitative factors, including counterparty's financial position, future cash flows, types of facilities and collateral offered.

Reviews are conducted at least once a year with updated information on counterparty's financial position, market position, industry and economic condition and account conduct. These counterparties are subject to regular periodic credit classification and impairment assessment to determine if any early intervention is required. Appropriate corrective actions are taken when the accounts show signs of credit deterioration.

Retail credit exposures are predicated on data analytics and are programme-driven which are governed by the Product Development Assessment ("PDA") or Universal Product Development Assessment ("UPDA"). Credit programmes are assessed jointly by the business units and credit teams. Reviews for retail credits are generally conducted at the portfolio level on annually basis.

Counterparty credit risk is the risk arising from the possibility that a counterparty may default on current and future payments as required by contract for treasury-related activities. Counterparty credit risk originates from the Bank's lending business, investment and treasury activities that impact the Bank's trading and banking books through dealings in foreign exchange, money market instruments, fixed income securities, commodities, equities and over-the-counter derivatives. The primary distinguishing feature of counterparty credit risk compared to other forms of credit risk is that the future value of the underlying contract is uncertain, and may be either positive or negative depending on the value of all future cash flows.

40. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

1. Credit risk management overview (cont'd.)

Management of credit risk (cont'd.)

Counterparty credit risk exposures are managed via counterparty limits either on a single counterparty basis or counterparty group basis predicated on BNM's Single Counterparty Exposure Limits. The Bank actively monitors and manages its exposure to ensure that exposures to a single counterparty group are within prudent limits at all times. Counterparty credit risk exposures may be materially affected by market risk events. The Bank has in place dedicated teams to promptly identify, review, and prescribe appropriate actions to the respective risk committees.

For on-balance sheet exposures, the Bank employs risk treatments in accordance with BNM and Basel II guidelines. For off-balance sheet exposures, the Bank measures credit risk using Credit Risk Equivalent via the Current Exposure Method. This method calculates the Bank's credit risk exposure after considering both the mark-to-market exposures and the appropriate add-on factors for potential future exposures. The add-on factors employed are in accordance with BNM Guidelines and Basel II requirements.

In managing large exposures and to avoid undue concentration of credit risk in its credit portfolio, the Bank has emplaced, amongst others, limits and related financing guidelines, for:

- Countries;
- Economic sectors;
- Single counterparty groups;
- Collaterals;
- Connected parties; and
- Product or facility types.

Reviews of the aforesaid limits and related financing guidelines are undertaken on a periodic basis, whereupon any emerging concentration risks are addressed accordingly. Any breach of limits are escalated for approvals, and any deviations to the lending guidelines are to be justified with strong mitigations.

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40. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

1. Credit risk management overview (cont'd.)

Management of credit risk (cont'd.)

The Bank has dedicated teams at Head Office and Regional Offices to effectively manage vulnerable corporate, institutional and consumer credits. Special attention is given to these vulnerable credits where more frequent and intensive reviews are performed in order to prevent further deterioration or to accelerate remedial action.

As part of enhancing the Bank's ESG practices, the Bank takes a proactive approach to incorporate ESG considerations into business processes by developing ESG Risk Acceptance Criteria for high ESG risk industries.

The Bank's credit approving process encompasses assessment, approval and post-approval credit review. Maybank Group Risk is responsible for developing, enhancing and communicating effective and consistent credit risk management policies, tools and methodologies across the Maybank Group to ensure that appropriate standards are in place to identify, measure, control, monitor and report such risks.

The Bank's credit approving structure is based on joint approvals by Business and Credit, with complex credits of higher risk approved by the GMCC. The authority limits are based on the Expected Loss ("EL") principle, and are directly related to the counterparty's rating and credit exposure.

Credit risk measurement

The Bank's retail portfolios are under Basel II Advanced Internal Ratings-Based ("AIRB") Approach. This approach calls for more extensive reliance on the Bank's own internal experience whereby estimations for all the three components of Risk-Weighted Assets ("RWA") calculation namely Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") are based on its own historical data. Separate PD, EAD and LGD statistical models were developed at the respective retail portfolio level; each model covering customer with fundamentally similar risk profiles in a portfolio. The estimates derived from the models are used as input for RWA calculations.

For non-retail portfolios, the Bank uses internal credit models to evaluate the majority of its credit risk exposures. For corporate and bank portfolios, the Bank has adopted the Foundation Internal Ratings-Based ("FIRB") approach, which allows the Bank to use its internal PD estimates to determine an asset risk weighting and apply supervisory estimates for LGD and EAD.

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40. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

1. Credit risk management overview (cont'd.)

Credit risk measurement (cont'd.)

Credit Risk Rating System ("CRRS") is developed to allow the Bank to identify, assess and measure corporate, commercial and small business customers' credit risk. CRRS is a statistical default prediction model. The model was developed and recalibrated to suit the Bank's banking environment using internal data. The model development process was conducted and documented in line with specific criteria for model development in accordance to Basel II. The EL principles employed in the Bank enables the calculation of EL using PD estimates (facilitated by the CRRS), LGD and EAD.

To account for differences in risk due to industry and size, CRRS is designed to rate all corporate and commercial customers by their respective industry segments (i.e. manufacturing, services, trading, contractors, property developers (single project) and property investors (single property)).

2. Maximum exposure to credit risk

The following analysis represents the Bank's maximum exposure to credit risk from on-balance sheet financial assets and off-balance sheet exposure, excluding any collateral held or other credit enhancements. For on-balance sheet financial assets, the exposure to credit risk equals their carrying amount. For off-balance sheet exposure, the maximum exposure to credit risk is the maximum amount that the Bank would have to pay if the obligations of the instruments issued are called upon and/or the full amount of the undrawn credit facilities granted to customers.

	Maximum Exposure	
	2021	2020
	RM'000	RM'000
Credit exposure for on-balance sheet financial assets:		
Cash and short-term funds	12,123,992	9,890,517
Deposits and placements with banks and other financial institutions	3,000,157	-
Financial assets purchased under resale agreements	10,420,749	3,625,611
Financial investments portfolio*	38,733,612	34,832,896
Financing and advances	192,465,717	203,666,875
Derivative assets	117,420	385,303
Other assets	4,426,072	2,272,398
Statutory deposit with Bank Negara Malaysia	20,447	12,591
	<u>261,308,166</u>	<u>254,686,191</u>

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40. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

2. Maximum exposure to credit risk (cont'd.)

	Maximum Exposure	
	2021	2020
	RM'000	RM'000
Credit exposure for off-balance sheet items:		
Direct credit substitutes	2,845,299	2,832,337
Certain transaction-related contingent items	3,316,724	2,533,185
Short-term self-liquidating trade-related contingencies	500,796	162,041
Irrevocable commitments to extend credit	41,484,945	37,741,310
Miscellaneous	83,465	86,280
	48,231,229	43,355,153
Total maximum credit risk exposure	309,539,395	298,041,344

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost. The portfolio excludes unquoted shares.

Credit exposure for on-balance sheet financial assets that are not subject to impairment:

	2021	2020
	RM'000	RM'000
Financial assets at fair value through profit & loss		
Investments	784,302	-
Derivatives	117,420	385,303
	901,722	385,303

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 at 88% (31 December 2020: 83%). The financial effect of collateral held for other financial assets is not significant.

40. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

3. Credit risk concentration profile

Concentration risk is the risk that can materialise from excessive exposures to single counterparty and persons connected to it, a particular instrument or a particular market segment/sector. The Bank analyses the concentration credit risk by geographic purpose and industry segment as follows:

(a) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by geographic purpose are as follows:

	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Financing and advances RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposit with Bank Negara Malaysia RM'000	Total	Commitments and contingencies RM'000
2021										
Malaysia	12,123,992	3,000,157	10,420,749	38,733,612	192,465,717	117,420	4,425,590	20,447	261,307,684	48,231,229
Dubai	-	-	-	-	-	-	482	-	482	-
	12,123,992	3,000,157	10,420,749	38,733,612	192,465,717	117,420	4,426,072	20,447	261,308,166	48,231,229
2020										
Malaysia	9,890,517	-	3,625,611	34,832,896	203,666,875	385,303	2,272,036	12,591	254,685,829	43,355,153
Dubai	-	-	-	-	-	-	362	-	362	-
	9,890,517	-	3,625,611	34,832,896	203,666,875	385,303	2,272,398	12,591	254,686,191	43,355,153

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost. The portfolio excludes unquoted shares.

40. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

3. Credit risk concentration profile (cont'd.)

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows:

2021	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Financing and advances RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposit with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	116,731	2,441,196	3,741	-	-	2,561,668	765,625
Mining and quarrying	-	-	-	520,961	908,689	-	-	-	1,429,650	473,221
Manufacturing	-	-	-	2,531,080	10,365,614	18,153	-	-	12,914,847	2,635,195
Construction	-	-	-	2,110,068	6,511,197	-	-	-	8,621,265	2,954,668
Electricity, gas and water supply	-	-	-	24,872	655,978	31,559	-	-	712,409	391,566
Wholesale, retail trade, restaurants and hotels	-	-	-	970,005	12,617,675	44	-	-	13,587,724	1,725,226
Finance, insurance, real estate and business	12,123,992	3,000,157	10,420,749	31,836,052	18,772,685	63,751	4,426,072	20,447	80,663,905	24,505,531
Transport, storage and communication	-	-	-	623,843	2,614,512	153	-	-	3,238,508	1,303,474
Education, health and others	-	-	-	-	1,642,735	-	-	-	1,642,735	200,917
Household	-	-	-	-	135,910,669	-	-	-	135,910,669	9,457,215
Others	-	-	-	-	24,767	19	-	-	24,786	3,818,591
	12,123,992	3,000,157	10,420,749	38,733,612	192,465,717	117,420	4,426,072	20,447	261,308,166	48,231,229

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost. The portfolio excludes unquoted shares.

40. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

3. Credit risk concentration profile (cont'd.)

(b) Concentration of credit risk for both on-balance sheet financial assets and off-balance sheet exposures analysed by industry sector are as follows (cont'd.):

2020	Cash and short-term funds RM'000	Deposits and placements with financial institutions RM'000	Financial assets purchased under resale agreements RM'000	Financial investments portfolio* RM'000	Financing and advances RM'000	Derivative assets RM'000	Other assets RM'000	Statutory deposit with Bank Negara Malaysia RM'000	Total RM'000	Commitments and contingencies RM'000
Agriculture	-	-	-	352,534	6,846,999	8,580	-	-	7,208,113	606,176
Mining and quarrying	-	-	-	1,636,343	423,364	-	-	-	2,059,707	147,663
Manufacturing	-	-	-	1,940,983	9,063,620	6,998	-	-	11,011,601	2,225,417
Construction	-	-	-	759,366	12,598,825	-	-	-	13,358,191	2,892,042
Electricity, gas and water supply	-	-	-	98,262	774,030	46,076	-	-	918,368	580,763
Wholesale, retail trade, restaurants and hotels	-	-	-	647,321	10,876,525	63	-	-	11,523,909	1,476,772
Finance, insurance, real estate and business	9,890,517	-	3,625,611	27,519,800	29,014,612	323,502	2,272,398	12,591	72,659,031	20,564,408
Transport, storage and communication	-	-	-	1,878,287	5,043,345	3	-	-	6,921,635	1,413,979
Education, health and others	-	-	-	-	1,607,352	-	-	-	1,607,352	189,011
Household	-	-	-	-	127,372,682	-	-	-	127,372,682	9,518,897
Others	-	-	-	-	45,521	81	-	-	45,602	3,740,025
	9,890,517	-	3,625,611	34,832,896	203,666,875	385,303	2,272,398	12,591	254,686,191	43,355,153

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost. The portfolio excludes unquoted shares.

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40. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

4. Collateral

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

- For house financing - charges over residential properties;
- For auto financing - ownership claims over the vehicle financed;
- For share margin financing - pledges over securities from listed exchange;
- For commercial property financing - charges over the properties financed;
- For other financing - charges over business assets such as premises, inventories, trade receivable or deposits; and
- For derivatives - cash and securities collateral for over-the-counter ("OTC") traded derivatives.

5. Credit quality of financial assets

Credit classification for financial assets

The four (4) risks categories are set out and defined below, from very low to high, apart from impaired, describe the credit quality of the Bank's financing. These classifications encompass a range of more granular, internal gradings assigned to financing and advances whilst external gradings are applied to financial investments. There is no direct correlation between the internal and external ratings at a granular level, except to the extent that each falls within a single credit quality band.

Risk Category	Probability of default ("PD") grade	External credit ratings based on S&P's ratings	External credit ratings based on RAM's ratings
Very low	1 - 5	AAA to BBB+	AAA to AA1
Low	6 - 10	BBB+ to BB+	AA1 to A3
Medium	11 - 15	BB+ to B+	A3 to BB1
High	16 - 21	B+ to C	BB1 to C

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40. Financial risk management policies (cont'd.)

(e) Credit risk management (cont'd.)

5. Credit quality of financial assets (cont'd.)

Credit classification for financial assets (cont'd.)

Risk categories are as described below:

- Very low: Obligors rated in this category have an excellent capacity to meet financial commitments with very low credit risk.
- Low: Obligors rated in this category have a good capacity to meet financial commitments with very low credit risk.
- Medium: Obligors rated in this category have a fairly acceptable capacity to meet financial commitments with moderate credit risk.
- High: Obligors rated in this category have uncertain capacity to meet financial commitments and are subject to high credit risk.

Other than the above rated risk categories, other categories used internally are as follows:

- Impaired/default: Obligors with objective evidence of impairment as a result of one or more events that has an impact on the estimated future cash flows of the obligors that can be reliably estimated. The detailed definition is further disclosed in Note 2.2(i)(d).
- Unrated: Refer to obligors which are currently not assigned with obligors' ratings due to unavailability of rating's models.
- Sovereign: Refer to obligors which are governments.

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40. Financial risk management (cont'd.)**(e) Credit risk management (cont'd.)****5. Credit quality of financial assets (cont'd.)**

The following tables set out information about the credit quality of financial assets measured at fair value through other comprehensive income ("FVOCI") and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts.

Financial investments - at FVOCI

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2021				
Very Low	11,642,713	-	-	11,642,713
Low	1,764,910	-	-	1,764,910
Medium	1,672,239	-	-	1,672,239
Unrated	1,667	-	-	1,667
Carrying amount - fair value	15,081,529	-	-	15,081,529
ECL	(3,632)	-	-	(3,632)
	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2020				
Very Low	14,532,100	-	-	14,532,100
Low	2,100,978	133,667	-	2,234,645
Medium	1,628,600	-	-	1,628,600
High	56,544	-	-	56,544
Carrying amount - fair value	18,318,222	133,667	-	18,451,889
ECL	(2,812)	(551)	-	(3,363)

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40. Financial risk management (cont'd.)**(e) Credit risk management (cont'd.)****5. Credit quality of financial assets (cont'd.)**

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Financial investments - at amortised cost

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	RM'000	RM'000	RM'000	RM'000
2021				
Very Low	16,193,579	-	-	16,193,579
Low	3,966,847	-	-	3,966,847
Medium	2,735,710	-	-	2,735,710
	22,896,136	-	-	22,896,136
Less:				
ECL	(28,355)	-	-	(28,355)
Net carrying amount	22,867,781	-	-	22,867,781
	Stage 1	Stage 2	Stage 3	Total
	12-month ECL	Lifetime ECL not credit impaired	Lifetime ECL credit impaired	
	RM'000	RM'000	RM'000	RM'000
2020				
Very Low	6,084,499	-	-	6,084,499
Low	5,350,404	40,928	-	5,391,332
Medium	3,568,445	-	-	3,568,445
High	188,135	1,418,240	-	1,606,375
	15,191,483	1,459,168	-	16,650,651
Less:				
ECL	(38,379)	(231,265)	-	(269,644)
Net carrying amount	15,153,104	1,227,903	-	16,381,007

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40. Financial risk management (cont'd.)**(e) Credit risk management (cont'd.)****5. Credit quality of financial assets (cont'd.)**

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Financing and advances - at FVOCI

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2021				
Very Low	1,797,957	-	-	1,797,957
Medium	251,832	-	-	251,832
Unrated	125,826	-	-	125,826
Carrying amount - fair value	2,175,615	-	-	2,175,615
ECL	(2,302)	-	-	(2,302)
	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2020				
Very Low	1,829,200	-	-	1,829,200
Low	121,415	125,000	-	246,415
Medium	557,193	-	-	557,193
Unrated	108,459	-	-	108,459
Carrying amount - fair value	2,616,267	125,000	-	2,741,267
ECL	(1,662)	(2,494)	-	(4,156)

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40. Financial risk management (cont'd.)**(e) Credit risk management (cont'd.)****5. Credit quality of financial assets (cont'd.)**

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Financing and advances - at amortised cost

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2021				
Very Low	78,258,346	98,602	-	78,356,948
Low	72,573,128	1,624,968	-	74,198,096
Medium	21,900,353	7,801,601	-	29,701,954
High	1,762,720	3,962,593	-	5,725,313
Unrated	3,537,774	221,315	-	3,759,089
Impaired	-	-	1,492,756	1,492,756
	178,032,321	13,709,079	1,492,756	193,234,156
Less:				
ECL	(556,209)	(1,678,410)	(709,435)	(2,944,054)
Net carrying amount	177,476,112	12,030,669	783,321	190,290,102
	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2020				
Very Low	85,480,276	56,218	-	85,536,494
Low	73,364,738	4,318,147	-	77,682,885
Medium	17,874,122	10,762,253	-	28,636,375
High	1,094,244	4,615,580	-	5,709,824
Unrated	3,674,601	271,989	-	3,946,590
Impaired	-	-	2,452,406	2,452,406
	181,487,981	20,024,187	2,452,406	203,964,574
Less:				
ECL	(574,213)	(1,209,931)	(1,254,822)	(3,038,966)
Net carrying amount	180,913,768	18,814,256	1,197,584	200,925,608

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40. Financial risk management (cont'd.)**(e) Credit risk management (cont'd.)****5. Credit quality of financial assets (cont'd.)**

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Cash and short-term funds

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2021				
Sovereign	11,372,529	-	-	11,372,529
Low	751,463	-	-	751,463
Net carrying amount	12,123,992	-	-	12,123,992

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2020				
Sovereign	9,735,816	-	-	9,735,816
Low	154,701	-	-	154,701
Net carrying amount	9,890,517	-	-	9,890,517

Deposits and placements with banks and other financial institutions

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2021				
Medium	3,000,157	-	-	3,000,157
Net carrying amount	3,000,157	-	-	3,000,157

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40. Financial risk management (cont'd.)**(e) Credit risk management (cont'd.)****5. Credit quality of financial assets (cont'd.)**

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Financial assets purchased under resale agreements

	Stage 1	Stage 2	Stage 3	Total
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2021				
Low	10,427,830	-	-	10,427,830
	10,427,830	-	-	10,427,830
Less: ECL	(7,081)	-	-	(7,081)
Net carrying amount	10,420,749	-	-	10,420,749
	Stage 1	Stage 2	Stage 3	
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	Total RM'000
2020				
Low	3,627,063	-	-	3,627,063
	3,627,063	-	-	3,627,063
Less: ECL	(1,452)	-	-	(1,452)
Net carrying amount	3,625,611	-	-	3,625,611

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40. Financial risk management (cont'd.)**(e) Credit risk management (cont'd.)****5. Credit quality of financial assets (cont'd.)**

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Statutory deposit with Bank Negara Malaysia

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
	RM'000	impaired	impaired	Total
	RM'000	RM'000	RM'000	RM'000
2021				
Sovereign	20,447	-	-	20,447
Net carrying amount	20,447	-	-	20,447

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
	RM'000	impaired	impaired	Total
	RM'000	RM'000	RM'000	RM'000
2020				
Sovereign	12,591	-	-	12,591
Net carrying amount	12,591	-	-	12,591

Other assets

	Stage 1	Stage 2	Stage 3	
	12-month	Lifetime ECL	Lifetime ECL	
	ECL	not credit	credit	
	RM'000	impaired	impaired	Total
	RM'000	RM'000	RM'000	RM'000
2021				
Unrated	4,426,072	-	-	4,426,072
Net carrying amount	4,426,072	-	-	4,426,072

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40. Financial risk management (cont'd.)**(e) Credit risk management (cont'd.)****5. Credit quality of financial assets (cont'd.)**

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Other assets (cont'd.)

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2020				
Unrated	2,272,398	-	-	2,272,398
Net carrying amount	2,272,398	-	-	2,272,398

Financing commitments

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2021				
Very Low	70,774	154	-	70,928
Low	1,386,931	22,828	-	1,409,759
Medium	626,007	659,333	-	1,285,340
High	584,446	17,584	-	602,030
Unrated	33,509	1,820	-	35,329
Impaired	-	-	2,033	2,033
	2,701,667	701,719	2,033	3,405,419
Less:				
ECL	(31,665)	(17,433)	(1,622)	(50,720)
Net carrying amount	2,670,002	684,286	411	3,354,699

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40. Financial risk management (cont'd.)**(e) Credit risk management (cont'd.)****5. Credit quality of financial assets (cont'd.)**

The following tables set out information about the credit quality of financial assets measured at FVOCI and at amortised cost. Unless otherwise stated, for financial assets, the amounts in the table represent gross carrying amounts (cont'd.).

Financing commitments (cont'd.)

	Stage 1	Stage 2	Stage 3	Total RM'000
	12-month ECL RM'000	Lifetime ECL not credit impaired RM'000	Lifetime ECL credit impaired RM'000	
2020				
Very Low	636,592	719	-	637,311
Low	678,516	99,307	-	777,823
Medium	227,344	651,391	-	878,735
High	633,253	23,625	-	656,878
Unrated	89,906	4,492	-	94,398
Impaired	-	-	637	637
	2,265,611	779,534	637	3,045,782
Less:				
ECL	(26,366)	(9,592)	(383)	(36,341)
Net carrying amount	2,239,245	769,942	254	3,009,441

The following table sets out information about the credit quality of financial assets measured at FVTPL:

Financial investments at FVTPL

	2021 RM'000	2020 RM'000
Low	659,118	-
Medium	125,184	-
Carrying amount - fair value	784,302	-

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40. Financial risk management (cont'd.)**(e) Credit risk management (cont'd.)****6. Credit quality of impaired financial assets**

(i) Impaired financial assets analysed by geography are as follows:

	Financing and advances	
	2021	2020
	RM'000	RM'000
Malaysia	1,492,756	2,452,406

(ii) Impaired financial assets analysed by industry sectors are as follows:

	Financing and advances	
	2021	2020
	RM'000	RM'000
Agriculture	475,555	869,673
Mining and quarrying	3,656	1,944
Manufacturing	65,817	104,342
Construction	58,798	93,180
Electricity, gas and water supply	117,065	123,733
Wholesale, retail trade, restaurants and hotels	121,996	150,467
Finance, insurance, real estate and business	64,588	296,994
Transport, storage and communication	78,506	85,314
Education, health and others	7,056	11,245
Household	499,712	715,512
Others	7	2
	1,492,756	2,452,406

40. Financial risk management policies (cont'd.)

(f) Market risk management

1. Market risk management overview

Market risk is defined as the risk of loss or adverse impact on earnings or capital arising from fluctuations of market rates or prices such as profit rates, foreign exchange rates, commodity prices and equity prices.

2. Market risk management

Management of trading activities

The Bank's traded market risk exposures are primarily from proprietary trading, client servicing and market making. The risk measurement techniques employed by the Bank comprise both quantitative and qualitative measures.

Value at Risk ("VaR") measures the potential loss of value resulting from market movements over a specified period of time within a specified probability of occurrence. The methodology is based on historical simulation, at a 99.2% confidence level using a 1-day holding period. The VaR model is back tested regularly to evaluate its performance and accuracy. Also, the Bank computes a Stressed VaR to measure the VaR arising from market movements over a previously identified stress period.

Besides VaR, the Bank utilises other non-statistical risk measures, such as exposure to a one basis point increase in yield ("PV01") for managing portfolio sensitivity to market profit rate movements, net open position ("NOP") limit for managing foreign currency exposure and Greek limits for controlling options risk. These measures provide granular information on the Bank's market risk exposures and are used for control and monitoring purposes.

40. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

2. Market risk management (cont'd.)

Management and measurement of Profit Rate Risk ("PRR")/Rate of Return Risk ("RoR") in the banking book

The Bank emphasises the importance of managing PRR/RoR in the banking book as most of the balance sheet items of the Bank generate profit income and profit distributed to depositors, which are indexed to profit rates. Volatility of earnings can pose a threat to the Bank's profitability while economic value provides a more comprehensive view of the potential long-term effects on the Bank's overall capital adequacy.

PRR/RoR in the banking book encompasses repricing risk, yield curve risk and basis risk arising from the movement in profit rates. The objective of the Bank's PRR/RoR in the banking book framework is to ensure that all PRR/RoR in the banking book is managed within its risk appetite.

PRR/RoR in the banking book is measured and monitored proactively, using the following principal measurement techniques:

- Repricing Gap Analysis
- Economic VaR
- Earnings at Risk

3. Profit rate risk

The Bank is exposed to various risk associated with the effects of fluctuations in the prevailing levels of market yield/profit rate on the financial position and cash flows. Yield/profit rate risk is identified, measured, monitored and controlled through limits and procedures set by the Asset and Liability Management Committee ("ALCO") to protect total net profit income from changes in market profit rates.

40. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

3. Profit rate risk (cont'd.)

Interbank offered rates ("IBOR"s) reformed

IBOR which has been widely used in the global financial markets, has been discontinued by end-2021 and replaced by risk-free rates ("RFR"s) as part of the global reform of benchmark profit rate. The transition from IBOR to RFRs will have significant impact on the Bank arising from legal implications for existing derivatives and financing contract referenced to IBOR, adjustment to accounting and valuation approaches, and system recalibration and reconfiguration. In June 2019, Maybank Group set up the IBOR transition Project Steering Committee ("PSC") , which consists of senior leaders from various functions across the Group including Legal, Finance, Operations, Technology, Risk and Compliance, to address the Bank's readiness for the IBOR reform.

Since the establishment of the PSC, Maybank Group has been planning and laying the foundations to ensure a smooth IBOR transition within the organisation and for its clients. These efforts include reviewing affected legal contracts, staff training, client engagement and ensuring systems and operational readiness to offer RFR products. Maybank Group actively monitors the developments in the industry in order to align itself to global market practices. The Board is updated on the progress of Maybank Group's IBOR transition on a quarterly basis.

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following:

- Conduct risk arising from discussions with clients and market counterparties due to the amendments required to existing contracts necessary to effect IBOR reform;
- Financial risk to the Bank and its clients that markets are disrupted due to IBOR reform giving rise to financial losses;
- Operational risk arising from changes to the Bank's IT systems and processes, also the risk of payments being disrupted if an IBOR ceases to be available;

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40. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

3. Profit rate risk (cont'd.)

Interbank offered rates ("IBOR"s) reformed (cont'd.)

IBOR reform exposes the Bank to various risks, which the project is managing and monitoring closely. These risks include but are not limited to the following (cont'd.):

- Accounting risk if the Bank’s hedging relationships fail and from unrepresentative income statement volatility as financial instruments transition to RFRs; and
- Legal and compliance risk of litigation due to transition value transfer between the Bank and its customers and counterparties.

The following table is exposure that have yet to transition from IBOR to RFRs as at 31 December 2021:

	Non-derivatives financial assets carrying value RM'000	Non-derivatives financial liabilities carrying value RM'000	Derivatives nominal amount RM'000
2021			
USD London Interbank Offered Rate ("LIBOR")	3,126,634	208,600	3,666,284

40. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

3. Profit rate risk (cont'd.)

The tables below summarise the Bank's exposure to yield/profit rate risk. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments either repriced or matured, whichever is earlier.

2021	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Assets									
Cash and short-term funds	12,123,725	-	-	-	-	267	-	12,123,992	1.65%
Deposits and placements with banks and other financial institutions	-	3,000,157	-	-	-	-	-	3,000,157	1.91%
Financial assets purchased under resale agreements	3,308,152	7,112,597	-	-	-	-	-	10,420,749	1.81%
Financial investments at fair value through profit or loss	-	-	-	-	-	-	784,302	784,302	1.48%
Financial investments at fair value through other comprehensive income	417,427	860,281	1,284,197	6,205,540	6,315,334	-	-	15,082,779	3.92%
Financial investments at amortised cost	140,139	24,891	1,738,357	5,614,212	15,350,182	-	-	22,867,781	4.12%
Financing and advances									
- Non-impaired	130,307,173	4,493,170	2,190,131	18,446,656	38,479,885	-	-	193,917,015	3.74%
- Impaired*	783,321	-	-	-	-	-	-	783,321	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	(2,234,619)	-	(2,234,619)	-
Derivative assets	-	-	-	-	-	-	117,420	117,420	-
Other assets	-	-	-	-	-	4,804,475	-	4,804,475	-
Other non-yield/profit sensitive balances	-	-	-	-	-	217,735	-	217,735	-
Total assets	147,079,937	15,491,096	5,212,685	30,266,408	60,145,401	2,787,858	901,722	261,885,107	

* This is arrived after deducting the stage 3 - lifetime ECL credit impaired from the gross impaired financing and advances.

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40. Financial risk management policies (cont'd.)
(f) Market risk management (cont'd.)
3. Profit rate risk (cont'd.)

The tables below summarise the Bank's exposure to yield/profit rate risk. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments either repriced or matured, whichever is earlier (cont'd.).

2021	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Liabilities and shareholder's equity									
Customers' funding:									
- Deposits from customers	54,545,902	32,200,226	46,788,104	17,853,329	28,127,357	-	-	179,514,918	1.27%
- Investment accounts of customers	3,287,399	2,409,451	6,734,735	6,804,598	9,484,616	-	-	28,720,799	1.12%
Deposits and placements of banks and other financial institutions	6,075,608	10,270,953	6,699,705	550,893	283,342	306,127	-	24,186,628	1.84%
Bills and acceptances payable	-	-	-	-	-	19,561	-	19,561	-
Derivative liabilities	-	-	-	-	-	-	177,545	177,545	-
Term funding	-	2,990,422	6,959,475	973,280	-	-	-	10,923,177	2.31%
Subordinated sukuk	-	-	-	2,021,814	-	-	-	2,021,814	3.70%
Capital securities	-	-	1,002,441	-	-	-	-	1,002,441	4.95%
Other liabilities	3,592	-	-	-	-	1,517,529	-	1,521,121	0.69%
Other non-yield/profit sensitive balances	-	-	-	-	-	27,544	-	27,544	-
Total liabilities	63,912,501	47,871,052	68,184,460	28,203,914	37,895,315	1,870,761	177,545	248,115,548	
Shareholder's equity	-	-	-	-	-	13,769,559	-	13,769,559	
Total liabilities and shareholder's equity	63,912,501	47,871,052	68,184,460	28,203,914	37,895,315	15,640,320	177,545	261,885,107	
On-balance sheet yield/profit rate sensitivity gap	83,167,436	(32,379,956)	(62,971,775)	2,062,494	22,250,086	(12,852,462)	724,177		
Off-balance sheet yield/profit rate sensitivity gap	(63)	(1,947)	245	1,610	155	-	-		
Total profit rate sensitivity gap	83,167,373	(32,381,903)	(62,971,530)	2,064,104	22,250,241	(12,852,462)	724,177		
Cumulative yield/profit rate sensitivity gap	83,167,373	50,785,470	(12,186,060)	(10,121,956)	12,128,285	(724,177)	-		

40. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

3. Profit rate risk (cont'd.)

The tables below summarise the Bank's exposure to yield/profit rate risk. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments either repriced or matured, whichever is earlier (cont'd.).

2020	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Assets									
Cash and short-term funds	9,890,474	-	-	-	-	43	-	9,890,517	1.75%
Financial assets purchased under resale agreements	3,625,611	-	-	-	-	-	-	3,625,611	1.77%
Financial investments at fair value through other comprehensive income	140,644	709,768	334,781	8,890,731	8,377,215	-	-	18,453,139	2.57%
Financial investments at amortised cost	-	307,023	457,874	7,758,351	7,857,759	-	-	16,381,007	4.04%
Financing and advances									
- Non-impaired	134,291,052	4,758,221	2,256,889	16,980,091	45,967,182	-	-	204,253,435	4.21%
- Impaired*	1,197,584	-	-	-	-	-	-	1,197,584	-
- 12-month ECL and lifetime ECL not credit impaired	-	-	-	-	-	(1,784,144)	-	(1,784,144)	-
Derivative assets	-	-	-	-	-	-	385,303	385,303	-
Other assets	-	-	-	-	-	2,804,924	-	2,804,924	-
Other non-yield/profit sensitive balances	-	-	-	-	-	23,471	-	23,471	-
Total assets	149,145,365	5,775,012	3,049,544	33,629,173	62,202,156	1,044,294	385,303	255,230,847	

* This is arrived after deducting the stage 3 - lifetime ECL credit impaired from the gross impaired financing and advances.

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40. Financial risk management policies (cont'd.)
(f) Market risk management (cont'd.)
3. Profit rate risk (cont'd.)

The tables below summarise the Bank's exposure to yield/profit rate risk. The tables indicate effective average yield/profit rates at the reporting date and the periods in which the financial instruments either repriced or matured, whichever is earlier (cont'd.).

2020	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 12 months RM'000	1 - 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000	Trading books RM'000	Total RM'000	Effective profit rate %
Liabilities and shareholder's equity									
Customers' funding:									
- Deposits from customers	48,182,299	34,294,602	36,165,046	24,454,561	22,171,738	-	-	165,268,246	1.47%
- Investment accounts of customers	2,923,190	2,209,050	6,052,698	5,492,301	7,163,557	-	-	23,840,796	1.62%
Deposits and placements of banks and other financial institutions	8,130,196	5,254,551	6,304,950	5,584,670	13,158,136	338,349	-	38,770,852	2.71%
Bills and acceptances payable	-	-	-	-	-	38,086	-	38,086	-
Derivative liabilities	-	-	-	-	-	-	656,302	656,302	-
Term funding	-	2,989,539	6,959,579	-	945,940	-	-	10,895,058	2.38%
Subordinated sukuk	-	1,017,454	-	1,010,849	-	-	-	2,028,303	4.58%
Capital securities	-	-	-	1,002,441	-	-	-	1,002,441	4.95%
Other liabilities	1,161	-	-	-	-	337,919	-	339,080	0.42%
Other non-yield/profit sensitive balances	-	-	-	-	-	464,185	-	464,185	-
Total liabilities	59,236,846	45,765,196	55,482,273	37,544,822	43,439,371	1,178,539	656,302	243,303,349	
Shareholder's equity	-	-	-	-	-	11,927,498	-	11,927,498	
Total liabilities and shareholder's equity	59,236,846	45,765,196	55,482,273	37,544,822	43,439,371	13,106,037	656,302	255,230,847	
On-balance sheet yield/profit rate sensitivity gap	89,908,519	(39,990,184)	(52,432,729)	(3,915,649)	18,762,785	(12,061,743)	(270,999)		
Off-balance sheet yield/profit rate sensitivity gap	133	(904)	-	821	(50)	-	-		
Total profit rate sensitivity gap	89,908,652	(39,991,088)	(52,432,729)	(3,914,828)	18,762,735	(12,061,743)	(270,999)		
Cumulative yield/profit rate sensitivity gap	89,908,652	49,917,564	(2,515,165)	(6,429,993)	12,332,742	270,999	-		

40. Financial risk management policies (cont'd.)**(f) Market risk management (cont'd.)****4. Sensitivity analysis for profit rate risk**

The table below shows the sensitivity of the Bank's profit after tax to an up and down 100 basis point parallel rate shocks.

	2021		Tax rate	2020	
	RM'000 + 100 basis points	RM'000 - 100 basis points		RM'000 + 100 basis points	RM'000 - 100 basis points
Impact to profit before tax	297,968	(297,968)		329,146	(329,146)
Impact to profit after tax	24% 226,456	(226,456)	24%	250,151	(250,151)

Impact to profit after tax is measured using Earnings-at-Risk ("EaR") methodology which is simulated based on a set of standardised rate shock on the profit rate gap profile derived from the statement of financial position of the Bank. The profit rate gap is the mismatch of rate sensitive assets and rate sensitive liabilities taking consideration the earlier of repricing or remaining maturity, behavioural assumptions of certain indeterminate maturities products such as current and savings deposits, to reflect the actual sensitivity behaviour of these profit bearing liabilities.

Impact to revaluation reserve is assessed by applying up and down 100 basis points rate shock to the yield curve to model the impact on mark-to-market for financial investments at fair value through of comprehensive income ("FVOCI") portfolio:

	2021		2020	
	RM'000 + 100 basis points	RM'000 - 100 basis points	RM'000 + 100 basis points	RM'000 - 100 basis points
Impact to revaluation reserve for FVOCI	(773,582)	773,582	(1,005,062)	1,005,062

5. Foreign exchange risk

Foreign exchange ("FX") risk arises as a result of movements in relative currencies due to the Bank's operating business activities, trading activities and structural foreign exchange exposures from foreign investments and capital management activities.

Generally, the Bank is exposed to three types of foreign exchange risk such as translation risk, transactional risk and economic risk which are managed in accordance with the market risk policy and limits. The FX translation risks are mitigated as the assets are funded in the same currency. The Bank controls its FX exposures by transacting in permissible currencies. It has an internal FX NOP to measure, control and monitor its FX risk and implements FX hedging strategies to minimise FX exposures. Stress testing is conducted periodically to ensure sufficient capital to buffer the FX risk.

40. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

5. Foreign exchange risk (cont'd.)

The tables below analyse the net foreign exchange positions of the Bank as at 31 December 2021 and 31 December 2020 by major currencies, which are mainly in Ringgit Malaysia, Singapore Dollar, the Great Britain Pound, Hong Kong Dollar, United States Dollar, Indonesia Rupiah and Euro. The "others" foreign exchange risk include mainly exposure to Australian Dollar, Japanese Yen, Chinese Renminbi, Philippine Peso, Brunei Dollar and United Arab Emirates Dirham.

2021	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	11,372,529	206,105	56,046	22,309	425,245	-	-	41,758	12,123,992
Deposits and placements with banks and other financial institutions	3,000,157	-	-	-	-	-	-	-	3,000,157
Financial assets purchased under resale agreements	10,420,749	-	-	-	-	-	-	-	10,420,749
Financial investments portfolio*	37,681,343	-	-	-	1,053,519	-	-	-	38,734,862
Financing and advances	187,267,884	1,084	804,862	-	4,312,775	-	69,726	9,386	192,465,717
Derivative assets [^]	(9,611,963)	(61,794)	(14,089)	-	9,811,175	1,135	1,809	(8,853)	117,420
Other assets	4,561,942	942	279,674	(54)	(55,709)	922	(20,328)	37,086	4,804,475
Statutory deposit with Bank									
Negara Malaysia	20,447	-	-	-	-	-	-	-	20,447
Property, plant and equipment	-	-	-	-	-	-	-	546	546
Right-of-use assets	5,786	-	-	-	-	-	-	340	6,126
Deferred tax assets	190,616	-	-	-	-	-	-	-	190,616
Total assets	244,909,490	146,337	1,126,493	22,255	15,547,005	2,057	51,207	80,263	261,885,107

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost.

[^] The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Bank's statements of financial position.

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40. Financial risk management policies (cont'd.)
(f) Market risk management (cont'd.)
5. Foreign exchange risk (cont'd.)

2021	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	163,109,827	127,829	194,936	16,895	15,968,977	-	57,761	38,693	179,514,918
Investment accounts of customers	28,720,799	-	-	-	-	-	-	-	28,720,799
Deposits and placements of banks and other financial institutions	21,636,938	-	666,554	-	1,722,059	970	18,519	141,588	24,186,628
Bills and acceptances payable	19,561	-	-	-	-	-	-	-	19,561
Derivative liabilities [^]	2,671,071	15,414	(9,845)	4,172	(2,368,574)	1,135	(3,099)	(132,729)	177,545
Other liabilities	1,516,277	78	20	-	2,084	-	24	2,638	1,521,121
Provision for zakat	27,544	-	-	-	-	-	-	-	27,544
Term funding	10,923,177	-	-	-	-	-	-	-	10,923,177
Subordinated sukuk	2,021,814	-	-	-	-	-	-	-	2,021,814
Capital securities	1,002,441	-	-	-	-	-	-	-	1,002,441
Total liabilities	231,649,449	143,321	851,665	21,067	15,324,546	2,105	73,205	50,190	248,115,548
On-balance sheet open position	13,260,041	3,016	274,828	1,188	222,459	(48)	(21,998)	30,073	13,769,559
Less: Derivative assets	9,611,963	61,794	14,089	-	(9,811,175)	(1,135)	(1,809)	8,853	(117,420)
Add: Derivative liabilities	2,671,071	15,414	(9,845)	4,172	(2,368,574)	1,135	(3,099)	(132,729)	177,545
Add: Net forward position	(12,283,034)	(77,208)	(4,244)	(4,172)	12,179,749	-	4,908	123,876	(60,125)
Net open position	13,260,041	3,016	274,828	1,188	222,459	(48)	(21,998)	30,073	13,769,559

[^] The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Bank's statements of financial position.

40. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

5. Foreign exchange risk (cont'd.)

2020	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Assets									
Cash and short-term funds	9,735,816	62,326	-	19,029	16,220	-	-	57,126	9,890,517
Financial assets purchased under resale agreements	3,625,611	-	-	-	-	-	-	-	3,625,611
Financial investments portfolio*	34,032,289	-	-	-	801,857	-	-	-	34,834,146
Financing and advances	198,371,225	5,713	1,115,927	-	4,071,358	-	88,775	13,877	203,666,875
Derivative assets^	9,114,981	409	29,204	-	(8,756,913)	(255)	(1,988)	(135)	385,303
Other assets	1,338,711	1,542	246,749	875	1,179,727	902	(22,078)	58,496	2,804,924
Statutory deposit with Bank Negara Malaysia	12,591	-	-	-	-	-	-	-	12,591
Property, plant and equipment	-	-	-	-	-	-	-	979	979
Right-of-use assets	7,427	-	-	-	-	-	-	2,474	9,901
Total assets	256,238,651	69,990	1,391,880	19,904	(2,687,751)	647	64,709	132,817	255,230,847

* Financial investments portfolio consists of financial assets at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost.

^ The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Bank's statements of financial position.

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40. Financial risk management policies (cont'd.)
(f) Market risk management (cont'd.)
5. Foreign exchange risk (cont'd.)

2020	Malaysian Ringgit RM'000	Singapore Dollar RM'000	Great Britain Pound RM'000	Hong Kong Dollar RM'000	United States Dollar RM'000	Indonesia Rupiah RM'000	Euro RM'000	Others RM'000	Total RM'000
Liabilities									
Deposits from customers	149,393,902	64,707	58,514	18,053	15,646,554	-	27,713	58,803	165,268,246
Investment accounts of customers	23,840,796	-	-	-	-	-	-	-	23,840,796
Deposits and placements of banks and other financial institutions	36,014,722	-	1,095,622	-	1,568,208	1,639	60,010	30,651	38,770,852
Bills and acceptances payable	38,086	-	-	-	-	-	-	-	38,086
Derivative liabilities [^]	20,845,675	2,482	(3,834)	2,009	(20,186,593)	(1,902)	(203)	(1,332)	656,302
Other liabilities	317,174	11,076	1,097	-	1,023	-	106	8,604	339,080
Provision for zakat	14,373	-	-	-	-	-	-	-	14,373
Term funding	10,895,058	-	-	-	-	-	-	-	10,895,058
Subordinated sukuk	2,028,303	-	-	-	-	-	-	-	2,028,303
Capital securities	1,002,441	-	-	-	-	-	-	-	1,002,441
Deferred tax liabilities	449,812	-	-	-	-	-	-	-	449,812
Total liabilities	244,840,342	78,265	1,151,399	20,062	(2,970,808)	(263)	87,626	96,726	243,303,349
On-balance sheet open position	11,398,309	(8,275)	240,481	(158)	283,057	910	(22,917)	36,091	11,927,498
Less: Derivative assets	(9,114,981)	(409)	(29,204)	-	8,756,913	255	1,988	135	(385,303)
Add: Derivative liabilities	20,845,675	2,482	(3,834)	2,009	(20,186,593)	(1,902)	(203)	(1,332)	656,302
Add: Net forward position	(11,730,694)	(2,073)	33,038	(2,009)	11,429,680	1,647	(1,785)	1,198	(270,998)
Net open position	11,398,309	(8,275)	240,481	(158)	283,057	910	(22,917)	36,092	11,927,499

[^] The currency positions of the respective assets and liabilities in the analysis above have been stated on a gross basis. These assets and liabilities have been set-off and presented on a net basis if necessary and as appropriate in accordance with applicable MFRS in the Bank's statements of financial position.

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40. Financial risk management policies (cont'd.)

(f) Market risk management (cont'd.)

6. Sensitivity analysis for foreign exchange risk

Foreign exchange risk

Foreign exchange risk arises from the movements in exchange rates that adversely affect the revaluation of the Bank and the foreign currency positions. Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Bank on their unhedged position are as follows:

	2021		2020	
	1% appreciation RM'000	1% depreciation RM'000	1% appreciation RM'000	1% depreciation RM'000
Impact to profit after tax	(5,095)	5,095	(5,292)	5,292

Interpretation of impact

The Bank measures the foreign exchange sensitivity based on the foreign exchange net open positions (including foreign exchange structural position) under an adverse movement in all foreign currencies against reporting currency - Ringgit Malaysia ("RM"). The result implies that the Bank may be subject to additional translation (loss)/gain if the RM appreciated/depreciated against other currencies and vice versa.

(g) Liquidity risk management

1. Liquidity risk management overview

Liquidity risk management

Liquidity risk is defined as the risk of an adverse impact to the Bank's financial condition or overall safety and soundness that could arise from its inability (or perceived inability) or unexpected higher cost to meet its obligations.

The Bank has adopted BNM Liquidity Coverage Ratio, Net Stable Funding Ratio and other industry leading practices as a foundation to measure and manage its liquidity risk exposure. The Bank also uses a range of tools to monitor and control liquidity risk exposure such as liquidity gap, early warning signals, liquidity indicators and stress testing. The liquidity positions of the Bank are monitored regularly against the established policies, procedures and limits.

40. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

1. Liquidity risk management overview (cont'd.)

Liquidity risk management (cont'd.)

The Bank has a diversified liability structure to meet its funding requirements. The primary source of funding includes customer deposits, interbank deposits, debt securities, swap market, bank financing syndication and medium term funds. The Bank also initiates and implements strategic fund raising programmes as well as institutes standby lines with external parties on a need basis. Sources of fund providers are regularly reviewed to maintain a wide diversification by currency, provider, product and term thus minimising excessive funding concentration.

Management of liquidity risk

For day-to-day liquidity management, the treasury operations will ensure sufficient funding to meet its intraday payment and settlement obligations on a timely basis. Besides, the process of managing liquidity risk also includes:

- Maintaining a sufficient amount of unencumbered high quality liquidity buffer as a protection against any unforeseen interruption to cash flows;
- Managing short and long-term cash flows via maturity mismatch report and various indicators;
- Monitoring depositor concentration at the Bank levels to avoid undue reliance on large depositors;
- Managing liquidity exposure by domestic and significant foreign currencies;
- Diversifying funding sources to ensure appropriate funding mix;
- Conducting liquidity stress testing under various scenarios as part of prudent liquidity control;
- Maintaining a robust contingency funding plan that includes strategies, decision-making authorities, internal and external communications and courses of action to be taken under different liquidity crisis scenarios; and
- Conducting Recovery Plan ("RCP") testing to examine the effectiveness and robustness of the plans to avert any potential liquidity disasters affecting the Bank's liquidity soundness and financial solvency.

40. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2021 and 31 December 2020.

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM:

2021	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	12,123,992	-	-	-	-	-	-	-	12,123,992
Deposits and placements with banks and other financial institutions	-	3,000,157	-	-	-	-	-	-	3,000,157
Financial assets purchased under resale agreements	2,799,467	7,117,778	-	503,504	-	-	-	-	10,420,749
Financial investments portfolio*	857,451	1,369,590	1,618,526	1,404,028	8,658,164	3,161,587	21,665,516	-	38,734,862
Financing and advances	14,351,777	5,052,385	2,047,433	733,470	7,532,057	16,395,668	146,352,927	-	192,465,717
Derivative assets	10,911	28,721	11,225	6,390	39,957	3,038	17,178	-	117,420
Other assets	3,959,163	-	-	845,312	-	-	-	-	4,804,475
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	20,447	20,447
Property, plant and equipment	-	-	-	-	-	-	-	546	546
Right-of-use assets	-	-	-	-	-	-	-	6,126	6,126
Deferred tax assets	-	-	-	-	-	-	-	190,616	190,616
Total assets	34,102,761	16,568,631	3,677,184	3,492,704	16,230,178	19,560,293	168,035,621	217,735	261,885,107

* Financial investments portfolio consists of financial investments at fair value through profit or loss, financial investments at fair value through other comprehensive income and financial investments at amortised cost.

40. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities (cont'd.)

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2021 and 31 December 2020 (cont'd.).

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM (cont'd.):

2021	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities									
Customer funding:									
- Deposits from customers	110,666,502	29,329,109	21,875,081	17,388,379	227,460	28,387	-	-	179,514,918
- Investment accounts of customers	25,205,073	784,171	1,238,101	1,483,337	4,741	5,376	-	-	28,720,799
Deposits and placements of banks and other financial institutions	6,381,735	10,270,953	6,020,226	679,479	165,779	385,114	283,342	-	24,186,628
Bills and acceptances payable	19,561	-	-	-	-	-	-	-	19,561
Derivative liabilities	33,587	43,302	30,956	6,477	38,672	3,038	21,513	-	177,545
Other liabilities	1,289,441	467	504	226,766	3,248	695	-	-	1,521,121
Provision for zakat	-	-	-	-	-	-	-	27,544	27,544
Term funding	-	2,990,422	3,475,945	3,483,530	-	973,280	-	-	10,923,177
Subordinated sukuk	-	10,965	10,849	-	-	-	2,000,000	-	2,021,814
Capital securities	-	-	2,441	-	-	-	1,000,000	-	1,002,441
Total liabilities	143,595,899	43,429,389	32,654,103	23,267,968	439,900	1,395,890	3,304,855	27,544	248,115,548
Net liquidity gap	(109,493,138)	(26,860,758)	(28,976,919)	(19,775,264)	15,790,278	18,164,403	164,730,766	190,191	13,769,559

40. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities (cont'd.)

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2021 and 31 December 2020 (cont'd.).

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM (cont'd.):

2020	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Assets									
Cash and short-term funds	9,890,517	-	-	-	-	-	-	-	9,890,517
Financial assets purchased under resale agreements	3,625,611	-	-	-	-	-	-	-	3,625,611
Financial investments portfolio*	140,644	1,016,791	326,291	466,364	9,927,017	6,722,065	16,233,724	1,250	34,834,146
Financing and advances	24,259,138	5,458,020	1,354,253	1,207,727	8,647,001	15,511,991	147,228,745	-	203,666,875
Derivative assets	42,542	105,856	59,426	1,503	75,554	58,301	42,121	-	385,303
Other assets	-	-	-	2,804,924	-	-	-	-	2,804,924
Statutory deposit with Bank Negara Malaysia	-	-	-	-	-	-	-	12,591	12,591
Property, plant and equipment	-	-	-	-	-	-	-	979	979
Right-of-use assets	-	-	-	-	-	-	-	9,901	9,901
Total assets	37,958,452	6,580,667	1,739,970	4,480,518	18,649,572	22,292,357	163,504,590	24,721	255,230,847

* Financial investments portfolio consists of financial investments at fair value through other comprehensive income and financial investments at amortised cost.

40. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

2. Contractual maturity of total assets and liabilities (cont'd.)

The tables below analyse assets and liabilities (inclusive of non-financial instruments) of the Bank in the relevant maturity tenors based on remaining contractual maturities as at 31 December 2021 and 31 December 2020 (cont'd.).

These disclosures are made in accordance with the requirement of policy document on Financial Reporting issued by BNM (cont'd.):

2020	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	Total RM'000
Liabilities									
Customer funding:									
- Deposits from customers	93,071,031	32,116,225	18,761,534	11,127,134	10,167,779	24,543	-	-	165,268,246
- Investment accounts of customers	19,873,193	1,060,395	1,550,948	1,342,789	9,158	4,313	-	-	23,840,796
Deposits and placements of banks and other financial institutions	8,468,545	5,254,551	5,176,658	1,128,292	3,376,263	2,208,407	13,158,136	-	38,770,852
Bills and acceptances payable	38,086	-	-	-	-	-	-	-	38,086
Derivative liabilities	111,704	278,654	78,280	632	75,554	56,216	55,262	-	656,302
Other liabilities	1,418	514	772	329,952	4,027	2,397	-	-	339,080
Provision for zakat	-	-	-	-	-	-	-	14,373	14,373
Term funding	-	2,989,539	3,476,432	1,483,147	2,000,000	-	945,940	-	10,895,058
Subordinated sukuk	-	17,454	10,849	-	-	-	2,000,000	-	2,028,303
Capital securities	-	-	2,441	-	-	-	1,000,000	-	1,002,441
Deferred tax liabilities	-	-	-	-	-	-	-	449,812	449,812
Total liabilities	121,563,977	41,717,332	29,057,914	15,411,946	15,632,781	2,295,876	17,159,338	464,185	243,303,349
Net liquidity gap	(83,605,525)	(35,136,665)	(27,317,944)	(10,931,428)	3,016,791	19,996,481	146,345,252	(439,464)	11,927,498

40. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis

The tables below present the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities as at 31 December 2021 and 31 December 2020. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and profit analysis. The Bank manage inherent liquidity risk based on discounted expected cash flows.

	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2021								
Non-derivative liabilities								
Customers' funding:								
- Deposits from customers	110,939,032	29,379,547	21,950,752	17,508,771	230,824	30,264	-	180,039,190
- Investment accounts of customers	25,215,340	789,302	1,246,591	1,499,101	5,025	5,773	-	28,761,132
Deposits and placements of banks and other financial institutions	6,384,042	10,299,372	6,053,345	685,532	170,302	397,779	283,342	24,273,714
Bills and acceptances payable	19,561	-	-	-	-	-	-	19,561
Other liabilities	1,289,441	467	504	226,766	3,248	812	-	1,521,238
Term funding	-	3,000,000	3,542,000	3,542,000	-	1,113,648	-	11,197,648
Subordinated sukuk	-	14,500	22,500	37,000	148,000	148,000	2,185,000	2,555,000
Capital securities	-	-	24,750	1,024,750	-	-	-	1,049,500
	143,847,416	43,483,188	32,840,442	24,523,920	557,399	1,696,276	2,468,342	249,416,983
Commitments and contingencies								
Direct credit substitutes	116,097	157,366	426,814	1,357,715	284,208	52,718	450,381	2,845,299
Certain transaction-related contingent items	201,324	124,857	626,568	532,089	1,341,002	374,089	116,795	3,316,724
Short-term self-liquidating trade-related contingencies	59,389	398,881	39,212	3,314	-	-	-	500,796
Irrevocable commitments to extend credit	-	-	-	31,073,338	10,411,607	-	-	41,484,945
Miscellaneous	-	-	-	83,465	-	-	-	83,465
	376,810	681,104	1,092,594	33,049,921	12,036,817	426,807	567,176	48,231,229

40. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

The tables below present the cash flows payable by the Bank under non-derivative financial liabilities by remaining contractual maturities as at 31 December 2021 and 31 December 2020. The amounts disclosed in the table will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and profit analysis. The Bank manage inherent liquidity risk based on discounted expected cash flows (cont'd.).

2020	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Non-derivative liabilities								
Customers' funding:								
- Deposits from customers	93,430,983	32,156,428	18,846,395	11,186,744	10,304,479	26,931	-	165,951,960
- Investment accounts of customers	19,884,546	1,067,351	1,561,253	1,357,145	9,648	4,652	-	23,884,595
Deposits and placements of banks and other financial institutions	8,477,373	5,268,280	5,239,474	1,141,477	3,510,696	2,372,555	17,243,578	43,253,433
Bills and acceptances payable	38,086	-	-	-	-	-	-	38,086
Other liabilities	1,500	678	1,017	330,057	4,245	2,527	-	340,024
Term funding	-	3,000,000	3,542,000	1,542,000	2,084,000	-	1,115,918	11,283,918
Subordinated sukuk	-	23,250	22,500	45,750	183,000	183,000	2,180,750	2,638,250
Capital securities	-	-	24,750	24,750	1,049,500	-	-	1,099,000
	121,832,488	41,515,987	29,237,389	15,627,923	17,145,568	2,589,665	20,540,246	248,489,266
Commitments and contingencies								
Direct credit substitutes	85,508	116,992	585,323	1,310,369	230,657	3,388	500,100	2,832,337
Certain transaction-related contingent items	162,465	149,621	190,775	461,295	1,105,259	271,606	192,164	2,533,185
Short-term self-liquidating trade-related contingencies	40,807	104,017	16,286	931	-	-	-	162,041
Irrevocable commitments to extend credit	-	-	-	27,288,508	10,452,802	-	-	37,741,310
Miscellaneous	-	-	-	86,280	-	-	-	86,280
	288,780	370,630	792,384	29,147,383	11,788,718	274,994	692,264	43,355,153

40. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

The tables below analyse the Bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings by remaining contractual maturities as at 31 December 2021 and 31 December 2020. The amounts disclosed in the tables are the contractual undiscounted cash flows.

2021	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange related contracts	(38)	-	-	-	-	-	-	(38)
- Profit rate related contracts	(1)	(6,659)	(6,647)	(12,386)	(21,276)	(25,548)	(1,458)	(73,975)
	(39)	(6,659)	(6,647)	(12,386)	(21,276)	(25,548)	(1,458)	(74,013)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
- Outflow	(3,061,012)	(5,899,884)	(3,954,658)	(432,767)	(302,189)	(488,012)	(1,053,294)	(15,191,816)
- Inflow	3,033,675	5,843,736	3,907,451	428,197	299,367	502,580	1,082,722	15,097,728
	(27,337)	(56,148)	(47,207)	(4,570)	(2,822)	14,568	29,428	(94,088)

40. Financial risk management policies (cont'd.)

(g) Liquidity risk management (cont'd.)

3. Contractual maturity of financial liabilities on an undiscounted basis (cont'd.)

The tables below analyse the Bank's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings by remaining contractual maturities as at 31 December 2021 and 31 December 2020. The amounts disclosed in the tables are the contractual undiscounted cash flows (cont'd.).

	Up to 1 month RM'000	> 1 to 3 months RM'000	> 3 to 6 months RM'000	> 6 months to 1 year RM'000	> 1 to 3 years RM'000	> 3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2020								
Net settled derivatives								
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange related contracts	(10)	-	-	-	-	-	-	(10)
- Profit rate related contracts	(16)	(9,450)	(9,608)	(18,625)	(55,138)	(11,269)	(5,721)	(109,827)
	(26)	(9,450)	(9,608)	(18,625)	(55,138)	(11,269)	(5,721)	(109,837)
Gross settled derivatives								
Derivative financial liabilities								
Trading derivatives								
Derivatives:								
- Outflow	(3,256,900)	(9,732,862)	(4,818,641)	(143,101)	(1,539,022)	(334,710)	(1,199,826)	(21,025,062)
- Inflow	3,141,915	9,433,844	4,711,068	135,296	1,482,498	309,713	1,107,365	20,321,699
	(114,985)	(299,018)	(107,573)	(7,805)	(56,524)	(24,997)	(92,461)	(703,363)

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40. Financial risk management policies (cont'd.)

(h) Non-financial risk management

Non-financial risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk. In Maybank Group, the management of non-financial risk has evolved to encompass a wider range of non-financial risks such as business continuity risk and outsourcing risk.

The Bank's Non-Financial Risk ("NFR") management is premised on the three lines of defence concept. Risk taking units (Strategic Business Unit), as first line of defence are primarily responsible for the day-to-day management of non-financial risks within their respective business operations. They are responsible for establishing and maintaining their respective operational manuals and ensuring that activities undertaken by them comply with the Bank's NFR framework.

The NFR team, as the second line of defence, is responsible for the formulation and implementation of non-financial risk management policy within the Bank, which encompasses the non-financial risk management strategy and governance structure. NFR team is also responsible for the development and implementation of non-financial risk management tools and methodologies to identify, measure, control, report and monitor non-financial risks.

The Bank's Internal Audit plays the third line of defence by providing independent assurance in respect of the overall effectiveness of the non-financial risk management process, which includes performing independent review and periodic validation of the NFR policy and process as well as conducting regular review on implementation of NFR tools by NFR and the respective business units.

41. Fair values measurements

This disclosure provides information on fair value measurements for both financial instruments and non-financial assets and liabilities and is structured as follows:

- (a) Valuation principles;
- (b) Valuation techniques;
- (c) Fair value measurements and classification within the fair value hierarchy;
- (d) Transfers between Level 1 and Level 2 in the fair value hierarchy;
- (e) Movements of Level 3 instruments;
- (f) Sensitivity of fair value measurements to changes in unobservable input assumptions;
and
- (g) Financial instruments not measured at fair value.

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41. Fair values measurements (cont'd.)

(a) Valuation principles

Fair value is defined as the price that would be received for the sale of an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market as of the measurement date. The Bank determines the fair value by reference to quoted prices in active markets or by using valuation techniques based on observable inputs or unobservable inputs.

Management's judgement is exercised in the selection and application of appropriate parameters, assumptions and modelling techniques where some or all of the parameter inputs are not observable in deriving fair value. The Bank established a framework and policies that provide guidance concerning the practical considerations, principles and analytical approaches for the establishment of prudent valuation for financial instruments measured at fair value.

Valuation adjustment is also an integral part of the valuation process. Valuation adjustment is to reflect the uncertainty in valuations generally for products that are less standardised, less frequently traded and more complex in nature. In making a valuation adjustment, the Bank follow methodologies that consider factors such as bid-offer spread, unobservable prices/inputs in the market and uncertainties in the assumptions/parameters.

The Bank continuously enhances their design, validation methodologies and processes to ensure the valuations are reflective. The valuation models are validated both internally and externally, with periodic reviews to ensure the model remains suitable for their intended use.

For disclosure purposes, the level in the hierarchy within which the instruments are classified in its entirety is based on the lowest level input that is significant to the position's fair value measurements:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities

Refers to instruments which are regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, and those prices which represent actual and regularly occurring market transactions at an arm's length basis. Such financial instruments include actively traded government securities, listed derivatives and cash products traded on exchange.

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41. Fair values measurements (cont'd.)

(a) Valuation principles (cont'd.)

For disclosure purposes, the level in the hierarchy within which the instruments are classified in its entirety is based on the lowest level input that is significant to the position's fair value measurements (cont'd.):

- Level 2: Valuation techniques for which all significant inputs are, or are based on, observable market data

Refers to inputs other than quoted price included within Level 1 that are observable for the asset or liability, either directly (i.e. prices) or indirectly (i.e. derived from prices). Examples of Level 2 financial instruments include over-the-counter ("OTC") derivatives, corporate and other government sukuk, illiquid equities and consumer financing and advances with homogeneous or similar features in the market.

- Level 3: Valuation techniques for which significant inputs are not based on observable market data

Refers to instruments where fair value is measured using significant unobservable market inputs. The valuation techniques used are consistent with the Level 2 but incorporate the Bank's own assumptions and data. Examples of level 3 instruments include corporate sukuk in illiquid markets, private equity investments and financing and advances priced primarily based on internal credit assessment.

(b) Valuation techniques

The valuation techniques used for both the financial instruments and non-financial assets and liabilities that are not determined by reference to quoted prices (Level 1) are described below:

Derivatives

The fair values of the Bank's derivative instruments are derived using discounted cash flows analysis, option pricing and benchmarking models.

Financial investments at fair value through profit or loss and financial investments at fair value through other comprehensive income

The fair values of financial investments are determined by reference to prices quoted by independent data providers and independent brokers.

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41. Fair values measurements (cont'd.)

(b) Valuation techniques (cont'd.)

The valuation techniques used for both the financial instruments and non-financial assets and liabilities that are not determined by reference to quoted prices (Level 1) are described below (cont'd.):

Financing and advances at fair value through other comprehensive income

The fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new customers with similar credit profiles.

(c) Fair value measurements and classification within the fair value hierarchy

The classification in the fair value hierarchy of the Bank's financial and non-financial assets and liabilities measured at fair value is summarised in the table below:

	Quoted Market Price Level 1 RM'000	Valuation technique using		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
2021				
Financial assets measured at fair values:				
Financial investments at FVTPL	-	784,302	-	784,302
Financial investments at FVOCI	-	15,081,529	1,250	15,082,779
Financing and advances at FVOCI	-	-	2,175,615	2,175,615
Derivative assets	-	117,420	-	117,420
	-	15,983,251	2,176,865	18,160,116
Financial liabilities measured at fair values:				
Derivative liabilities	-	177,545	-	177,545
	-	177,545	-	177,545

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41. Fair values measurements (cont'd.)**(c) Fair value measurements and classification within the fair value hierarchy (cont'd.)**

The classification in the fair value hierarchy of the Bank's financial and non-financial assets and liabilities measured at fair value is summarised in the table below (cont'd.):

2020	Quoted Market Price Level 1 RM'000	Valuation technique using		Total RM'000
		Observable Inputs Level 2 RM'000	Unobservable Inputs Level 3 RM'000	
Financial assets measured at fair values:				
Financial investments at FVOCI	-	18,451,889	1,250	18,453,139
Financing and advances at FVOCI	-	-	2,741,267	2,741,267
Derivative assets	-	385,303	-	385,303
	-	18,837,192	2,742,517	21,579,709
Financial liabilities measured at fair values:				
Derivative liabilities	-	656,302	-	656,302
	-	656,302	-	656,302

(d) Transfers between Level 1 and Level 2 in the fair value hierarchy

The accounting policy for determining when transfers between levels of the fair value hierarchy occurred is disclosed in Note 2.2(xvi). There were no transfers between Level 1 and Level 2 for the Bank during the financial year ended 31 December 2021.

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41. Fair values measurements (cont'd.)

(e) Movements of Level 3 instruments

The following tables present additional information about Level 3 assets and liabilities measured at fair value on a recurring basis.

	2021		2020	
	Financial investments at FVOCI RM'000	Financing and advances RM'000	Financial investments at FVOCI RM'000	Financing and advances RM'000
At 1 January	1,250	2,741,267	1,250	440,383
Unrealised (losses)/gain recognised in other comprehensive income	-	(2)	-	34,225
Purchases/additions	-	133,394	-	2,347,259
Settlements/amount related to RPSIA	-	(703,231)	-	(80,600)
Exchange differences	-	4,187	-	-
At 31 December	<u>1,250</u>	<u>2,175,615</u>	<u>1,250</u>	<u>2,741,267</u>

(f) Sensitivity of fair value measurements to changes in unobservable input assumptions

Changing one or more of the inputs to reasonable alternative assumptions would not change the value significantly for the financial assets and financial liabilities in Level 3 of the fair value hierarchy.

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41. Fair values measurements (cont'd.)

(g) Financial instruments not measured at fair value

For financing and advances to customers, where such market prices are not available, various methodologies have been used to estimate the approximate fair values of such instruments. These methodologies are significantly affected by the assumptions used and judgements made regarding risk characteristics of various financial instruments, discount rates, estimates of future cash flows, future expected loss experience and other factors. Changes in the assumptions could significantly affect these estimates and the resulting fair value estimates. Therefore, for a significant portion of the Bank's financial instruments, including financing and advances to customers, their respective fair value estimates do not purport to represent, nor should they be construed to represent, the amounts that the Bank could realise in a sale transaction as at the reporting date. The fair value information presented herein should also in no way be construed as representative of the underlying value of the Bank as a going concern.

The estimated fair values of those on-balance sheet financial assets and financial liabilities as at the reporting date approximate their carrying amounts as shown in the statement of financial position, except for the financial assets and liabilities as disclosed below.

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount as shown in the statement of financial position:

2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial assets					
Financing and advances at amortised cost	-	23,356,115	181,583,434	204,939,549	190,290,102
Financial investments at amortised cost	-	19,168,086	3,542,776	22,710,862	22,867,781
Financial liabilities					
Deposits from customers	-	179,515,000	-	179,515,000	179,514,918
Investment accounts of customers	-	28,721,089	-	28,721,089	28,720,799

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41. Fair values measurements (cont'd.)

(g) Financial instruments not measured at fair value (cont'd.)

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount as shown in the statement of financial position (cont'd.):

	Level 1	Level 2	Level 3	Total	Carrying
2021	RM'000	RM'000	RM'000	fair value	amount
				RM'000	RM'000
Financial liabilities (cont'd.)					
Deposits and placements of banks and other financial institutions	-	24,178,759	-	24,178,759	24,186,628
Term funding	-	10,923,177	-	10,923,177	10,923,177
Subordinated sukuk	-	2,022,334	-	2,022,334	2,021,814
Capital securities	-	1,002,441	-	1,002,441	1,002,441
2020	Level 1	Level 2	Level 3	Total	Carrying
	RM'000	RM'000	RM'000	fair value	amount
				RM'000	RM'000
Financial assets					
Financing and advances at amortised cost	-	22,401,614	193,581,948	215,983,562	200,925,608
Financial investments at amortised cost	-	9,475,581	7,193,979	16,669,560	16,381,007
Financial liabilities					
Deposits from customers	-	165,268,315	-	165,268,315	165,268,246
Investment accounts of customers	-	23,840,946	-	23,840,946	23,840,796

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41. Fair values measurements (cont'd.)

(g) Financial instruments not measured at fair value (cont'd.)

The table below analyses financial instruments not carried at fair value for which fair value is disclosed, together with carrying amount as shown in the statement of financial position (cont'd.):

2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total fair value RM'000	Carrying amount RM'000
Financial liabilities (cont'd.)					
Deposits and placements of banks and other financial institutions	-	38,765,419	-	38,765,419	38,770,852
Term funding	-	10,961,418	-	10,961,418	10,895,058
Subordinated sukuk	-	2,084,743	-	2,084,743	2,028,303
Capital securities	-	1,032,741	-	1,032,741	1,002,441

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments.

(i) Financial investments at amortised cost

Fair values of securities that are actively traded are determined by quoted bid prices. For non-actively traded securities, independent broker quotations are obtained. Fair values of equity securities are estimated using a number of methods, including earnings multiples and discounted cash flows analysis. Where discounted cash flows technique is used, the estimated future cash flows are discounted using applicable prevailing market or indicative rates of similar instruments at the reporting date.

(ii) Financing and advances at amortised cost

The fair values of variable rate financing and advances are estimated to approximate their carrying values. For fixed rate financing, the fair values are estimated based on expected future cash flows of contractual instalment payments, discounted at applicable and prevailing rates at reporting date offered for similar facilities to new customers with similar credit profiles. In respect of impaired financing, the fair values are deemed to approximate the carrying values which are net of impairment allowances.

41. Fair values measurements (cont'd.)

(g) Financial instruments not measured at fair value (cont'd.)

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments (cont'd.).

(iii) Deposits from customers, deposits and placements of banks and other financial institutions and investment accounts of customers

The fair values of deposits payable on demand and deposits and placements with maturities of less than one year approximate their carrying amount due to the relatively short maturity of these instruments. The fair values of fixed deposits and placements with remaining maturities of more than one year are estimated based on discounted cash flows using applicable rates currently offered for deposits and placements with similar remaining maturities.

(iv) Term funding, subordinated sukuk and capital securities

The fair values of term funding, subordinated sukuk and capital securities are estimated by discounting the expected future cash flows using the applicable prevailing profit rates for similar instruments as at reporting date.

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42. Offsetting of financial assets and financial liabilities

Derivative assets and derivative liabilities are offset and the net amounts are reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Nostro foreign accounts related balances are reclassified and presented net against amount due from holding company included within other assets to better reflect the operationalisation and settlement of Nostro accounts.

Amounts which are not offset in the statement of financial position are related to:

- (i) the counterparties' offsetting exposures with the Bank where the right to set-off is only enforceable in the event of default, insolvency or bankruptcy by the counterparties; and
- (ii) cash and securities that are received or pledged with counterparties.

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

	Gross amount of recognised financial assets/ financial liabilities RM'000	Gross amount offset in the statement of financial position RM'000	Amount presented in the statement of financial position RM'000	Amount not offset in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Financial collateral received/ pledged RM'000	
2021						
Financial assets						
Derivative assets	117,420	-	117,420	(19,182)	(114,110)	(15,872)
Financial liabilities						
Derivative liabilities	177,545	-	177,545	(19,182)	-	158,363

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42. Offsetting of financial assets and financial liabilities (cont'd.)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (cont'd.):

	Gross amount of recognised financial assets/ financial liabilities RM'000	Gross amount offset in the statement of financial position RM'000	Amount presented in the statement of financial position RM'000	<u>Amount not offset in the statement of financial position</u>		Net amount RM'000
				Financial instruments RM'000	Financial collateral received/ pledged RM'000	
2020						
Financial assets						
Derivative assets	385,303	-	385,303	(11,344)	(98,420)	275,539
Financial liabilities						
Derivative liabilities	656,302	-	656,302	(11,344)	-	644,958

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43. Capital management

The Bank's approach to capital management is driven by its strategic objectives and takes into account all relevant regulatory, economic and commercial environments in which the Bank operates. The Bank regards having a strong capital position as essential to the Bank's business strategy and competitive position. As such, implications on the Bank's capital position are taken into account by the Board and senior management prior to implementing major business decisions in order to preserve the Bank's overall capital strength.

Effective capital management is fundamental to the sustainability of the Bank. The Bank proactively manages its capital to meet the expectations of key stakeholders such as regulators, shareholders, investors, rating agencies and analysts whilst ensuring that the returns on capital commensurate with risks undertaken by respective business units. The objectives are to:

- Maintain capital ratios at levels sufficiently above the regulatory minimum requirements;
- Support the Bank's strong credit ratings from local and international rating agencies;
- Deploy capital efficiently to businesses and optimise returns on capital;
- Remain flexible to capitalise on future opportunities; and
- Build and invest in businesses, even in a stressed environment.

The quality and composition of capital are key factors in the Board and senior management's evaluation of the Bank's capital adequacy position. The Bank places strong emphasis on the quality of its capital and, accordingly, holds a significant amount of its capital in the form of common equity which is permanent and has the highest loss absorption capability on a going concern basis.

The Bank's capital management is guided by the Bank Capital Management Framework to ensure that capital is managed on an integrated approach and ensure a strong and flexible financial position to manage through economic cycles.

The Bank's capital management is also supplemented by the Bank Annual Capital and Funding Plan to facilitate efficient capital levels and utilisation across the Bank. The plan is updated on an annual basis covering at least a three years horizon and reviewed and approved by the Board for implementation at the beginning of each financial year in order to keep abreast with the latest development on capital management and also to ensure effective and timely execution of the plans contained therein.

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43. Capital management (cont'd.)

Pursuant to Bank Negara Malaysia's ("BNM") Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 9 December 2020, all financial institutions shall hold and maintain at all times, the minimum Common Equity Tier 1 Ratio of 4.5%, Tier 1 Ratio of 6%, and Total Capital Ratio of 8%. BNM has also introduced additional capital buffer requirements which comprises Capital Conservation buffer of 2.5% of total RWA and Countercyclical Capital Buffer ranging between 0% - 2.5% of total RWA. The framework also provides further guidance on the computation approach and operations of the Countercyclical Capital Buffer ranging between 0% - 2.5%.

BNM had on 5 February 2020 issued a policy document on Domestic Systemically Important Banks ("D-SIB") Framework and identified Maybank Group as one of the banks categorised as a D-SIB. Maybank Group is categorised under Bucket 2 of the Higher Loss Absorbency ("HLA") requirements wherein Maybank Group is required to maintain an additional Common Equity Tier 1 Ratio of 1.0% on top of the regulatory minimum with effect from 31 January 2021.

44. Capital adequacy

(a) Compliance and application of capital adequacy ratios

The capital adequacy ratio of the Bank are computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) and Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) issued on 9 December 2020 and 3 May 2019 respectively. The total RWA are computed based on the following approaches:

- (i) Credit risk under Internal-Ratings Based Approach and Standardised Approach;
- (ii) Market risk under Standardised Approach; and
- (iii) Operational risk under Basic Indicator Approach.

The minimum regulatory capital adequacy requirements for CET1, Tier 1 and Total Capital are 4.5%, 6.0% and 8.0% of total RWA for the current financial year ended 31 December 2021 (2020: 4.5%, 6.0% and 8.0% of total RWA).

(b) The capital adequacy ratios of the Bank

On 22 February 2022, the Board of Directors had declared a single-tier second interim dividend in respect of the current financial year ended 31 December 2021 of RM3.30 per ordinary share on 432,110,250 ordinary shares, amounting to a dividend payable of RM1,425,963,825.

In arriving the capital adequacy ratios for the financial year ended 31 December 2021, the single-tier second interim dividend has not been deducted from the calculation of CET1 Capital.

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44. Capital adequacy (cont'd.)**(b) The capital adequacy ratios of the Bank (cont'd.)**

The capital adequacy ratios of the Bank as at the reporting dates, are as follows:

	2021	2020
Capital ratios		
CET1 capital ratio	15.981%	13.773%
Tier 1 capital ratio	17.173%	15.030%
Total capital ratio	<u>20.077%</u>	<u>18.063%</u>

(c) Components of Tier 1 and Tier 2 capital

	2021 RM'000	2020 RM'000
CET1 Capital		
Share capital	10,322,374	7,929,444
Retained profits	3,247,267	2,756,457
Other reserves	<u>193,984</u>	<u>1,234,078</u>
CET1 capital before regulatory adjustments	13,763,625	11,919,979
Less: Regulatory adjustment applied in		
CET1 capital	(359,160)	(960,375)
Deferred tax assets	(190,616)	-
Gain of financial instruments classified as 'fair value through other comprehensive income'	(47,530)	(365,901)
Regulatory reserve	<u>(121,014)</u>	<u>(594,474)</u>
Total CET1 Capital	13,404,465	10,959,604
Additional Tier 1 Capital		
Capital securities	<u>1,000,000</u>	<u>1,000,000</u>
Total Tier 1 Capital	14,404,465	11,959,604
Tier 2 Capital		
Subordinated sukuk	2,000,000	2,000,000
General provision ¹	10,735	11,523
Surplus of eligible provision over expected loss	<u>425,171</u>	<u>401,538</u>
Total Tier 2 capital	2,435,906	2,413,061
Total Capital	16,840,371	14,372,665

¹ Refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses and regulatory reserve, to the extent they are ascribed to non-credit impaired exposures, determined under Standardised Approach for credit risk.

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44. Capital adequacy (cont'd.)

(d) The breakdown of RWA by each major risk categories for the Bank are as follows:

	2021	2020
	RM'000	RM'000
Standardised Approach exposure	2,192,197	2,970,081
Internal Ratings-Based Approach exposure after scaling factor	83,621,226	80,460,704
Total RWA for credit risk	85,813,423	83,430,785
Total RWA for credit risk absorbed by the holding company and Investment Account Holder ("IAH") [^]	(12,759,358)	(13,537,755)
Total RWA for market risk	1,316,769	1,177,963
Total RWA for operational risk	9,507,656	8,499,254
Total RWA	83,878,490	79,570,247

[^] In accordance to the BNM Investment Account policy, the credit risk weighted assets funded by investment accounts (Unrestricted Investment Account and Restricted Investment Account) are excluded from the calculation of capital adequacy ratio of the Bank.

45. Shariah disclosures

(a) Shariah governance

The Bank has put in place a sound Shariah governance framework to ensure strict adherence to Shariah requirements in its processes. A dedicated Shariah Committee ("SC") provides Shariah oversight on all material Shariah non-compliant risks across the Bank. Supporting the SC are the Shariah Risk Management and Shariah Review and Compliance ("SRC") functions that respectively identify, measure, monitor and control Shariah non-compliance risks, and provides regular assessment on the compliance of the operations, business, affairs and activities of the Bank with Shariah requirements. Underpinning the governance framework are the detailed policies and procedures that include the required steps to ensure that each transaction executed by the Bank complies with Shariah requirements. A dedicated internal audit team was also established to provide the required check and balance in ensuring strict compliance with the policies and procedures.

Any transaction suspected as Shariah non-compliant will be escalated to the SC for deliberation and decision whether any Shariah requirements have been breached. Shariah Risk Management will track on the incident and rectification status, and ensure timely reporting to the SC, Board and BNM. For Shariah non-compliant transactions, any related income earned will be purified by channelling the amount to charity or given back to the customer, as determined by the SC.

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45. Shariah disclosures (cont'd.)**(a) Shariah governance (cont'd.)**

The nature of transactions deliberated to SC for Shariah non-compliance are as follows:

(i) Shariah non-compliant events

2021	No. of events	RM'000
Overcharging of Late Payment Charges ("LPC")	1	- ¹
Capitalisation of accrued profit and LPC in the calculation of new profit during auto-akad renewal	1	-
	2	-

During the financial year ended 31 December 2021, an additional amount of RM61.66 has been refunded to customers in relation to finance charges/monthly profit amount exceeded the selling price prior to system enhancement completion in 2020.

2020	No. of events	RM'000
Financing of prohibited activity	1	28
Finance charges/monthly profit amount exceeded the selling price	1	- ²
Financing of Shariah non-compliant investment	1	11
	3	39

¹ Denotes RM0.18

² Denotes RM40.47

Apart from the purification of income from Shariah non-compliant events, the Bank has instituted several rectification measures relating to systems, processes and procedures to enhance control mechanism and minimise recurrence of Shariah non-compliant incidents.

The rectification action plans are as follows:

Nature of events	Measures undertaken	Status
Overcharging of LPC	Refunded the overcharged LPC to the impacted customers, reviewed and enhanced the financing redemption calculator, and improved staff awareness via training.	Completed.

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45. Shariah disclosures (cont'd.)**(a) Shariah governance (cont'd.)**

(i) Shariah non-compliant events (cont'd.)

The rectification action plans are as follows (cont'd.):

Nature of events	Measures undertaken	Status
Capitalisation of accrued profit and LPC in the calculation of new profit during auto-akad renewal	System enhancement to exclude accrued profit and LPC, and to improve the process for auto-akad renewal.	In progress.

(ii) Sources and uses of charity funds

	2021	2020
	RM'000	RM'000
Sources of charity funds		
Shariah non-compliant/prohibited income	-	39
Total sources of charity funds during the year	-	39
Uses of charity funds		
Contribution to non-profit organisation ³	-	39
Total uses of charity funds during the year	-	39
Undistributed charity funds as at 31 December	-	-

³ Does not include fund refunded to customers of RM61.84 made during the year (2020: RM40.47).

(b) Recognition and measurement by main class of Shariah contracts

The recognition and measurement of each main class of Shariah contract are dependent on the nature of the products, either financing or deposit product. The accounting policies for each of these products are disclosed in their respective policies.

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46. Significant events

The following are the significant events of the Bank during the financial year ended 31 December 2021:

- (a) Issuance of Tier 2 Subordinated Sukuk Murabahah of RM1.0 billion in nominal value pursuant to Sukuk Murabahah Programme of up to RM10.0 billion in nominal value

On 15 February 2021, the Bank has completed the issuance of Tier 2 Subordinated Sukuk Murabahah ("Subordinated Sukuk Murabahah") of RM1.0 billion in nominal value pursuant to Sukuk Murabahah Programme of up to RM10.0 billion in nominal value. Details of the issuance are as follows:

Maturity Date	Nominal Value	Description	Tenor
14 February 2031	RM1.0 billion	Subordinated Sukuk Murabahah (10 non-call 5)	10 years

- (b) Redemption of Tier 2 Subordinated Sukuk Murabahah of RM1.0 billion in nominal value pursuant to Sukuk Murabahah Programme of up to RM10.0 billion in nominal value

On 15 February 2021, the Bank fully redeemed the RM1.0 billion Subordinated Sukuk Murabahah. The RM1.0 billion Subordinated Sukuk Murabahah was issued on 15 February 2016 as disclosed in Note 21(i).