

Registration No: 200401032872 (671380-H)

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

**Reports and Financial Statements
for the financial year ended 31 December 2023**

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Reports and Financial Statements for the financial year ended 31 December 2023

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CIMB Islamic Bank Berhad

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Directors' Report for the financial year ended 31 December 2023

The Directors have pleasure in submitting their Report and the Audited Financial Statements of the Group and CIMB Islamic Bank Berhad (“CIMB Islamic” or “the Bank”) for the financial year ended 31 December 2023.

Principal activities

The principal activities of the Bank during the financial year are Islamic banking and finance business and the provision of related financial services. The principal activities of the subsidiaries as set out in Note 14 to the Financial Statements, consist of Islamic nominees services. There was no significant change in the nature of these activities during the financial year.

Financial results

	The Group and the Bank RM'000
Profit after taxation and zakat	<u><u>892,309</u></u>

Dividend

No dividends have been paid or declared by the Group and the Bank since the financial year ended 31 December 2022.

The Directors do not recommend the payment of any dividend for the financial year ended 31 December 2023.

Reserves, provisions and allowances

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

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Directors' Report for the financial year ended 31 December 2023 (Continued)

Share-based employee benefit plan

The Group's and the Bank's employee benefit schemes are explained in Note 47 to the Financial Statements.

Bad and doubtful financing

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

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

Current assets

Before the Financial Statements of the Group and of the Bank were prepared, the Directors took reasonable steps to ascertain that any current assets, other than financing, which were unlikely to realise in the ordinary course of business, including the values of current assets as shown in the accounting records of the Group and of the Bank had been written down to an amount which the current assets might be expected so to realise.

At the date of this Report, the Directors are not aware of any circumstances which would render the values attributed to current assets in the Financial Statements of the Group and of the Bank misleading.

Valuation methods

At the date of this Report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Bank misleading or inappropriate.

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Directors' Report for the financial year ended 31 December 2023 (Continued)

Contingent and other liabilities

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

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

No contingent or other liability in the Group or the Bank has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Bank and its subsidiaries to meet their obligations when they fall due.

Change of circumstances

At the date of this Report, the Directors are not aware of any circumstances not otherwise dealt with in this Report or the Financial Statements of the Group and of the Bank, that would render any amount stated in the Financial Statements misleading.

Items of an unusual nature

In the opinion of the Directors:

- (a) the results of the Group's and the Bank's operations for the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature other than those disclosed in Note 51 to the Financial Statements; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this Report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Bank for the financial year in which this Report is made.

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Directors' Report for the financial year ended 31 December 2023 (Continued)

Directors

The Directors of the Bank who have held office during the financial year and during the period from the end of the financial year to the date of the Report are:

Dato' Mohamed Ross Mohd Din
Ahmed Baqar Rehman
Jalalullail Othman
Ahmad Shahrman Mohd Shariff
Dr Azura Othman
Zuhaida Zulkifli (appointed on 1 March 2023)

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

The names of the Directors of the Bank's subsidiaries in office since the beginning of the financial year to the date of this report are disclosed in Note 54 to the financial statements.

Directors' interests in shares and share options

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

	Number of ordinary shares			
	As at 1 January 2023	Acquired/ Granted	Disposed/ Vested	As at 31 December 2023
<u>Ultimate holding company</u>				
CIMB Group Holdings Berhad				
Direct interest				
Ahmad Shahrman Mohd Shariff	10,747	6,832 (a)	(6,832) (b)	10,747

(a) Shares granted under Equity Ownership Plan ("EOP")

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

Other than as disclosed above, according to the Register of Directors' Shareholdings, the Directors in office at the end of the financial year did not hold any interest in shares, options over shares and debentures of the Bank, the holding company, the ultimate holding company and the Bank's related corporations during the financial year.

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Directors' Report for the financial year ended 31 December 2023 (Continued)

Directors' interests in shares and share options (Continued)

Long Term Incentive Plan ("LTIP")

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

The LTIP is awarded to employees who hold senior management positions and key roles within the CIMB Group and its subsidiary companies, and who fulfill the eligibility criteria and have been approved for participation by the LTIP Committee. Any LTIP awards made to Executive Directors (or any persons connected to the directors) is subject to the approval of the shareholders at a general meeting. Total awards under the LTIP is subject to a maximum of 2.5% of issued ordinary shares of CIMB Group Holdings Berhad.

The LTIP, which is valid for 7 years from the implementation date, comprises of 2 performance-based plans – the Employee Share Option Scheme ("ESOS") and the Share Grant Plan ("SGP").

- The ESOS is a share option scheme with a premium on the exercise price, where vesting is subject to service conditions. The LTIP Committee may, at any time within the duration of the LTIP, grant an ESOS award to eligible employees, subject to the terms and conditions of the by-laws. The ESOS shares may be settled through issuance and transfer of new shares, or other modes of settlement as provided by the by-laws.
- The SGP is a restricted share unit scheme where vesting is subject to service and performance conditions (based on return on equity targets and individual performance). The LTIP Committee may, at any time within the duration of the LTIP, grant an SGP award to eligible employees, subject to the terms and conditions of the by-laws. The SGP shares may be settled through issuance and transfer of new shares, or other modes of settlement as provided by the by-laws.

Details of LTIP are set out in Note 47 to the Financial Statements.

(i) Details of ESOS shares awarded:

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

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**Directors' Report
for the financial year ended 31 December 2023 (Continued)****Directors' interests in shares and share options (Continued)**

The following table indicates the number and movement of ESOS shares during the financial year ended 31 December 2023:

	Outstanding as at	Movement during the year		Outstanding as at	Exercisable as at
	1 January 2023	Awarded	Expired/ Forfeited	31 December 2023	31 December 2023
Award Date	(Units'000)	(Units'000)	(Units'000)	(Units'000)	(Units'000)
9 June 2021	5,604	-	-	5,604	-
31 March 2022	101	-	-	101	-
8 September 2022	68	-	-	68	-
8 December 2022	-	-	-	-	-

(ii) Details of SGP shares awarded

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

The following table indicates the number and movement of SGP shares during the financial year ended 31 December 2023:

	Outstanding as at	Movement during the year		Outstanding as at	Exercisable as at
	1 January 2023	Awarded	Expired/ Forfeited	31 December 2023	31 December 2023
Award Date	(Units'000)	(Units'000)	(Units'000)	(Units'000)	(Units'000)
9 June 2021	406	-	-	406	-
31 March 2022	22	-	-	22	-
8 September 2022	14	-	-	14	-
8 December 2022	-	-	-	-	-

Executive Director and Key Management Personnel who have been awarded with the ESOS and SGP by the bank and other related companies during the financial year ended 31 December 2023 are listed below:

Name	2023	
	No of ESOS Awarded	No of SGP Awarded
	(Units'000)	(Units'000)
Ahmad Shahrman Mohd Shariff	-	-
Key management personnel	-	-

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Directors' Report for the financial year ended 31 December 2023 (Continued)

Directors' remuneration

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

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Executive Director		
- Salary and other remuneration	2,982	3,049
- Benefits-in-kind	7	7
Non-Executive Directors		
- Fees	677	645
- Other remuneration	1,210	1,300
- Benefits-in-kind	47	47
Shariah Committee members		
- Fees	530	664
- Other remuneration	170	295
	<u>5,623</u>	<u>6,007</u>

The Directors and officers of the Group and of the Bank are covered by Directors and Officers liability takaful for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The takaful contribution paid during the financial year for the Group and the Bank amounted to RM320,653 (2022: RM303,990) respectively.

Directors' benefits

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than the benefit included in the aggregate amount of emoluments received or due and receivable by Directors shown in Note 44 to the Financial Statements or the fixed salary as a full time employees of the Bank) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member or with a company in which the Director has a substantial financial interest.

Neither at the end of the financial year, nor at any time during the financial year, did there subsist any other arrangements to which the Bank is a party with the object or objects of enabling Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate other than Equity Ownership Plan ("EOP") and Long Term Incentive Plan of the ultimate holding company (shown in Note 47 to the Financial Statements).

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Directors' Report for the financial year ended 31 December 2023 (Continued)

Subsidiaries

- (a) Details of subsidiaries

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

- (b) Subsidiaries' holding of shares in other related corporations

Details of subsidiaries' holding of shares in other related corporations are as set out in Note 14 to the Financial Statements.

Auditors' Remuneration

Auditors' remuneration of the Group and the Bank are RM869,000 and RM862,000 respectively. Details of auditors' remuneration are as set out in Note 43 to the Financial Statements.

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Directors' Report for the financial year ended 31 December 2023 (Continued)

2023 Business Plan and Strategy

2023 was a year of further growth for CIMB Islamic through the continued implementation of 'Islamic First' strategy deployed by the Bank, added with government support towards the Islamic Banking industry where various policies were announced and implemented such as Halal Industry Master Plan 2030 and Madani Economy framework envisioning Malaysia as the global Islamic economy leader.

Despite tightening margins due to increase in Overnight Policy Rate, CIMB Islamic continued to drive profitability growth in high-impact segments via the launch of Daily Unrestricted Investment Account-I (Durian-i). The Bank drove green and social asset financing of USD75million through a syndication with Al Rajhi Bank while also underwriting a RM2billion Sustainability Sukuk Wakalah for Tenaga Nasional Berhad ("TNB"). Cost discipline remained an integral focal point as the Bank emphasised cost optimisation with various initiatives across segments and divisions.

Outlook for 2024

The Bank expects that the global economic uncertainty will remain in 2024 in view of geopolitical tensions and the risk of structural slowdown in China. The ASEAN economies remain resilient with decelerating inflation and improving domestic consumptions and investments driven by tapering global interest rates. As we approach the final year of the Forward23+ strategic plan, the Bank is focused on delivering its targets for 2024 by maintaining focus on targeted growth in financing, Demand deposit and Savings deposit, Preferred Banking and wealth management, while further enhancing on digital capabilities and operational resiliency. The Bank is cautiously optimistic on continued positive financial performance in 2024 through improved asset quality and credit risk management, as well as prioritising net profit margin ("NPM") management, sensible cost management and advancing the sustainability agenda.

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**Directors' Report
for the financial year ended 31 December 2023 (Continued)****Rating by External Rating Agencies**

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

Rating Agency	Rating Date	Rating Classification	Rating Accorded	Outlook
Malaysian Rating Corporation Berhad ("MARC")	September 2023	<ol style="list-style-type: none"> 1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating 3. RM10.0 billion Senior Sukuk Wakalah Programme 4. RM5.0 billion Tier 2 Junior Sukuk Programme 	<p>AAA</p> <p>MARC-1</p> <p>AAA_{IS}</p> <p>AA+_{IS}</p>	Stable
RAM Rating Services Berhad ("RAM")	August 2023	<ol style="list-style-type: none"> 1. Long-term Financial Institution Rating 2. Short-term Financial Institution Rating 3. RM10.0 billion Senior Sukuk Wakalah Programme 	<p>AAA</p> <p>P1</p> <p>AAA</p>	Stable
Moody's Investors Service ("Moody's")	June 2023	<ol style="list-style-type: none"> 1. Long-term Foreign Currency Bank Deposits Rating 2. Short-term Foreign Currency Bank Deposits Rating 3. Long-term Domestic Currency Bank Deposits Rating 4. Short-term Domestic Currency Bank Deposits Rating 	<p>A3</p> <p>P-2</p> <p>A3</p> <p>P-2</p>	Stable

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Directors' Report for the financial year ended 31 December 2023 (Continued)

Board Shariah Committee

Pursuant to the enterprise wide Shariah Governance Framework as provided by Bank Negara Malaysia in its Policy Document on Shariah Governance and the Islamic Financial Services Act 2013, the Board of Directors (“the Board”) is ultimately responsible and accountable for the oversight and management of Shariah matters in the Bank’s operation as well as the operations of its subsidiaries that it has management control. In undertaking its duties and responsibilities relating to Shariah, the Board relies on the advice of the Board Shariah Committee (“BSC”) of CIMB Group as established under the Bank.

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

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

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

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

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

The BSC members are as follows:

1. Associate Professor Dr. Mohamed Fairouz Abdul Khir (Chairman)
2. Professor Dr. Aishath Muneeza
3. Dr. Ahmad Sufian Che Abdullah
4. Mr. Ahmed Baqar Rehman (contract ended 5 May 2023)
5. Professor Dr. Yousef Abdulah Al-Shubaily (contract ended 31 March 2023)
6. Dr. Mohammad Mahbubi Ali (appointed on 1 April 2023)
7. En. Jalalullail Othman (appointed on 6 May 2023)

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Directors' Report for the financial year ended 31 December 2023 (Continued)

Board Shariah Committee (Continued)

The Board hereby affirms that based on advice of the BSC, the operation of the Bank and its subsidiaries that it has management control in has been done in a manner that does not contradict with Shariah save and except for those that have been specifically disclosed in this financial report (if any). This affirmation by the Board is independently verified and confirmed by the BSC in a separate BSC Report made herein.

Meetings and Attendance

BSC convened 10 meetings during the financial year 2023 including 2 special meetings to cater for urgent business proposals. All BSC members have satisfied the minimum 75% attendance requirement under BNM Shariah Governance Policy Document.

Board Engagement and Trainings Attended

As part of the initiatives to strengthen the good governance and oversight function of the Board over Shariah matters, the following activities were carried out in 2023:

- 2 Joint Board and BSC meetings were held in April and November 2023 respectively. The BSC members presented 2 topics on: (i) Decision Making Process by the Shariah Advisory Council (SAC) of Security Commission (SC) and Digital Currency from Shariah Perspective and (ii) Managing Islamic Social Finance Using 'Adl and Ihsan based Approach at its first Joint Board and BSC Meeting held on 10 April 2023. The second Joint Board and BSC meeting held on 20 November 2023 focused on Zakat related matter where Management invited Lembaga Zakat Selangor to talk on 'Pengurusan Zakat: Kutipan dan Agihan Berdasarkan Amalan dan Praktis Lembaga Zakat Selangor'. Management of CIMB Islamic also presented on 'Zakat Wakalah: CIMB Islamic Approach on Distribution'.
- A training session had been conducted by Prof. Engku Rabiah Adawiyah Engku Ali on the topic of Shariah Decision Making Pursuant to Islamic Jurisprudence.
- In addition, BSC had also organised an Offsite Meeting and discussed on Industry Shariah Research on Hedging / Anticipatory Hedging, Ujah Based Credit Card, Updates on Sustainability Pursuant to BNM Financial Sector Blueprint 2022-2026, Islamic Social Finance, Discussion on Tawarruq Concentration Pursuant to BNM Financial Sector Blueprint 2022-2026 and Shariah Research Plan 2024.

As guided by Securities Commission's Guidelines for Shariah Advisers, BSC members had fulfilled with the minimum 3 SIDC's CPE approved courses on capital market during the financial year 2023.

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Directors' Report for the financial year ended 31 December 2023 (Continued)

Board Shariah Committee (Continued)

Board Engagement and Trainings Attended (Continued)

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

- Train-The-Trainer For Derivatives Market Professionals: Design And Deliver An Effective Training Session (TTT Part 1)
- Train-The-Trainer (TTT) For Derivatives Market Professionals: Design And Deliver An Effective Training Session (TTT Part 2)
- Train-The-Trainer For Derivatives Market Professionals: Design And Deliver An Effective Training Session (TTT Part 3)
- Train-The-Trainer For Derivatives Market Professionals: Design And Deliver An Effective Training Session (TTT Part 4)
- Sustainable and Responsible Investment (SRI) Virtual Conference 2023
- Module 1: Directors As Gatekeepers Of Market Participants
- Module 2A: Business Challenges And Regulatory Expectations – What Directors Need To Know (Equities & Futures Broking)
- Module 4: Emerging and Current Regulatory Issues In The Capital Market
- Cybersecurity & Data Privacy: The Fight Against Financial Crime

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

- Muzakarah Cendekiawan Shariah Nusantara 2023
- Muzakarah Penasihat Syariah 2023
- Kuala Lumpur Islamic Finance Forum 2023
- Islamic Sustainable Finance & Investment Forum 2023
- Joint Board for Group Sustainability

BSC Assessment

In compliance with BNM Shariah Governance Policy Document, the BSC undergoes the process of assessing the effectiveness of each individual BSC members and the committee as a whole annually.

Pursuant to CIMB's Annual Evaluation Manual and BNM's Corporate Governance Policy Document, CIMB is to obtain an independent perspective on the Board's effectiveness to gain insights on the Board's performance against peer Boards and best practices, once every 3 years. CIMB had in 2023 appointed an external consultant to conduct for year end 2022 Board Effectiveness Assessment (BEA) on the Boards and Board Committees of CIMB, CIMB Bank, CIMB Islamic and CIMB Investment. A comprehensive approach including quantitative and qualitative assessment was adopted to assess the Boards, Board Committees and its Directors.

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Directors' Report for the financial year ended 31 December 2023 (Continued)

Board Shariah Committee (Continued)

Zakat obligations

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

The obligation and responsibility for specific payment of zakat on depositors fund lies with its Muslim customers only. The aforesaid is subject to the jurisdictional requirements on zakat payment as may be applicable from time to time on the Bank and its subsidiaries arising from changes to local legislation, regulation, law or market convention as the case may be. Accrual of zakat expenses (if any) in the Financial Statement of the Bank is reflective of this.

The beneficiaries of the zakat fund are determined by relevant internal CIMB policy and procedure and guideline as approved by the BSC.

Significant event during the financial year

Significant event during the financial year is disclosed in Note 51 to the Financial Statements.

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Directors' Report for the financial year ended 31 December 2023 (Continued)

Statement of Directors' Responsibility

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

It is the responsibility of the Directors to ensure that the Financial Statements of the Group and the Bank present a true and fair view of the financial position of the Group and the Bank as at 31 December 2023 and financial performance of the Group and the Bank for the financial year ended 31 December 2023.

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

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

The Statement by Directors pursuant to Section 251(2) of the Companies Act 2016 is set out on page 17 of the Financial Statements.

Ultimate holding company

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

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Directors' Report for the financial year ended 31 December 2023 (Continued)

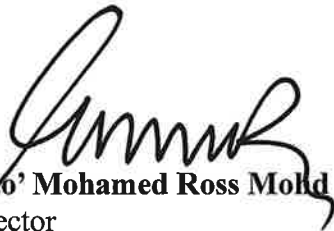
Statement of Directors' Responsibility (Continued)

Auditors

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

This report was approved by the Board of Directors on 15 March 2024.

Signed on behalf of the Board of Directors



Dato' Mohamed Ross Mohd Din
Director



Ahmad Shahrman Mohd Shariff
Director

Kuala Lumpur
15 March 2024

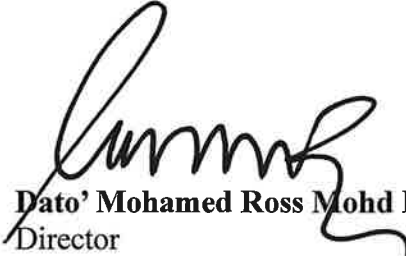
CIMB Islamic Bank Berhad

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

We, Dato' Mohamed Ross Mohd Din and Ahmad Shahrیمان Mohd Shariff, being two of the Directors of CIMB Islamic Bank Berhad, state that, in the opinion of the Directors, the Financial Statements set out on pages 28 to 282 are drawn up so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2023 and financial performance of the Group and of the Bank for the financial year ended 31 December 2023, in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and the requirements of the Companies Act 2016 in Malaysia.

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



Dato' Mohamed Ross Mohd Din
Director



Ahmad Shahrیمان Mohd Shariff
Director

Kuala Lumpur
15 March 2024

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Statutory Declaration

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

I, Wong Siew Fern, being the person primarily responsible for the financial management of CIMB Islamic Bank Berhad, do solemnly and sincerely declare the Financial Statements set out on pages 28 to 282 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.



Wong Siew Fern

Subscribed and solemnly declared by the above named Wong Siew Fern at Kuala Lumpur before me, on 15 March 2024.

Commissioner for Oaths



1-30, Jalan Pandan Prima 2,
Dataran Pandan Prima,
55100 Kuala Lumpur.

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Board Shariah Committee's Report

In the name of Allah, the Most Beneficent, the Most Merciful.

We, the members of the CIMB Group Board Shariah Committee (“BSC”) as established under the Bank, are responsible to advise the Board in the oversight and management of Shariah matters in the operation of the Bank. Although the Board is ultimately responsible and accountable for all Shariah matters under the Bank, the Board relies on our independent advice on the same.

Our main responsibility and accountability is to assist the Board in ensuring that the Bank’s business does not have elements/activities which are not permissible under Shariah. In undertaking our duties, we shall follow and adhere to the decisions, views and opinions of the Shariah Advisory Council of the relevant Malaysian financial regulators for businesses undertaken in Malaysia and for businesses outside Malaysia, we shall take into consideration the decisions, views and opinions of the relevant authority on Shariah matters (if any, sanctioned by law/regulation to be followed by the Bank) in the relevant jurisdiction that the Bank is doing business.

As members of the BSC, we are responsible to provide an independent assessment and confirmation in this financial report that the operations of the Bank has been done in conformity with Shariah as has been decided and opined by us and with those Notices, Rules, Standards, Guidelines and Frameworks on Shariah matters as announced and implemented by Malaysian regulators and where relevant by the financial regulators in the relevant jurisdictions that the Bank’s businesses were undertaken during the period being reported.

Our independent assessment and confirmation has been used as the basis for the Board’s affirmation of the same in the Director’s Report herein before.

In making our independent assessment and confirmation, we have always recognised the importance of the Bank maintaining and reinforcing the highest possible standards of conduct in all of its actions, including the preparation and dissemination of statements presenting fairly the Shariah compliant status of its businesses.

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

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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Board Shariah Committee's Report (Continued)

Effective Shariah governance is supported mainly by qualified Shariah officers consist of Shariah researchers as well as the advisory and consultancy function under Shariah Advisory & Governance department of Group Islamic Banking Division that supports us in our decision and deliberations, providing check and balance for all Shariah matters as presented to us by the Management. Shariah Advisory and Board Shariah Committee Secretariat Policy and Procedure are 2 main documents in governing the daily function of Shariah Advisory & Governance department.

CIMB Group Shariah Review Policy and Procedure were established to set out policies for Shariah review function encompassing regular examination and evaluation of the Bank's level of compliance to the Shariah requirements, remedial rectification measures to resolve non compliances and control mechanisms to avoid recurrences. In addition, the Group Shariah Review Procedure sets out the procedures for Shariah review execution, responsibilities of stakeholders and internal reporting process relating to Shariah Non-Compliant events, in line with BNM's requirements. In ensuring that the activities and operations of CIMB Group are Shariah-compliant, Shariah Review conducts post review of CIMB Group's activities and operations in accordance with the annual Shariah review work plan approved by us and the respective Boards of Directors of CIMB Group. Additionally, Shariah Review conducts investigations on issues escalated by the stakeholders and performs ad-hoc review as required from time to time by us and the regulators.

As for effective risk management and control, the Group adopted the strategic implementation of tiered model i.e. Three Lines of Risk Defense in governing and managing Shariah Non-Compliant risk.

Lastly, there is also a team of internal auditors who conduct periodic Shariah audits of all the Bank's operations on a scheduled basis. Group Corporate Assurance Division ("GCAD") reports independently to the CIMB Group Audit Committee ("AC") and the Banking Group Audit Committee ("Banking Group AC") and is independent of the activities and operations of the business and other support units. In addition, GCAD reports on matters related to Islamic Banking and Shariah audits to the BSC. The principal responsibility of GCAD is to provide independent appraisal on the adequacy, efficiency and effectiveness of risk management, control and governance processes implemented by the Management. In addition, GCAD provides audit conclusion based on Level of Conformance in relation to regulatory audit/reviews, and whether objectives were met for assignments that are based on specific audit or review objectives. GCAD also undertakes investigations into suspected fraudulent activities, staff misconduct, whistleblowing cases, potential secrecy breach, and other incidences, as and when required, and recommends appropriate improvements to prevent recurrence and actions against persons responsible. The annual audit plan is developed based on assessment of risks, exposures and strategies of CIMB Islamic.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Board Shariah Committee's Report (Continued)

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

The Bank also continues Shariah Capacity Building programs to inculcate strong Shariah knowledge within the Bank. The Bank has supported CIMB Islamic and CIMB Bank staff to enroll in relevant certification programs such as Associate Qualification in Islamic Finance ("AQIF"), Certified Shariah Advisor ("CSA"), Certified Professional Shariah Auditor ("CPSA"), Islamic Finance Internal Qualification Program ("IFiQ") and others. The Bank had also organised a training session conducted by Dr. Mohammad Mahbubi Ali as the representative from the BSC where he shared about the Understanding Product Structuring in Islamic Finance.

All in all, the Management of the Bank is responsible and accountable to the Board to ensure that the businesses of the Bank are conducted in accordance with the requirement of Shariah. It is our responsibility to form an independent opinion of the state of Shariah compliancy of the business and its operations and advise the Board accordingly. Based on the internal controls that have been put in place by the Management, in our opinion, to the best of our knowledge, the Bank has complied with the Shariah rulings issued by the Shariah Advisory Council of Bank Negara Malaysia and by all other financial regulators (where relevant), as well as Shariah decisions made by us, and the overall aims and operations, business, affairs and activities of CIMB Islamic are in compliance with Shariah but it has come to the BSC's attention that a material Shariah Non-Compliant event(s) has occurred within the Bank and has been or in the process of being rectified. Details of the Shariah Non-Compliant events are as follows:

- (1) Overcharged of Late Payment Charges ("LPC") in property auction sale.

Nature: Overcharged of LPC in property auction sale.

Measures undertaken: Refund of the additional charges totaling of RM 163,594.46 to the impacted successful bidders ("SBs").

Status:

a) For SBs with CIMB Current Account/Saving Account (CASA): Completed.

b) For SBs without CIMB Current Account/Saving Account (CASA):

- Completed refund for partial of the SBs.
- As for the rest of the SBs, pending SB's information on their account details.

Apart from the purification of income from Shariah Non-Compliant events, the Bank has instituted several rectification measures relating to processes and procedures to enhance control mechanism and minimise recurrence of Shariah Non-Compliant incidents.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Board Shariah Committee's Report (Continued)

In our opinion:

1. The contracts, transactions and dealings entered into by the Bank during the financial year ended 31 December 2023 that were presented to us were done in compliance with Shariah save and except for the contracts involved in the abovementioned Shariah Non-Compliant event;
2. The allocation of profit and charging of losses relating to investment accounts conformed to the basis that were approved by us in accordance with Shariah;
3. There were no earnings that were realised from sources or by means prohibited by Shariah have been considered for disposal to charitable causes save and except for the abovementioned material Shariah Non-Compliant event and the said amount have been partially* refunded to the rightful owner; and
4. The zakat calculation is in compliance with Shariah principles.

*Note: The refund for overcharged of LPC in property auction sale is currently awaiting SB's information on their account details and if no respond from the SB by 31 August 2024, the Bank will proceed with unclaimed money process by 31 January 2025.

We have assessed the independent work carried out for Shariah review and Shariah audit functions by the relevant functionaries under the established system of internal control, which included the examination, on a test basis, of each type of transaction, of relevant documentation and procedures adopted by the Bank. We are satisfied that the Management has planned and performed the necessary review and audit so as to obtain all the information and explanations which are considered necessary to provide us with sufficient evidence to give reasonable assurance that the Bank has not violated Shariah.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Board Shariah Committee's Report (Continued)

We, the members of the BSC, are of the opinion that the operations of the Bank for the financial year ended 31 December 2023 were conducted in conformity with Shariah.

On behalf of the Board Shariah Committee.



Associate Professor Dr. Mohamed Fairooz Abdul Khir
Chairman



Dr. Ahmad Sufian Che Abdullah
Member

Kuala Lumpur
15 March 2024



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of CIMB Islamic Bank Berhad (“the Bank”) and its subsidiaries (“the Group”) give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Bank, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, comprising a summary of material accounting policies and other explanatory information, as set out on pages 28 to 282.

Basis for opinion

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

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

Independence and other ethical responsibilities

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

Information other than the financial statements and auditors’ report thereon

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



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

NG YEE LING
03032/01/2025 J
Chartered Accountant

Kuala Lumpur
15 March 2024

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Financial Position as at 31 December 2023

	Note	The Group		The Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Assets					
Cash and short-term funds	2	10,517,811	15,308,885	10,517,811	15,308,885
Reverse Collateralised Commodity Murabahah		700,067	503,206	700,067	503,206
Deposits and placements with banks and other financial institutions	3	138,065	-	138,065	-
Financial investments at fair value through profit or loss	4	3,754,473	2,042,226	3,754,473	2,042,226
Debt instruments at fair value through other comprehensive income	5	5,362,764	5,000,384	5,362,764	5,000,384
Debt instruments at amortised cost	6	13,995,085	9,361,464	13,995,085	9,361,464
Islamic derivative financial instruments	24(a)	357,161	466,895	357,161	466,895
Financing, advances and other financing/loans	7	121,476,487	107,592,751	121,476,487	107,592,751
Other assets	8	349,993	489,064	349,993	489,064
Tax recoverable		84,999	4,409	84,999	4,409
Deferred taxation	9	282,971	188,883	282,971	188,883
Amount due from holding company and ultimate holding company	10	635,013	433,749	635,013	433,749
Amounts due from related companies	11	40	20	40	20
Statutory deposits with Bank Negara Malaysia	13	1,870,210	1,696,000	1,870,210	1,696,000
Investment in subsidiaries	14	-	-	11	11
Property, plant and equipment	15	503	778	503	778
Right-of-use assets	16	569	1,004	569	1,004
Intangible assets	17	3,550	1,499	3,550	1,499
Goodwill	18	136,000	136,000	136,000	136,000
Total assets		159,665,761	143,227,217	159,665,772	143,227,228
Liabilities					
Deposits from customers	19	110,831,744	102,825,976	110,831,744	102,825,976
Investment accounts of customers	20	18,984,125	13,684,632	18,984,125	13,684,632
Deposits and placements of banks and other financial institutions	21	5,533,506	7,408,739	5,533,506	7,408,739
Collateralised Commodity Murabahah		2,229,121	1,927,726	2,229,121	1,927,726
Investment accounts due to designated financial institutions	22	3,424,851	3,576,590	3,424,851	3,576,590
Financial liabilities designated at fair value through profit or loss	23	2,821,784	2,857,004	2,821,784	2,857,004
Islamic derivative financial instruments	24(a)	433,440	732,724	433,440	732,724
Amounts due to subsidiaries	12	-	-	46	46
Amounts due to related companies	11	976	755	976	755
Other liabilities	25	818,080	446,240	818,080	446,240
Lease liabilities	26	786	1,198	786	1,198
Recourse obligation on loans and financing sold to Cagamas	27	2,822,998	-	2,822,998	-
Senior Sukuk	28	1,009,474	-	1,009,474	-
Subordinated Sukuk	29	1,109,424	1,109,342	1,109,424	1,109,342
Total liabilities		150,020,309	134,570,926	150,020,355	134,570,972

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

**Statements of Financial Position
as at 31 December 2023 (Continued)**

		The Group		The Bank	
	Note	2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
Capital and reserves attributable to equity holder of the Bank					
Perpetual preference shares	30	350,000	350,000	350,000	350,000
Ordinary share capital	31	1,000,000	1,000,000	1,000,000	1,000,000
Reserves	32	8,295,452	7,306,291	8,295,417	7,306,256
Total equity		9,645,452	8,656,291	9,645,417	8,656,256
Total equity and liabilities		159,665,761	143,227,217	159,665,772	143,227,228
Restricted Agency Investment Account (*)	33	15,482,815	14,280,429	15,482,815	14,280,429
Total Islamic Banking asset		175,148,576	157,507,646	175,148,587	157,507,657
Commitments and contingencies	24(b)	68,795,415	61,371,059	68,795,415	61,371,059
Net assets per ordinary share attributable to owners of the Parent (RM)		9.30	8.31	9.30	8.31

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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Income for the financial year ended 31 December 2023

		The Group and the Bank	
		2023	2022
		RM'000	RM'000
	Note		
Income derived from investment of depositors' funds and others	34	5,133,650	4,087,643
Income derived from investment of investment account	35	1,103,220	738,920
Income derived from investment of shareholder's funds	36	1,057,817	632,671
Modification loss	37	(77)	(2,845)
Expected credit losses on financing, advances and other financing/loans	38	(383,416)	(361,105)
Expected credit losses (made)/written back for commitments and contingencies	25	(48,126)	60,385
Other expected credit losses	39	(3,278)	(13,709)
Total distributable income		<u>6,859,790</u>	5,141,960
Income attributable to depositors and others	40	(3,629,476)	(2,079,729)
Profit distributed to investment account holder	41	(753,427)	(379,556)
Total net income		<u>2,476,887</u>	2,682,675
Personnel costs	42	(31,626)	(32,291)
Other overheads and expenditures	43	(1,241,559)	(1,148,748)
Profit before taxation and zakat		<u>1,203,702</u>	1,501,636
Taxation and zakat	45	(311,393)	(499,603)
Profit after taxation and zakat		<u>892,309</u>	1,002,033
Earnings per share (sen)			
- Basic / Diluted	46	<u>89.23</u>	<u>100.20</u>

Statements of Comprehensive Income for the financial year ended 31 December 2023

		The Group and the Bank	
		2023	2022
		RM'000	RM'000
Profit for the financial year		892,309	1,002,033
Other comprehensive income/(expense):			
Items that will not reclassified to profit or loss			
Fair value changes on financial liabilities designated at fair value attributable to own credit risk		(589)	116
Items that may be reclassified subsequently to profit or loss			
Debt instruments at fair value through other comprehensive income		95,765	(63,304)
- Net gain/(loss) from change in fair value		134,879	(95,959)
- Realised (gain)/loss transferred to statement of income on disposal		(9,657)	15,483
- Changes in expected credit losses		596	(2,142)
- Income tax effects		(30,053)	19,314
Total comprehensive income for the financial year		<u>987,485</u>	<u>938,845</u>

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity for the financial year ended 31 December 2023

The Group	← Attributable to owners of the Parents →											
	Ordinary share capital RM'000	Fair value reserve- debt instruments at fair value through other comprehensive income RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Own credit risk reserve RM'000	Share-based payment reserve RM'000	Capital contribution by Ultimate Holding Company RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2023	1,000,000	(150,405)	(2,457)	458	184,715	112	22	2,514	7,271,332	8,306,291	350,000	8,656,291
Profit for the financial year	-	-	-	-	-	-	-	-	892,309	892,309	-	892,309
Other comprehensive expense (net of tax)	-	95,765	-	-	-	(589)	-	-	-	95,176	-	95,176
- debt instruments at fair value through other comprehensive income	-	95,765	-	-	-	-	-	-	-	95,765	-	95,765
- fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve	-	-	-	-	-	(589)	-	-	-	(589)	-	(589)
Total comprehensive income/(expense) for the financial year	-	95,765	-	-	-	(589)	-	-	892,309	987,485	-	987,485
Redemption during the financial year	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payment expense	-	-	-	-	-	-	7	1,698	-	1,705	-	1,705
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(29)	-	-	(29)	-	(29)
Total transactions with owners recognised directly in equity	-	-	-	-	-	-	(22)	1,698	-	1,676	-	1,676
Transfer to regulatory reserve	-	-	-	-	25,918	-	-	-	(25,918)	-	-	-
As at 31 December 2023	1,000,000	(54,640)	(2,457)	458	210,633	(477)	-	4,212	8,137,723	9,295,452	350,000	9,645,452

Note

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CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

**Statements of Changes in Equity
for the financial year ended 31 December 2023 (Continued)**

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

Note

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CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Statements of Changes in Equity for the financial year ended 31 December 2023 (Continued)

The Bank	← Non-distributable						→ Distributable					
	Ordinary share capital RM'000	Fair value reserve- debt instruments at fair value through other comprehensive income RM'000	Merger reserve RM'000	Capital reserve RM'000	Regulatory reserve RM'000	Own credit risk reserve RM'000	Share-based payment reserve RM'000	Capital contribution by Ultimate Holding Company RM'000	Retained profits RM'000	Total RM'000	Perpetual preference shares RM'000	Total Equity RM'000
At 1 January 2023	1,000,000	(150,405)	(2,457)	458	184,715	112	22	2,514	7,271,297	8,306,256	350,000	8,656,256
Profit for the financial year	-	-	-	-	-	-	-	-	892,309	892,309	-	892,309
Other comprehensive expense (net of tax)	-	95,765	-	-	-	(589)	-	-	-	95,176	-	95,176
- debt instruments at fair value through other comprehensive income	-	95,765	-	-	-	-	-	-	-	95,765	-	95,765
- fair value changes on financial liabilities designated at fair value attributable to own credit risk reserve	-	-	-	-	-	(589)	-	-	-	(589)	-	(589)
Total comprehensive income/(expense) for the financial year	-	95,765	-	-	-	(589)	-	-	892,309	987,485	-	987,485
Redemption during the financial year	-	-	-	-	-	-	-	-	-	-	-	-
Share-based payment expense	-	-	-	-	-	-	7	1,698	-	1,705	-	1,705
Shares released under Equity Ownership Plan	-	-	-	-	-	-	(29)	-	-	(29)	-	(29)
Total transactions with owners recognised directly in equity	-	-	-	-	-	-	(22)	1,698	-	1,676	-	1,676
Transfer to regulatory reserve	-	-	-	-	25,918	-	-	-	(25,918)	-	-	-
As at 31 December 2023	1,000,000	(54,640)	(2,457)	458	210,633	(477)	-	4,212	8,137,688	9,295,417	350,000	9,645,417

Note

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CIMB Islamic Bank Berhad

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Statements of Changes in Equity for the financial year ended 31 December 2023 (Continued)

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

CIMB Islamic Bank Berhad

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**Statements of Cash Flows
for the financial year ended 31 December 2023**

	Note	The Group		The Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from operating activities					
Profit before taxation and zakat		1,203,702	1,501,636	1,203,702	1,501,636
Adjustments for:					
Depreciation of property, plant and equipment	43	348	386	348	386
Depreciation of right-of-use assets	43	569	578	569	578
Amortisation of intangible assets	43	985	19,929	985	19,929
Profit income from debt instruments at fair value through other comprehensive income	34-36	(212,132)	(195,899)	(212,132)	(195,899)
Profit income from debt instruments at amortised cost	34-36	(545,207)	(364,582)	(545,207)	(364,582)
Profit expense on lease liabilities	40	63	72	63	72
Profit expense on senior Sukuk	40	3,556	-	3,556	-
Profit expense on subordinated Sukuk	40	44,700	45,315	44,700	45,315
Profit expense on recourse obligation on loans and financing sold to Cagamas	40	27,236	-	27,236	-
(Gain)/loss from disposal of debt instruments at fair value through other comprehensive income	34-36	(9,657)	15,483	(9,657)	15,483
Net gain from hedging derivatives	36	(108)	(554)	(108)	(554)
Unrealised loss on foreign exchange	34-36	207,972	19,480	207,972	19,480
Unrealised gain from revaluation of financial assets designated at fair value through profit or loss	34-36	(6,643)	(723)	(6,643)	(723)
Unrealised loss/(gain) arising from financial liabilities designated at fair value through profit and loss	36	146,829	(182,574)	146,829	(182,574)
Unrealised (gain)/loss from revaluation of Islamic derivative financial instruments	36	(186,798)	288,143	(186,798)	288,143
Accretion of discount less amortisation of premium	34-36	(73,695)	(26,973)	(73,695)	(26,973)
Expected credit losses on financing, advances and other financing/loans	38	461,940	433,045	461,940	433,045
Other expected credit losses and impairment allowances made	39	3,278	13,709	3,278	13,709
Expected credit losses made/(written back) for commitments and contingencies	25(a)	48,126	(60,385)	48,126	(60,385)
Share-based payment expense		1,705	1,769	1,705	1,769
Modification loss	37	77	2,845	77	2,845
		1,116,846	1,510,700	1,116,846	1,510,700
(Increase)/Decrease in operating assets					
Financing, advances and other financing/loans		(14,344,855)	(17,422,623)	(14,344,855)	(17,422,623)
Reverse repurchase agreements		(196,861)	(503,206)	(196,861)	(503,206)
Other assets		136,410	(182,599)	136,410	(182,599)
Statutory deposits with Bank Negara Malaysia		(174,210)	(1,696,000)	(174,210)	(1,696,000)
Deposits and placements with banks and other financial institutions		1	145,954	1	145,954
Financial assets at fair value through profit or loss		(1,606,520)	3,236,351	(1,606,520)	3,236,351
Amounts due from holding company and ultimate holding company		(201,264)	(150,262)	(201,264)	(150,262)
Amounts due from related companies		(20)	300	(20)	300
Increase/(Decrease) in operating liabilities					
Deposits from customers		8,005,768	6,824,240	8,005,768	6,824,240
Investment accounts of customers		5,299,493	3,257,465	5,299,493	3,257,465
Deposits and placements from banks and other financial institutions		(1,875,233)	5,099,470	(1,875,233)	5,099,470
Collateralised Commodity Murabahah		301,395	1,598,905	301,395	1,598,905
Investment accounts due to designated financial institutions		(151,739)	(343,163)	(151,739)	(343,163)
Financial liabilities designated at fair value through profit and loss		(182,638)	2,240,008	(182,638)	2,240,008
Islamic derivative financial instruments		6,183	(36,141)	6,183	(36,141)
Amount due to subsidiaries		-	-	-	46
Amount due to related companies		221	300	221	300
Other liabilities		99,085	73,548	99,085	73,548
		(3,767,938)	3,653,247	(3,767,938)	3,653,293
Taxation and zakat paid		(516,125)	(551,735)	(516,125)	(551,735)
Net cash flows (used in)/generated from operating activities		(4,284,063)	3,101,512	(4,284,063)	3,101,558

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**Statements of Cash Flows
for the financial year ended 31 December 2023 (Continued)**

	Note	The Group		The Bank	
		2023 RM'000	2022 RM'000	2023 RM'000	2022 RM'000
Cash flows from investing activities					
Net purchase of debt instruments at amortised cost		(4,534,987)	(408,849)	(4,534,987)	(408,849)
Net purchase of debt instruments at fair value through other comprehensive income		(228,056)	(16,156)	(228,056)	(16,156)
Profit income received from purchase of debt instruments at fair value through other comprehensive income		206,894	145,132	206,894	145,132
Profit income received from debt instruments at amortised cost		439,841	259,312	439,841	259,312
Purchase of property, plant and equipment	15	(73)	(154)	(73)	(154)
Purchase of intangible assets	17	(3,036)	(1,955)	(3,036)	(1,955)
Net addition of right-of-use assets		-	(98)	-	(98)
Net cash flows used in investing activities		<u>(4,119,417)</u>	<u>(22,768)</u>	<u>(4,119,417)</u>	<u>(22,768)</u>
Cash flows from financing activities					
Profit expense paid on subordinated Sukuk		(44,618)	(44,018)	(44,618)	(44,018)
Proceeds from issuance of subordinated Sukuk		-	300,000	-	300,000
Redemption of subordinated Sukuk		-	(300,000)	-	(300,000)
Profit expense paid on senior Sukuk		(39)	-	(39)	-
Proceeds from issuance of senior Sukuk		1,000,077	-	1,000,077	-
Redemption of preference shares		-	(70,000)	-	(70,000)
Repayment of lease liabilities		(609)	(519)	(609)	(519)
Profit expense paid on recourse obligation on loans and financing sold to Cagamas		(8,998)	-	(8,998)	-
Proceeds from recourse obligation on loans and financing sold to Cagamas		2,787,999	-	2,787,999	-
Net cash flows generated/(used in) financing activities		<u>3,733,812</u>	<u>(114,537)</u>	<u>3,733,812</u>	<u>(114,537)</u>
Net (decrease)/increase in cash and cash equivalents		(4,669,668)	2,964,207	(4,669,668)	2,964,253
Effects of exchange rate differences		16,659	17,091	16,659	17,091
Cash and cash equivalents at beginning of the financial year		15,308,885	12,327,587	15,308,885	12,327,541
Cash and cash equivalents at end of the financial year		<u>10,655,876</u>	<u>15,308,885</u>	<u>10,655,876</u>	<u>15,308,885</u>
Cash and cash equivalents comprise :					
Cash and short-term funds	2	10,517,811	15,308,885	10,517,811	15,308,885
Deposits and placements with banks and other financial institutions	3	138,065	-	138,065	-
Cash and cash equivalents at end of the financial year		<u>10,655,876</u>	<u>15,308,885</u>	<u>10,655,876</u>	<u>15,308,885</u>

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**Statements of Cash Flows
for the financial year ended 31 December 2023 (Continued)**

An analysis of changes in liabilities arising from financing activities for the financial year ended 31 December 2023 and 31 December 2022 are as follows:

	Senior Sukuk RM'000	Subordinated Sukuk RM'000	Lease Liabilities RM'000	Recourse obligation on loans and financing sold to Cagamas RM'000	Total RM'000
The Group and the Bank					
At 1 January 2023	-	1,109,342	1,198	-	1,110,540
Proceeds from issuance	1,000,077	-	-	2,787,999	3,788,076
Payment and redemption	-	-	(609)	-	(609)
Profit paid	(39)	(44,618)	-	(8,998)	(53,655)
Other non cash movement	9,436	44,700	197	43,997	98,330
At 31 December 2023	1,009,474	1,109,424	786	2,822,998	4,942,682

	Senior Sukuk RM'000	Subordinated Sukuk RM'000	Lease Liabilities RM'000	Recourse obligation on loans and financing sold to Cagamas RM'000	Total RM'000
The Group and the Bank					
At 1 January 2022	-	1,108,045	1,775	-	1,109,820
Payment and redemption	-	-	(519)	-	(519)
Profit paid	-	(44,018)	-	-	(44,018)
Other non cash movement	-	45,315	(58)	-	45,257
At 31 December 2022	-	1,109,342	1,198	-	1,110,540

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Summary of Material Accounting Policies for the financial year ended 31 December 2023

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

A Basis of preparation

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

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

The preparation of Financial Statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amounts of income and expenses during the reported period. It also requires the Directors to exercise their judgement in the process of applying the Group’s and the Bank’s accounting policies. Although these estimates and judgement are based on the Directors’ best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 52.

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

A Basis of preparation (Continued)

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

The new accounting standards, amendments to published standards and interpretation that are effective and applicable to the Group and the Bank for the financial year beginning 1 January 2023 are as follows:

- Amendments to MFRS 112 ‘Deferred Tax related to Assets and Liabilities arising from a Single Transaction’
- Amendments to MFRS 101 and MFRS Practice Statement 2 on ‘Disclosure of accounting policies’
- Amendments to MFRS 108 ‘Definition of Accounting Estimates’
- Amendments to MFRS 112 ‘International Tax Reform-Pillar Two Model Rules’

The adoption of the above amendments to published standards did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

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

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

(i) Financial year beginning on/after 1 January 2024

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

The amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity’s expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant). In addition, the amendments clarify that when a liability could be settled by the transfer of an entity’s own equity instruments (e.g. a conversion option in a convertible bond), conversion option meeting the definition of an equity instrument in MFRS 132 ‘Financial Instruments: Presentation’ does not impact the current or non-current classification of the convertible instrument.

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

A Basis of preparation (Continued)

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

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

(i) Financial year beginning on/after 1 January 2024 (Continued)

- Amendments to MFRS 101 “Non-current Liabilities with Covenants”

The amendments specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

Both amendments shall be applied retrospectively.

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

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

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

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

A Basis of preparation (Continued)

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

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

(i) Financial year beginning on/after 1 January 2024 (Continued)

- Amendments to MFRS 121 Lack of Exchangeability

Amendments to MFRS 121 ‘Lack of Exchangeability’ (effective 1 January 2025) clarify that a currency is exchangeable when an entity is able to exchange it into another currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism that creates enforceable rights and obligations. If an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, then the currency is not exchangeable. In such cases, the entity is required to estimate the spot exchange rate at the measurement date.

The amendments do not specify how an entity estimates the spot exchange rate but permit an entity to use observable exchange rate without adjustment or another estimation technique, provided it could meet the objective for estimating the spot exchange rate set out in the amendments.

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

B Economic entities in the Group

(a) Subsidiaries

The consolidated Financial Statements include the Financial Statements of the Bank and all its subsidiaries made up to the end of the financial year.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct relevant activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and de-consolidated from the date that control ceases.

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

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

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

CIMB Islamic Bank Berhad

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

B Economic entities in the Group (Continued)

(a) Subsidiaries (Continued)

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

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

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to a parent. On an acquisition-by-acquisition basis, the Group measures any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. At the end of reporting period, non-controlling interest consists of amount calculated on the date of combinations and its share of changes in the subsidiary's equity since the date of combination.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests for prior years is not restated.

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

All material transactions, balances and unrealised gains on transactions between group companies are eliminated and the consolidated Financial Statements reflect external transactions only. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Where necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of income, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

B Economic entities in the Group (Continued)

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss in control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in statement of income. The fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to statement of income.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(d) Interests in subsidiaries

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

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

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

C Recognition of profit income and profit expense

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

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

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

(a) Financing

Tawarruq vis-à-vis Commodity Murabahah

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

Ijarah

A lease contract that transfers the ownership of a usufruct of an asset to another party for a specified period in exchange for a rental. Ijarah contract may end with the transfer of the legal title of the leased asset to the lessee is called Ijarah Muntahia bi al-Tamlik (“IMBT”). Effective transfer of the legal title is a consequent to the conclusion of the lease arrangement that can be in the form of a sale or a gift of the asset to the lessee. Al-Ijarah Thumma al-Bai’ is a form of IMBT where the sale of asset to the lessee is executed at the completion of the lease period. Income is recognised on effective profit rate basis over the lease term.

Ujrah

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

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

C Recognition of profit income and profit expense (Continued)

(a) Financing (Continued)

Murabahah

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

Bai' Bithaman Ajil

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

Bai' al-'inah

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

Qard

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

Bai' al- Dayn

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

CIMB Islamic Bank Berhad

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

C Recognition of profit income and profit expense (Continued)

(b) Deposits from customers

Tawarruq vis-à-vis Commodity Murabahah

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

Qard

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

(c) Placements from investment accounts

Mudharabah

A contract between a capital provider (Rabbul Mal) and an entrepreneur (Mudharib) under which the rabbul mal provides capital to be managed by the mudharib and any profit generated from the capital is shared between the rabbul mal and mudharib according to mutually agreed Profit Sharing Ratio whilst financial losses are borne by the rabbul mal provided that such losses are not due to the mudharib's negligence (taqsir), negligence (taqsir) or breach of specified terms (mukhalafah al-shurut). Mudharabah contract shall not stipulate a pre-determined fixed amount of profit to one contracting party. This contract is categorised into two types:

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

ii) Restricted Mudharabah (Mudharabah Muqayyadah) is a contract in which the rabbul mal imposes specific restriction on the mudharabah terms such as determination of location, period for investment, type of project and commingling of funds.

Profit shall be recognised on accrual basis by actual liquidation of assets of mudharabah contract or constructive basis according to acceptable profit recognition method which may include valuation according to acceptable market methodology, independent valuation or valuation based on estimated figures.

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(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

C Recognition of profit income and profit expense (Continued)

(c) Placements from investment accounts (Continued)

Wakalah

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

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

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

D Recognition of fees and other income

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

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

(b) Fee and other income recognition

The Group earns fee and commission income from a diverse range of products and services provided to its customers. Fee and commission income are recognised when the Group have satisfied its performance obligation in providing the promised products and services to the customer, and are recognised based on contractual rates or amount agreed with customers, and net of expenses directly related to it. The Group generally satisfy its performance obligation and recognises the fee and commission income on the following basis:

- Transaction-based fee and commission income is recognised on the completion of the transaction. Such fees include fees related to the completion of corporate advisory transactions, commissions, service charges and fees, credit card related fees and fees on financing, advances and other financing/loans. These fees constitute a single performance obligation.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

D Recognition of fees and other income (Continued)

(b) Fee and other income recognition (Continued)

- For a service that is provided over a period of time, fee and commission income is recognised on an equal proportion basis over the period during which the related service is provided or credit risk is undertaken. This basis of recognition most appropriately reflects the nature and pattern of provision of these services to the customers over time. Fees for these services will be billed periodically over time. Such fees include guarantee fees.

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

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

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

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

E Collateralised Commodity Murabahah

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

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

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

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(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

F Financial assets

(a) Classification

The Group and the Bank classify their financial assets into the following measurement categories:

- Fair value (either through other comprehensive income (“OCI”), or through profit or loss), and
- Amortised cost.

The classification depends on the Group’s and the Bank’s business model for managing the financial assets and the contractual terms of the cash flows.

Business model assessment

The Group and the Bank conduct assessment of the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio whether the business strategy is to earn contractual profit revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset’s performance is evaluated and reported to key management personnel.

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

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

For financial assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investment in debt instruments, this will depend on the business model in which the investment is held. For investment in equity instruments, it is determined by the irrevocable election at the time of initial recognition to account for the equity investment at fair value through OCI by the Group and the Bank.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

F Financial assets (Continued)

(a) Classification (Continued)

- (i) Financial assets at fair value through OCI comprise of:
- Equity securities which are not held for trading, and for which the Group and the Bank have made an irrevocable election at initial recognition to recognise changes in fair value through other comprehensive income rather than profit or loss, and
 - Debt securities where the contractual cash flows are solely principal and profit and the objective of the Group's and the Bank's business model is achieved both by collecting contractual cash flows and selling financial assets.
- (ii) The Group and the Bank classify their financial assets at amortised cost only if both of the following criteria are met:
- The asset is held within a business model with the objective of collecting the contractual cash flows, and
 - The contractual terms give rise on specified dates to cash flows that are solely payments of principal and profit on the principal outstanding.
- (iii) The Group and the Bank classify the following financial assets at fair value through profit or loss:
- Debt investments that do not qualify for measurement at either amortised cost or fair value through comprehensive income;
 - Equity investments that are held for trading, and
 - Equity investments for which the entity has not elected to recognise at fair value through other comprehensive income.

(b) Recognition and initial measurement

A financial asset is recognised in the statement of financial position when the Group and the Bank become parties to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group and the Bank commit to purchase and sell the assets.

At initial recognition, the Group and the Bank measure financial assets at their fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and profit.

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(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

F Financial assets (Continued)

(c) Subsequent measurement

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Bank's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories in which the Group and the Bank classify their debt instruments.

(i) Amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit, are measured at amortised cost. Any gain or loss on a debt investment that measured at amortised cost is recognised in profit or loss when the asset is derecognised or impaired. Profit income from these financial assets is included in finance income using the effective profit rate method.

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

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

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

Financial assets that do not meet the criteria for amortised cost or FVOCI or financial assets held for trading are measured at fair value through profit or loss. The Group and the Bank may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes is recognised in profit or loss and presented net within other operating income in the period which it arises. Profit income from these financial assets continue to be recognised in profit or loss as profit income as disclosed in its respective note.

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(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

F Financial assets (Continued)

(c) Subsequent measurement (Continued)

Equity instruments

The Group and the Bank subsequently measure all equity investments at fair value except where the management has elected, at initial recognition to irrevocably designate at equity instrument at FVOCI. Where the Group's and the Bank's management have elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other operating income when the Group's and the Bank's right to receive payments is established.

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

(d) Reclassification of financial assets

The Group and the Bank reclassify financial assets when and only when their business model for managing those assets changes. In such cases, the Group and the Bank are required to reclassify all affected financial assets. However, it will be inappropriate to reclassify financial assets that have been designated at FVTPL, or equity instrument that have been designated at FVOCI even when there is a change in business model. Such designation are irrevocable.

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

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

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

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(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

F Financial assets (Continued)

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

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

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

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

The impact of modifications of financial assets is disclosed in Note 37. The ‘phase 2’ amendments for financial assets affected by IBOR reform is disclosed in Note O.

G Financial liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value less transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in statement of income. Financial liabilities are derecognised when extinguished.

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

This category comprises two sub-categories: financial liabilities classified as held for trading, and financial liabilities designated at fair value through profit or loss upon initial recognition.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

G Financial liabilities (Continued)

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

A financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated and effective as hedging instruments. The specific Group and Bank accounting policy on derivatives is detailed in Note O.

The financial liabilities measured at fair value through profit or loss upon initial recognition are trading derivatives and financial liabilities designated at fair value.

Financial liabilities, other than those held for trading, are classified as financial liabilities designated at fair value through profit or loss if they meet one or more of the criteria set out below, and are so designated by management.

The Group and the Bank may designate financial liabilities at fair value through profit or loss when the designation:

- Eliminates or significantly reduces measurement or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases. Certain structured investments with embedded callable range accrual swaps are designated by the Group and the Bank under this criterion. The profit payable on these structured investments has been hedged with trading derivatives. An accounting mismatch would arise if the structured investments were accounted for at amortised cost, because the related derivatives are measured at fair value with changes in the fair value recognised in the statements of income. By designating the structured investments at fair value, the movement in the fair value of the structured investments will also be recognised in the statement of income.
- Applies to groups of financial liabilities that are managed, and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy; and
- Relates to financial liabilities containing one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

G Financial liabilities (Continued)

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

The fair value designation, once made is irrevocable. Designated financial liabilities are recognised when the Group and the Bank enter into the contractual provisions of the arrangements with counterparties, which is generally on trade date, and are normally derecognised when extinguished (liabilities). Measurement is initially at fair value, with transaction costs taken to the statements of income. Subsequently, the fair values are remeasured, and gains and losses from changes therein are recognised in the statements of income.

The component of fair value changes relating to the Group's and the Bank's own credit risk is recognised in OCI. Amounts recorded in OCI related to credit risk are not subject to recycling to profit or loss, but are transferred to retained earnings when realised.

The Group and the Bank determines the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the convertible debentures. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the conversion option embedded derivative are excluded from the assessment of market risk fair value changes.

The Group and the Bank believes that this approach most faithfully represents the amount of change in fair value due to the Group's and the Bank's own credit risk, as the changes in factors contributing to the fair value of the items other than the changes in the benchmark interest rate are not deemed to be significant.

(b) Financial liabilities at amortised cost

Financial liabilities that are not classified as fair value through profit or loss fall into this category and are measured at amortised cost. The financial liabilities measured at amortised cost are deposits from customers, investment accounts of customers, deposits and placements of banks and other financial institutions, Collateralised Commodity Murabahah, other financial liabilities in other liabilities, Senior Sukuk, subordinated Sukuk, lease liabilities and recourse obligations on financing sold to Cagamas and structured deposits. Structured deposits with embedded derivatives which are not closely related to the host contract are bifurcated and the derivatives are separately accounted for under derivatives in Note 24(a).

Deposit from customers consists of Tawarruq vis-à-vis Commodity Murabahah, Mudharabah and Qard contracts. Investment accounts of customers and investment accounts due to designated financial institutions consist of Mudharabah contracts.

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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

H Derecognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets are also transferred (that is, if substantially all the risks and rewards have not been transferred, the Group and the Bank test control to ensure that continuing involvement on the basis of any retained powers of control does not prevent derecognition). Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

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

I Offsetting financial instruments

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

J Impairment of financial assets

The Group and the Bank assess on a forward looking basis the expected credit losses (“ECL”) associated with its financial assets carried at amortised cost, FVOCI and with the exposure arising from financing commitments and financial guarantee contracts. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

J Impairment of financial assets (Continued)

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

A summary of the assumptions underpinning the Group's and the Bank's expected credit loss model is as follows:

(a) Stage 1: 12-months ECL

Stage 1 includes financial assets which have not had a significant increase in credit risk since initial recognition or which have low credit risk at reporting date. 12-month ECL is recognised and profit income is calculated on the gross carrying amount of the financial assets.

(b) Stage 2: Lifetime ECL – not credit impaired

Stage 2 includes financial assets which have had a significant increase in credit risk since initial recognition (unless they have low credit risk at the reporting date) but do not have objective evidence of impairment. Lifetime ECL is recognised and profit income is calculated on the gross carrying amount of the financial assets.

(c) Stage 3: Lifetime ECL – credit impaired

Stage 3 includes financial assets that have objective evidence of impairment at the reporting date. Lifetime ECL is recognised and profit income is calculated on the net carrying amount of the financial assets.

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

- (ii) Other assets

The Group and the Bank apply simplified approach as permitted by MFRS 9, which requires an entity to recognise a loss allowance based on lifetime ECL at each reporting date. MFRS 9 allows the use of practical expedients when measuring ECL and states that a provision matrix is an example of such expedient for trade receivables. An entity that applies a provision matrix may use historical loss experience on its trade receivables, and adjust historical loss rates to reflect information about current conditions and reasonable and supportable forecasts of future economic conditions.

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

K Property, plant and equipment

Property, plant and equipment are initially stated at cost, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the statement of income during the financial period in which they are incurred.

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

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

Depreciation on capital work-in-progress commences when the assets are ready for their intended use. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment are reviewed for impairment at the end of each reporting period and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down to its recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amounts and are included in other operating income.

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(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

L Intangible assets

(a) Goodwill

Goodwill arises from a business combination and represents the excess of the aggregate of fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of any previous equity interest in the acquiree over the fair value of the net identifiable assets acquired and liabilities assumed on the acquisition date. If the fair value of consideration transferred, the amount of non-controlling interest and the fair value of previously held interest in the acquiree are less than the fair value of the net identifiable assets of the acquiree, the resulting gain is recognised in profit or loss.

Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that might be impaired, and carried at cost less accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to cash-generating units (“CGU”), or groups of CGUs, that is expected to benefit from the business combination in which goodwill arose, identified according to operating segment.

The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Other intangible assets

Other intangible assets include computer software. Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, when it is probable that future economic benefits attributable to the assets will flow to the Group and the Bank. Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Intangible assets that have an indefinite useful life, or are not yet ready for use, are tested for impairment annually. This impairment test may be performed at any time during the year, provided it is performed at the same time every year. An intangible asset recognised during the current period is tested before the end of the current year.

Intangible assets that have a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, and are amortised over their estimated useful lives.

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

Computer software	3 – 15 years
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CIMB Islamic Bank Berhad

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

M Leases – the Group and the Bank as lessee

Leases are recognised as right-of-use (“ROU”) asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Bank (i.e. the commencement date).

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

Lease term

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

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

ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

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

Lease liabilities

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

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

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

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

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

Short term leases and leases of low value assets

The Group and the Bank elects to apply MFRS 16 recognition exemption such as short-term leases and leases for which the underlying asset is of low value. Short-term leases are leases with a lease term of 12 months or less with no purchase option. Low-value assets comprise IT equipment and small items of office furniture with value of RM20,000 (or equivalent to USD5,000) or below. Payments associated with short-term leases of equipment and vehicles and all leases of low value assets are recognised on a straight-line basis as an expense in profit or loss.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

N Leases – the Group and the Bank as lessor

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

(a) Finance lease

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

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

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

(b) Operating lease

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

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

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

O Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate except for assets/liabilities that are classified as Level 3 fair value hierarchy. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the statement of income.

The best evidence of fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of the instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise the fair value of derivatives in the statement of income immediately.

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

The Group and the Bank document at the inception of the hedging transaction, the risk management objective & strategy and the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in Note 24(a).

Fair value hedge

Changes in the fair value of derivatives that are designated and qualified as fair value hedges are recorded in the statement of income, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

O Derivative financial instruments and hedge accounting (Continued)

Fair value hedge (Continued)

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to the statement of income over the period to maturity based on recalculated effective profit rate method over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains as part of the carrying amount until the disposal of the equity security.

Interbank offered rates

Interbank offered rates (“IBORs”), such as the London Interbank Offered Rate (“LIBOR”), play a critical role in global financial markets, serving as reference rates for derivatives, financing and securities, and as parameters in the valuation of financial instruments.

In recent years, regulators, central banks and market participants have been working towards a transition to alternative risk-free benchmark reference rates (“RFRs”) and market-led working groups in respective jurisdictions have recommended alternative risk-free reference rates, which are gradually being adopted in replacement of IBORs.

In response to the uncertainty about the long-term viability of these benchmark rates, and LIBOR in particular, the International Accounting Standards Board (“IASB”) has established a project to consider the financial reporting implications of the reform. The transition from IBORs is expected to have an impact on various elements of financial instrument accounting, including hedge accounting, as well as fair value methodologies and disclosures.

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

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

O Derivative financial instruments and hedge accounting (Continued)

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

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

The Group's and the Bank's risk exposure that is directly affected by the interest rate benchmark reform is its fair value hedge of the following financial instruments. These hedging relationships are designated using profit rate swaps, for changes attributable to MYR KLIBOR that are respective current benchmark interest rate. Additional information about the Group's and the Bank's exposure to IBOR reform is presented in Note 24(a).

Hedged items	The Group and the Bank	
	2023	2022
Fixed rate liabilities	MYR1,800,000,000	-
Fixed rate senior bonds	MYR1,000,000,000	-
Fixed rate financial investments at fair value through other comprehensive income	MYR925,000,000	MYR830,000,000
Fixed rate financing, advances and other financing/loans	-	USD 11,908,000

The Group and the Bank will continue to record any ongoing hedge ineffectiveness, including that generated by changes as a result of interest rate reform, within the Income Statement. One of the source of ineffectiveness would be due to the IBOR reform takes effect at a different time and have a different impact on the hedged items and hedging instruments.

Managing the process to transition

The Group and the Bank have established a steering committee to oversee the Group's and the Bank's IBORs transition plan. This steering committee has put in place a transition project which includes the assessment and actions necessary to accommodate the transition to RFRs as they apply internal process and systems in pricing, risk management, and valuation models, as well as managing related tax and accounting implications. The Group and the Bank are continuing to monitor market developments in relation to the transition to RFRs from IBOR rates and their impact on the Group's and the Bank's financial assets and liabilities to ensure that there are no unexpected consequences or disruption from the transition.

The Group adopted the Phase 2 amendments and applied the practical expedient to update the effective profit rate for instruments measured at amortised cost to account for the changes in contractual cash flows that is a direct consequence of interbank offered rate ("IBOR") reform. As a result, no immediate gain or loss is recognised in profit or loss.

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

O Derivative financial instruments and hedge accounting (Continued)

Managing the process to transition (Continued)

The amendments also provide reliefs that enable and require the Group to continue the MFRS 9 hedge accounting in circumstances when the Group updates the hedge documentation to reflect changes in hedged items and hedging instruments which are required by IBOR reform.

With the cessation of the USD LIBOR as of 30 June 2023, this transition has been broadly completed.

Hedge relationships

Since 2021, the Group and the Bank have adopted the hedge accounting reliefs provided by 'phase 2' of the amendments for hedge designation. When the phase 1 amendments cease to apply, the Group and the Bank will amend its hedge designation to reflect changes which are required by IBOR reform, but only to make one or more of these changes:

- (i) designate an alternative benchmark rate (contractually or non-contractually specified) as a hedged risk;
- (ii) amend the description of the hedged item, including the description of the designated portion of the fair value being hedged; or
- (iii) amend the description of the hedging instrument. The Group and the Bank will update its hedge documentation to reflect this change in designation by the end of the reporting period in which the changes are made.

These amendments to the hedge documentation do not require the Group and the Bank to discontinue its hedge relationships. The Group and the Bank have not made any amendments to its hedge documentation in the reporting period relating to IBOR reform.

Since 2021, changes required to systems, processes and models have been identified and fully implemented. The Group and the Bank have identified that the areas of most significant risk arising from the replacement of LIBORs are: updating systems and processes which capture LIBORs referenced contracts; amendments to those contracts, or existing fallback/transition clauses not operating as anticipated; mismatches in timing of derivatives and financing transitioning from LIBORs and the resulting impact on economic risk management; and updating hedge designations. The Group and the Bank continues to engage with industry participants and the regulator authorities, to ensure an orderly transition to RFRs and to minimise the risks arising from transition, and it will continue to identify and assess risks associated with LIBORs replacement.

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(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

O Derivative financial instruments and hedge accounting (Continued)

Financial instruments measured using amortised cost measurement

‘Phase 2’ of the amendments requires that, for financial instruments measured using amortised cost measurement, changes to the basis for determining the contractual cash flows required by interest rate benchmark reform are reflected by adjusting their effective interest rate. No immediate gain or loss is recognised. These expedients are only applicable to changes that are required by interest rate benchmark reform, which is the case if, and only if, the change is necessary as a direct consequence of interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis (that is, the basis immediately preceding the change).

Where some or all of a change in the basis for determining the contractual cash flows of a financial asset and liability does not meet the above criteria, the above practical expedient is first applied to the changes required by interest rate benchmark reform, including updating the instrument’s effective interest rate. Any additional changes are accounted for in the normal way (that is, assessed for modification or derecognition, with the resulting modification gain / loss recognised immediately in profit or loss where the instrument is not derecognised).

Since 2021, the Group and the Bank have applied the practical expedients offered under ‘phase 2’ of the amendments on the financial instruments in the following section.

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**Summary of Material Accounting Policies
for the financial year ended 31 December 2023 (Continued)****O Derivative financial instruments and hedge accounting (Continued)**Effect of IBOR reform

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

	The Group and the Bank			
	Notional amount of which: Have yet to transition to an alternative benchmark rate as at 31 December 2023			
	USD LIBOR		MYR KLIBOR	
	RM'000	RM'000	RM'000	RM'000
	Asset	Liability	Asset	Liability
Non-derivatives assets and liabilities				
Bonds/Sukuk and notes	-	-	30,000	2,843,985
Deposit from customers	-	-	1,085	26,020
Fixed rate financing, advances and other financing/loans	-	-	2,553,525	-
Derivatives	-	-	9,170,307	6,043,882

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

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

P Currency translations

(a) Functional and presentation currency

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

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of income, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments at fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in statement of income, and other changes in the carrying amount are recognised in equity.

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

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(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

Q Income and deferred taxes

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

Current tax expense is determined according to the tax laws of Malaysia and includes all taxes based upon the taxable profits.

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

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

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

Deferred income tax related to fair value re-measurement of debt instruments at fair value through other comprehensive income and equity instruments at fair value through other comprehensive income, which is charged or credited directly to equity, is also credited or charged directly to equity and is subsequently recognised in the statement of income together with deferred gain or loss.

Deferred income tax is determined using tax rates (and tax laws) that have been enacted at the end of each reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

Q Income and deferred taxes (Continued)

In order to support the Government's initiative to assist parties affected by the pandemic, the Finance Act 2021 has introduced a special one-off tax for year of assessment ("YA") 2022 which is called "Cukai Makmur" be imposed on non-Micro, Small and Medium Enterprises companies which generate high profits during the period of the pandemic. Chargeable income in excess of RM100.0 million will be charged an income tax rate of 33% for YA 2022.

R Share capital

(a) Classification

Ordinary shares and non-redeemable preference shares with discretionary dividends are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the contractual arrangement of the particular instrument.

(b) Share issue costs

Incremental external costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Dividends

Dividends on ordinary shares and non-redeemable preference shares with discretionary dividends are recognised as a liability when the shareholders' right to receive the dividend is established.

Distributions to holders of a financial instrument classified as an equity instrument are charged directly to equity.

(d) Earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Group and the Bank, excluding any costs of servicing equity other than ordinary shares.
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

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(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

R Share capital (Continued)

(e) Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- The after income tax effect of profit and other financing costs associated with dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

S Employee benefits

(a) Short-term employee benefits

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

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

(b) Post employment benefits

Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods.

The Group's and the Bank's contributions to a defined contribution plan are charged to the statement of income. Once the contributions have been paid, the Group and the Bank have no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Other long-term employee benefits

The cost of long-term employee benefits (for example, long-term service leave) is accrued to match the rendering of services by the employees concerned using an accounting methodology similar to that for defined benefit plans for the liability which is not expected to be settled within 12 months, except that remeasurements are recognised immediately in profit or loss.

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

S Employee benefits (Continued)

(d) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group and the Bank recognise termination benefits at the earlier of the following dates:

- (a) when the Group and the Bank can no longer withdraw the offer of those benefits; and
- (b) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits.

In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(e) Share-based compensation benefits

Long Term Incentive Plan ("LTIP")

The Group implements a Long Term Incentive Plan ("LTIP"), which is awarded to employees who hold senior management positions and key roles within the CIMB Group and its subsidiary companies, and who fulfill the eligibility criteria and have been approved for participation by the LTIP Committee. Any LTIP awards made to Executive Directors (or any persons connected to the directors) is subject to the approval of the shareholders at a general meeting.

The LTIP, which is valid for 7 years from the implementation date, comprises of 2 performance-based plans – the Employee Share Option Scheme ("ESOS") and the Share Grant Plan ("SGP"). Details of the key features of ESOS and SGP are set out in Note 47(h).

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

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

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

S Employee benefits (Continued)

(e) Share-based compensation benefits (Continued)

Employee Ownership Plan (“EOP”)

CIMB Group operates an equity-settled, share-based compensation plan, where ordinary shares of CIMB Group are purchased from the market at market value and awarded to the eligible executive employees.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the award is fully released to relevant employees (‘the final release date’). The fair value of the employee services received in exchange for the grant of the shares is recognised as an expense in statement of income over the period of release, based on the best available estimate of the number of shares expected to be released at each of the relevant release date. On the final release date, the estimate will be revised to equal the actual number of shares that are ultimately released to the employees.

T Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (‘cash-generating units’). Non financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the statement of income unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the statements of income unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

U Provisions

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

- (i) the Group and the Bank have a present legal or constructive obligation as a result of past events;
- (ii) it is probable that an outflow of resources to settle the obligation will be required; and
- (iii) a reliable estimate of the amount of obligation can be made.

Where the Group and the Bank expect a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present values of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and risks specific to the obligation. The increase in the provision due to passage of time is recognised as a profit expense.

V Financial guarantee contracts

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

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value. The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations. Subsequent to initial recognition, financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 “Financial instruments” and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 “Revenue from Contracts with Customers”, where appropriate.

Any increase in the liability relating to guarantees is reported in the statement of income within ECL for commitments and contingencies.

CIMB Islamic Bank Berhad

(Incorporated in Malaysia)

Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

W Cash and cash equivalents

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

X Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Executive Committee as its chief operating decision-maker.

Intra-segment revenue and costs are eliminated at head office. Income and expenses directly associated with each segment are included in determining business segment performance.

Y Contingent assets and contingent liabilities

Contingent assets arise from unplanned or other unexpected events that give rise to the possibility of an inflow of economic benefits to the Group and the Bank. As this may result in the recognition of income that may never be realised, contingent assets are not recognised in the Group's and the Bank's Financial Statements but disclosed where inflows of economic benefits are probable but not virtually certain.

Contingent liabilities, which do not include financial guarantee contracts are possible obligations that arise from past events whose existence will be confirmed only by the occurrence, or non-occurrence, of one or more uncertain future events not wholly within the control of the Group and the Bank; or are present obligations that have arisen from past events but are not recognised because it is not probable that settlement will require the outflow of economic benefits, or because the amount of the obligations cannot be reliably measured.

Contingent liabilities are not recognised in the Financial Statements but are disclosed unless the probability of settlement is remote.

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Summary of Material Accounting Policies for the financial year ended 31 December 2023 (Continued)

Z Investment Accounts

Mudharabah

This category comprises restricted and unrestricted investment accounts. The placements from investment accounts that are used to fund specific financing are called Restricted Profit Sharing Investment Accounts (“RPSIA”). The RPSIA and unrestricted investment accounts are a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture will be shared based on pre-agreed ratios with the Bank as Mudharib (manager or manager of funds), and losses shall be borne solely by investors.

Wakalah

Daily Investment Account-i is a daily investment account based on a Wakalah bi al-istithmar contract, agreed between the customers as capital providers (principal) and the Bank as an investment agent whereby the Bank will channel the funds in investment assets which are Shariah compliant. The profit distribution is after deducting the agency fee and any agreed performance incentive fee to the Bank (if any). The principal may agree to the agent retaining all or part of the excess profit as performance incentive fee if the actual profit is higher than the indicative profit. Any losses (if any) shall be borne by the customer, provided that such losses are not due to the Bank’s misconduct (Ta’addi), negligence (Taqsir), or breach of specific terms (Mukhalafah al-Shurut). Daily Investment Account-i is classified as unrestricted investment accounts.

AA Financing assistance scheme

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

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

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Notes to the Financial Statements for the financial year ended 31 December 2023

1 General information

The Bank is principally engaged in all aspects of Islamic banking and finance business and in the provision of related financial services. The principal activities of the significant subsidiaries as set out in Note 14 in the Financial Statements are providing Islamic nominee and custody services. Islamic banking and finance business refers generally to the acceptance of deposits and granting of financing and all other activities allowed under the Islamic Financial Services Act 2013 done in accordance with Shariah.

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

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

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

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

2 Cash and short-term funds

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Cash and balances with banks and other financial institutions	70,284	183,685
Money at call and deposit placements maturing within one month	10,447,527	15,125,200
	<u>10,517,811</u>	<u>15,308,885</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****3 Deposits and placements with banks and other financial institutions**

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Licensed banks	138,065	-
	<u>138,065</u>	<u>-</u>

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

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - credit impaired (Stage 3) RM'000	Total RM'000
The Group and the Bank				
At 1 January 2023	-	-	-	-
Total charge to Statement of Income:	(1)	-	-	(1)
New financial assets originated	47	-	-	47
Financial assets that have been derecognised	(48)	-	-	(48)
Change in credit risk	-	-	-	-
Other movements	1	-	-	1
At 31 December 2023	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
The Group and the Bank				
At 1 January 2022	-	-	-	-
Total charge to Statement of Income:	1	-	-	1
New financial assets originated	80	-	-	80
Financial assets that have been derecognised	(79)	-	-	(79)
Change in credit risk	-	-	-	-
Other movements	(1)	-	-	(1)
At 31 December 2022	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****4 Financial investments at fair value through profit or loss**

	The Group and the Bank	
	31 December 2023	31 December 2022
	RM'000	RM'000
Money market instruments		
Unquoted:		
Malaysian Government treasury bills	637,980	445,009
Bank Negara monetary notes	152,491	-
Islamic negotiable instruments of deposits	1,389,444	99,789
Government Investment Issues	542,492	709,296
Islamic Cagamas bonds	328,536	405,119
Islamic Commercial Paper	528,475	-
	3,579,418	1,659,213
Unquoted securities:		
<u>In Malaysia</u>		
Corporate sukuk	175,055	383,013
	3,754,473	2,042,226

5 Debt instruments at fair value through other comprehensive income

	The Group and the Bank	
	31 December 2023	31 December 2022
	RM'000	RM'000
Money market instruments		
Unquoted:		
Government Investment Issues	1,694,051	1,514,942
Islamic Cagamas bonds	50,695	35,238
	1,744,746	1,550,180
Unquoted securities:		
<u>In Malaysia</u>		
Corporate sukuk	3,618,018	3,450,204
	5,362,764	5,000,384

CIMB Islamic Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****5 Debt instruments at fair value through other comprehensive income
(Continued)**

Expected credit losses movement for debt instruments at fair value through other comprehensive income:

The carrying amount of debt instruments at fair value through other comprehensive income is equivalent to their fair value. The loss allowance is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position.

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - credit impaired (Stage 3) RM'000	Total RM'000
The Group and the Bank				
At 1 January 2023	998	-	-	998
Total charge to Statement of Income:	596	-	-	596
New financial assets purchased	5,460	-	-	5,460
Financial assets that have been derecognised	(274)	-	-	(274)
Change in credit risk	(4,590)	-	-	(4,590)
At 31 December 2023	1,594	-	-	1,594

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - credit impaired (Stage 3) RM'000	Total RM'000
The Group and the Bank				
At 1 January 2022	3,140	-	-	3,140
Total charge to Statement of Income:	(2,142)	-	-	(2,142)
New financial assets purchased	1,380	-	-	1,380
Financial assets that have been derecognised	(71)	-	-	(71)
Change in credit risk	(3,451)	-	-	(3,451)
At 31 December 2022	998	-	-	998

CIMB Islamic Bank Berhad

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

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

Impact of movements in gross carrying amount on expected credit losses

2023

Net expected credit losses (“ECL”) increased by RM596,000 for the Group and the Bank mainly due to recognition of gross carrying amounts (“GCA”) from new financial assets purchased, offsetted by change in credit risk and financial assets that have been derecognized.

2022

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

6 Debt instruments at amortised cost

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Money market instruments		
Unquoted:		
Government Investment Issue	6,161,751	3,508,796
Islamic Cagamas bonds	35,201	30,113
Khazanah bonds	-	89,047
	6,196,952	3,627,956
Unquoted securities:		
<u>In Malaysia</u>		
Corporate sukuk *	7,803,553	5,736,332
Amortisation of premium net of accretion of discount	(4,951)	(2,406)
Less : Expected credit losses	(469)	(418)
	13,995,085	9,361,464

Included in debt instruments at amortised cost is exposures to Restricted Profit Sharing Investment Accounts (“RPSIA”), as part of an arrangement between CIMB Islamic Bank Berhad and third party amounting to RM592,587,000 (31 December 2022: RM501,666,000).

* Includes sukuk issued by a wholly owned subsidiary of Malaysia Government. It was previously presented as Malaysian Government Sukuk.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****6 Debt instruments at amortised cost (Continued)**

Expected credit losses movement for debt instruments at amortised cost:

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2023	418	-	-	418
Total charge to Statement of Income:	51	-	-	51
New financial assets purchased	2,440	-	-	2,440
Change in credit risk	(2,389)	-	-	(2,389)
At 31 December 2023	469	-	-	469

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - credit impaired (Stage 3) RM'000	Total RM'000
Debt instruments at amortised cost				
At 1 January 2022	680	-	-	680
Total charge to Statement of Income:	(262)	-	-	(262)
New financial assets purchased	2,129	-	-	2,129
Change in credit risk	(2,391)	-	-	(2,391)
At 31 December 2022	418	-	-	418

Impact of movements in gross carrying amount on expected credit losses2023

The net ECL increased by RM51,000 for the Group and the Bank is mainly due to recognition of gross carrying amounts (“GCA”) from new financial assets purchased, offsetted by change in credit risk.

2022

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

6 Debt instruments at amortised cost (Continued)

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

	The Group and the Bank	
	Lifetime expected credit losses -	
	credit impaired	
	(Stage 3)	
	Total	Total
	2023	2022
	RM'000	RM'000
At 1 January	501,772	462,399
Other movements	71,956	15,233
Exchange fluctuation	20,950	24,140
At 31 December	<u>594,678</u>	<u>501,772</u>

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

7 Financing, advances and other financing/loans

31 December 2023

At amortised cost:

	The Group and the Bank									
	Sale-based contracts				Lease-based contracts		Loan contract	Others		Total
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik*	Al-Ijarah Thumma Al-Bai'#	Qard	Ujrah	
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Cash line^	-	100	157	-	1,600,152	-	-	11,639	-	1,612,048
Term financing										
House Financing	-	3,646,653	-	-	43,691,549	995,640	-	-	-	48,333,842
Syndicated Financing	-	-	-	-	2,050,549	-	-	-	-	2,050,549
Hire purchase receivables	-	-	-	-	-	-	17,998,019	-	-	17,998,019
Other term financing	-	757,895	1,058,383	-	40,912,823	32,457	-	-	-	42,761,558
Bills receivable	1,069,061	-	-	21,017	-	-	-	-	-	1,090,078
Islamic trust receipts	21,065	-	-	-	-	-	-	-	-	21,065
Claims on customers under acceptance credits	1,101,828	-	-	124,175	-	-	-	-	-	1,226,003
Staff financing**	-	-	-	-	310,822	-	-	-	-	310,822
Credit card receivables	-	-	-	-	-	-	-	-	302,377	302,377
Revolving credits	-	-	-	-	7,186,785	-	-	-	-	7,186,785
Gross financing, advances and other financing/loans, at amortised cost	2,191,954	4,404,648	1,058,540	145,192	95,752,680	1,028,097	17,998,019	11,639	302,377	122,893,146
Fair value changes arising from fair value hedge										(934)
										122,892,212
Less: Expected credit losses										(1,689,858)
Net financing, advances and other financing/loans, at amortised cost										121,202,354

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

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

31 December 2023

At fair value through profit or loss:

The Group and the Bank

	Sale-based contracts				Lease-based contracts		Loan contract	Others	Total	
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntabiah Bi al-Tamlik*	Al-Ijarah Thumma Al-Bai' #	Qard		Ujarah
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Term financing										
Syndicated Financing	-	-	-	-	274,133	-	-	-	-	274,133
Gross financing, advances and other financing/loans, at fair value through profit or loss	-	-	-	-	274,133	-	-	-	-	274,133

Total net financing, advances and other financing/loans

121,476,487

^ Includes current account in excess

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

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

** Includes financing to Directors of the Group and the Bank amounting to RM 2,236,259 (2022:RM 2,276,329).

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

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

31 December 2022

At amortised cost:

	The Group and the Bank									
	Sale-based contracts				Lease-based contracts		Loan contract	Others	Total	
	Murabahah	Bai' Bithaman Ajil	Bai' al-'inah	Bai' al-Dayn	Tawarruq	Ijarah Muntahiah Bi al-Tamlik*	Al-Ijarah Thumma Al-Bai'#	Qard		Ujrah
RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000		
Cash line^	-	165	659	-	1,364,784	-	-	12,917	-	1,378,525
Term financing										
House Financing	-	4,043,521	-	-	34,524,609	1,072,578	-	-	-	39,640,708
Syndicated Financing	-	-	-	-	2,241,327	-	-	-	-	2,241,327
Hire purchase receivables	-	-	-	-	-	-	15,267,838	-	-	15,267,838
Other term financing	-	882,650	1,342,309	-	39,447,146	36,010	-	-	-	41,708,115
Bills receivable	771,892	-	-	16,345	-	-	-	-	-	788,237
Islamic trust receipts	19,365	-	-	-	-	-	-	-	-	19,365
Claims on customers under acceptance credits	855,198	-	-	142,288	-	-	-	-	-	997,486
Staff financing**	-	-	-	-	268,330	-	-	-	-	268,330
Credit card receivables	-	-	-	-	-	-	-	-	190,087	190,087
Revolving credits	-	-	-	-	6,582,218	-	-	-	-	6,582,218
Gross financing, advances and other financing/loans, at amortised cost	1,646,455	4,926,336	1,342,968	158,633	84,428,414	1,108,588	15,267,838	12,917	190,087	109,082,236
Fair value changes arising from fair value hedge										(1,832)
Less: Expected credit losses										109,080,404
Total net financing, advances and other financing/loans										(1,487,653)
										107,592,751

^ Includes current account in excess

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

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

** Includes financing to Directors of the Group and the Bank amounting to RM 2,236,259 (2022:RM 2,276,329).

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****7 Financing, advances and other financing/loans (Continued)**

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Total gross financing, advances and other financing/loans		
- At amortised cost	122,893,146	109,082,236
- At fair value through profit or loss	274,133	-
	<u>123,167,279</u>	<u>109,082,236</u>

(i) By type and Shariah contracts:

(a) The Group and the Bank have undertaken fair value hedge on the profit rate risk of RM36,682,000 (2022: RM52,610,000) financing using Islamic profit rate swaps.

(b) Included in financing, advances and other financing/loans are exposures to Restricted Profit Sharing Investment Accounts ("RPSIA"), as part of an arrangement between the Bank and CIMB Bank Berhad. CIMB Bank Berhad is exposed to risks and rewards on RPSIA financing and will account for all the portfolio and individual impairment for bad and doubtful financing arising thereon.

As at 31 December 2023, the gross exposure and expected credit losses relating to RPSIA financing are RM3,425,929,000 (2022: RM3,577,694,000) and RM415,000 (2022: RM748,000) respectively.

CIMB Islamic Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****7 Financing, advances and other financing/loans (Continued)**

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

(c) Movement of Qard financing

	The Group and the Bank	
	2023	2022
	RM'000	RM'000
At 1 January	12,917	8,576
New disbursement	6,252	7,219
Repayment	(7,530)	(2,878)
At 31 December	11,639	12,917
Sources of Qard fund:		
Depositors' fund	10,825	12,037
Shareholders' fund	814	880
	11,639	12,917
Uses of Qard fund:		
Personal use	5,410	748
Business purpose	6,229	12,169
	11,639	12,917

(ii) By type of customer:

	The Group and the Bank	
	31 December	31 December
	2023	2022
	RM'000	RM'000
Domestic non-bank financial institutions	2,697,204	2,793,836
Domestic business enterprises		
- Small medium enterprises	20,101,501	16,532,445
- Others	12,549,489	11,158,773
Government and statutory bodies	1,778,885	1,795,874
Individuals	84,082,470	75,185,941
Other domestic entities	968,574	1,172,071
Foreign entities	989,156	443,296
Gross financing, advances and other financing/loans	123,167,279	109,082,236

CIMB Islamic Bank Berhad

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****7 Financing, advances and other financing/loans (Continued)**

(iii) By profit rate sensitivity:

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Fixed rate		
- house financing	571,778	452,190
- hire purchase receivables	15,550,009	13,200,162
- others	4,351,912	4,454,994
Variable rate		
- house financing	47,762,064	39,188,518
- others	54,931,516	51,786,372
Gross financing, advances and other financing/loans	<u>123,167,279</u>	<u>109,082,236</u>

(iv) By economic purpose:

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Personal use	2,148,152	2,024,167
Credit card	302,377	190,087
Construction	1,835,359	1,493,267
Residential property	49,429,715	40,617,089
Non-residential property	13,371,150	10,926,232
Purchase of fixed assets other than land and building	1,128,934	673,611
Purchase of securities	11,972,504	15,156,435
Purchase of transport vehicles	18,415,703	15,726,486
Working capital	22,309,785	19,788,647
Merger and acquisition	226,166	322,629
Other purpose	2,027,434	2,163,586
Gross financing, advances and other financing/loans	<u>123,167,279</u>	<u>109,082,236</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****7 Financing, advances and other financing/loans (Continued)**

(v) By geographical distribution:

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Malaysia	<u>123,167,279</u>	<u>109,082,236</u>

(vi) By economic sector:

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Primary agriculture	4,073,957	4,030,265
Mining and quarrying	616,484	562,755
Manufacturing	4,594,901	3,986,852
Electricity, gas and water supply	1,527,275	541,337
Construction	3,708,735	2,523,735
Transport, storage and communications	3,658,743	4,203,241
Education, health and others	2,719,435	2,692,984
Wholesale and retail trade, and restaurants and hotels	7,398,277	5,435,992
Finance, insurance/takaful, real estate and business activities	10,457,727	9,530,459
Household	84,401,296	75,555,957
Others	10,449	18,659
Gross financing, advances and other financing/loans	<u>123,167,279</u>	<u>109,082,236</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****7 Financing, advances and other financing/loans (Continued)**

(vii) By residual contractual maturity:

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Within one year	12,671,995	10,270,657
One year to less than three years	2,671,603	1,287,700
Three years to less than five years	6,401,660	6,158,683
Five years and more	<u>101,422,021</u>	<u>91,365,196</u>
Gross financing, advances and other financing/loans	<u><u>123,167,279</u></u>	<u><u>109,082,236</u></u>

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

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Personal use	27,607	33,182
Credit cards	3,171	2,858
Construction	-	367
Residential property	1,143,198	837,609
Non-residential property	183,026	161,540
Purchase of fixed assets other than land and building	6,561	2,118
Purchase of securities	1,374	9,149
Purchase of transport vehicles	169,394	158,676
Working capital	153,551	122,330
Other purpose	<u>87,992</u>	<u>81,508</u>
Gross credit impaired financing, advances and other financing/loans	<u><u>1,775,874</u></u>	<u><u>1,409,337</u></u>

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

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Malaysia	<u><u>1,775,874</u></u>	<u><u>1,409,337</u></u>

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

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

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

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Primary agriculture	12,600	16,917
Mining and quarrying	1	-
Manufacturing	20,072	11,923
Electricity, gas and water supply	1	-
Construction	59,876	25,478
Transport, storage and communications	8,390	5,935
Education, health and others	17,941	62,074
Wholesale and retail trade, and restaurants and hotels	175,589	132,338
Finance, insurance/takaful, real estate and business activities	76,414	55,889
Household	1,404,914	1,098,782
Others	76	1
Gross credit impaired financing, advances and other financing/loans	<u>1,775,874</u>	<u>1,409,337</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****7 Financing, advances and other financing/loans (Continued)**

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

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

	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Total RM'000
The Group and the Bank				
At 1 January 2023	163,249	892,799	431,605	1,487,653
Changes in expected credit losses due to transferred within stages:	665,357	(586,700)	(78,657)	-
Transferred to Stage 1	830,582	(804,974)	(25,608)	-
Transferred to Stage 2	(158,233)	572,238	(414,005)	-
Transferred to Stage 3	(6,992)	(353,964)	360,956	-
Total charge to Statement of Income:	(56,519)	62,174	452,827	458,482
New financial assets originated	94,042	2,995	22,062	119,099
Financial assets that have been derecognised	(53,357)	(31,812)	-	(85,169)
Writeback in respect of full recoveries	-	-	(39,614)	(39,614)
Change in credit risk	(97,204)	90,991	470,379	464,166
Write-offs	-	-	(280,984)	(280,984)
Other movements	25	(107)	24,789	24,707
At 31 December 2023	772,112	368,166	549,580	1,689,858

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

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

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

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

The Group and the Bank (Continued)	12-month expected	Lifetime expected credit	Lifetime expected credit	Total
	credit losses (Stage 1) RM'000	losses - not credit impaired (Stage 2) RM'000	- Credit impaired (Stage 3) RM'000	
At 1 January 2022	248,701	727,401	231,094	1,207,196
Changes in expected credit losses due to transferred within stages:	169,904	(238,024)	68,120	-
Transferred to Stage 1	267,346	(245,393)	(21,953)	-
Transferred to Stage 2	(96,018)	258,524	(162,506)	-
Transferred to Stage 3	(1,424)	(251,155)	252,579	-
Total charge to Statement of Income:	(255,381)	403,583	282,740	430,942
New financial assets originated	89,424	706	17,424	107,554
Financial assets that have been derecognised	(36,730)	(33,263)	-	(69,993)
Writeback in respect of full recoveries	-	-	(38,017)	(38,017)
Change in credit risk	(308,075)	436,140	303,333	431,398
Write-offs	-	(1)	(175,360)	(175,361)
Other movements	25	(160)	25,011	24,876
At 31 December 2022	163,249	892,799	431,605	1,487,653

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****7 Financing, advances and other financing/loans (Continued)**

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

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

	The Group and the Bank	
	Lifetime expected credit losses - Credit impaired (Stage 3)	
	2023	2022
	RM'000	RM'000
At 1 January	1,409,337	639,499
Transfer within stages	717,079	1,069,628
New financial assets originated	34,616	21,691
Write-offs	(280,984)	(175,360)
Amount fully recovered	(112,071)	(139,067)
Other movements	7,897	(7,054)
At 31 December	<u>1,775,874</u>	<u>1,409,337</u>

	The Group and the Bank	
	31 December	31 December
	2023	2022
Ratio of credit impaired financing to total gross financing, advances and other financing/loans	<u>1.44%</u>	<u>1.29%</u>

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

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

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

Impact of movements in gross carrying amount on expected credit losses

2023

Stage 1 ECL increased by RM609 million for the Group and the Bank as a result of RM63,553 million of financing, advances and other financing/loans migrating into Stage 1, additional disbursement and having movement in the existing account balances during the financial year, offset by RM39,262 million financing, advances and other financing/loans that were fully repaid, and accounts migrated from Stage 1 to Stage 2 due to deterioration in credit quality.

Stage 2 ECL decreased by RM525 million for the Group and the Bank as a result of RM22,603 million financing, advances and other financing/loans that were fully repaid, having movement in the existing account balances during the financial year, and transferred into Stage 1 or Stage 3 offset by RM12,003 million financing, advances and other financing/loans that migrated from Stage 1 to Stage 2 due to deterioration in credit quality or from Stage 3 to Stage 2 due to credit quality improvement.

Stage 3 ECL increased by RM118 million for the Group and Bank as a result of RM2,716 million financing, advances and other financing/loans that were transferred into Stage 3 due to credit quality deterioration for the Group and the Bank respectively, offset by RM2,111 million financing, advances and other financing/loans for the Group and the Bank that were fully repaid, and transferred to Stage 1 or Stage 2. Changes in Stage 3 ECL is also due to loans, advances and financing which ECL mostly fully provided for that were written off during the financial year.

The amount of financing, advances and other financing/loans whose cash flows were modified of the Group and the Bank during the financial year were both RM21,949,000 respectively.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

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

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

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

2022

Stage 1 ECL decreased by RM85 million for the Group and the Bank as a result of RM31,190 million financing, advances and other financing/loans that were fully repaid, having movement in the existing account balances during the financial year, and accounts migrated from Stage 1 to Stage 2 or Stage 3 due to deterioration in credit quality offset by financing, advances and other financing/loans that were newly originated or migrated into Stage 1 from Stage 2 or Stage 3 due to credit quality improvement.

Stage 2 ECL increased by RM165 million for the Group and the Bank as a result of RM9,330 million of financing, advances and other financing/loans migrating into Stage 2 and additional disbursement, offset by financing, advances and other financing/loans that were fully repaid, having movement in the existing account balances during the financial year, and accounts migrated from Stage 2 to Stage 3 due to deterioration in credit quality and migrated to Stage 1 as a result of improved credit quality.

Stage 3 ECL increased by RM201 million for the Group and Bank as a result of RM1,804 million financing, advances and other financing/loans that were transferred into Stage 3 due to credit quality deterioration for the Group and the Bank respectively, offset by financing, advances and other financing/loans for the Group and the Bank that were fully repaid, having movement in the existing account balances during the financial year, and transferred to Stage 1 or Stage 2. Changes in Stage 3 ECL is also due to loans, advances and financing which ECL mostly fully provided for that were written off during the financial year.

The amount of financing, advances and other financing/loans whose cash flows were modified of the Group and the Bank during the financial year were both RM233,388,000 respectively.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****8 Other assets**

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Deposits and prepayments	11,921	10,840
Sundry debtors net of expected credit losses*	229,322	326,928
Collateral pledged for derivative transactions	25,250	33,183
Treasury related receivables	77,890	97,987
Clearing accounts	5,610	20,126
	349,993	489,064

* Sundry debtors net of expected credit losses of RM18,553,000 (2022: RM15,921,000).

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

(i) Under simplified approach

	The Group and the Bank	
	2023 RM'000	2022 RM'000
At 1 January	111	271
Expected credit losses made/(written back) during the financial year	(5)	302
Write off	-	(462)
At 31 December	106	111

(ii) Under general approach

	12-month expected	Lifetime expected credit	Lifetime expected	Total
	credit losses (Stage 1)	losses - not credit impaired (Stage 2)	credit losses - credit impaired (Stage 3)	
The Group and the Bank	RM'000	RM'000	RM'000	RM'000
At 1 January 2023	14,083	-	1,727	15,810
Total charge to Income Statement:	3,830	-	(1,193)	2,637
Change in credit risk	3,830	-	(1,193)	2,637
At 31 December 2023	17,913	-	534	18,447

	12-month expected	Lifetime expected credit	Lifetime expected	Total
	credit losses (Stage 1)	losses - not credit impaired (Stage 2)	credit losses - credit impaired (Stage 3)	
The Group and the Bank	RM'000	RM'000	RM'000	RM'000
At 1 January 2022	-	-	-	-
Total charge to Income Statement:	14,083	-	1,727	15,810
Change in credit risk	14,083	-	1,727	15,810
At 31 December 2022	14,083	-	1,727	15,810

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

8 Other assets (Continued)

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

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

Gross carrying amount movement	The Group and the Bank Lifetime expected credit losses - credit impaired (Stage 3)	
	2023 RM'000	2022 RM'000
At 1 January	1,727	-
Other changes	(1,193)	1,727
At 31 December	<u>534</u>	<u>1,727</u>

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

2023

Stage 1 ECL increased by RM3.8 million and Stage 3 ECL decreased by RM1.2 million for the Group and the Bank due to change in credit risk.

2022

Stage 1 and Stage 3 ECL increased by RM14.1 million and RM1.7 million respectively for the Group and the Bank due to change in credit risk.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****9 Deferred taxation**

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

	The Group and the Bank	
	31 December 2023	31 December 2022
	RM'000	RM'000
Deferred tax assets	282,971	188,883
Further breakdown are as follows:		
	31 December 2023	31 December 2022
	RM'000	RM'000
Deferred tax assets (before offsetting)		
Expected credit losses	253,060	126,075
Property, plant and equipment	23	27
Fair value reserve - Debt instruments at fair value through other comprehensive income	17,757	47,810
Provision for expenses	12,346	15,031
Lease liabilities	189	288
Other temporary differences	-	6
	283,375	189,237
Offsetting	(404)	(354)
Deferred tax assets (after offsetting)	282,971	188,883
Deferred tax liabilities (before offsetting)		
Right-of-use assets	(136)	(240)
Intangible assets	(268)	(114)
	(404)	(354)
Offsetting	404	354
Deferred tax liabilities (after offsetting)	-	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****9 Deferred taxation (Continued)**

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

		Expected credit losses	Accelerated tax depreciation	Debt instruments at fair value through other comprehensive income	Intangible assets	Provision for expenses	Right-of-use assets	Lease liabilities	Other temporary differences	Total
	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
The Group and the Bank										
<u>Deferred tax assets/(liabilities)</u>										
At 1 January 2023		126,075	27	47,810	(114)	15,031	(240)	288	6	188,883
Credited/(charged) to statements of income	45	103,728	(4)	-	(146)	(321)	104	(99)	(4,691)	98,571
Over/(under) provision in prior financial year		23,257	-	-	(8)	(2,364)	-	-	4,685	25,570
Transferred to equity		-	-	(30,053)	-	-	-	-	-	(30,053)
At 31 December 2023		253,060	23	17,757	(268)	12,346	(136)	189	-	282,971

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****9 Deferred taxation (Continued)**

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

		Expected credit losses	Accelerated tax depreciation	Debt instruments at fair value through other comprehensive income	Intangible assets	Provision for expenses	Right-of-use assets	Lease liabilities	Other temporary differences	Total
The Group and the Bank	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Deferred tax assets/(liabilities)</u>										
At 1 January 2022		133,659	14	28,496	(369)	11,201	(386)	427	191	173,233
Credited/(charged) to statements of income	45	(7,584)	-	-	253	3,856	146	(139)	(185)	(3,653)
Over/(under) provision in prior financial year		-	13	-	2	(26)	-	-	-	(11)
Transferred to equity		-	-	19,314	-	-	-	-	-	19,314
At 31 December 2022		126,075	27	47,810	(114)	15,031	(240)	288	6	188,883

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****10 Amounts due from holding company and ultimate holding company**

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Amounts due from :		
- ultimate holding company	1	11
- holding company	635,012	433,738
	<u>635,013</u>	<u>433,749</u>

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

11 Amounts due from/(to) related companies

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Amounts due from :		
- related companies	<u>40</u>	<u>20</u>
Amounts due to :		
- related companies	<u>(976)</u>	<u>(755)</u>

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

12 Amounts due to subsidiaries

	The Group		The Bank	
	31 December 2023 RM'000	31 December 2022 RM'000	31 December 2023 RM'000	31 December 2022 RM'000
Amounts due to :				
- subsidiaries	<u>-</u>	<u>-</u>	<u>46</u>	<u>46</u>

Note : There is no amount due from subsidiaries

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****13 Statutory deposits with Bank Negara Malaysia**

	The Group and the Bank	
	31 December 2023	31 December 2022
	RM'000	RM'000
Statutory deposits with Bank Negara Malaysia	<u>1,870,210</u>	<u>1,696,000</u>

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

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

14 Investment in subsidiaries

	The Bank	
	31 December 2023	31 December 2022
	RM'000	RM'000
Unquoted shares, at cost	20	20
Less: Allowance for impairment losses	(9)	(9)
	<u>11</u>	<u>11</u>

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

	The Bank	
	2023	2022
	RM'000	RM'000
At 1 January/31 December	<u>9</u>	<u>9</u>

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

14 Investment in subsidiaries (Continued)

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

Name	Principal activities	Percentage of equity held directly by the Bank	
		31 December 2023 %	31 December 2022 %
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Nominee services	100	100
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Nominee services	100	100

All the subsidiaries are incorporated in Malaysia.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****15 Property, plant and equipment**

2023	The Group and the Bank			
	Renovations, work-in-progress, office equipment, plant and machinery, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and hardware RM'000	Total RM'000
Cost				
At 1 January	3,497	387	19,833	23,717
Additions	-	-	73	73
Disposals/Written off	(43)	-	(65)	(108)
At 31 December	<u>3,454</u>	<u>387</u>	<u>19,841</u>	<u>23,682</u>
Accumulated depreciation				
At 1 January	2,857	387	19,695	22,939
Charge for the financial year	255	-	93	348
Disposals/Written off	(43)	-	(65)	(108)
At 31 December	<u>3,069</u>	<u>387</u>	<u>19,723</u>	<u>23,179</u>
Net book value at 31 December	<u>385</u>	<u>-</u>	<u>118</u>	<u>503</u>

2022	The Group and the Bank			
	Renovations, work-in-progress, office equipment, plant and machinery, furniture and fittings RM'000	Motor vehicles RM'000	Computer equipment and hardware RM'000	Total RM'000
Cost				
At 1 January	3,497	387	19,700	23,584
Additions	-	-	154	154
Written off	-	-	(21)	(21)
At 31 December	<u>3,497</u>	<u>387</u>	<u>19,833</u>	<u>23,717</u>
Accumulated depreciation				
At 1 January	2,602	356	19,616	22,574
Charge for the financial year	255	31	100	386
Written off	-	-	(21)	(21)
At 31 December	<u>2,857</u>	<u>387</u>	<u>19,695</u>	<u>22,939</u>
Net book value at 31 December	<u>640</u>	<u>-</u>	<u>138</u>	<u>778</u>

No work-in-progress for the Group and the Bank in 2023 and 2022.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****16 Right-of-use assets**

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

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Building	<u><u>569</u></u>	<u><u>1,004</u></u>

Additions to the right-of-use assets during the financial year is RM Nil (2022: RM62,399). Depreciation charge during the financial year for buildings are RM569,000 (2022: RM578,000). At 31 December 2023, the variable lease payment expense and low-value leases expense that are not included in lease liabilities are RM305,000 (2022: RM154,000) and RM Nil (2022: RM Nil) respectively.

17 Intangible assets

	The Group and the Bank	
	2023 RM'000	2022 RM'000
Computer software and work-in-progress		
Cost		
At 1 January	140,572	138,617
Additions	<u>3,036</u>	<u>1,955</u>
At 31 December	<u><u>143,608</u></u>	<u><u>140,572</u></u>
Accumulated amortisation		
At 1 January	139,073	119,144
Amortisation for the financial year	<u>985</u>	<u>19,929</u>
At 31 December	<u><u>140,058</u></u>	<u><u>139,073</u></u>
Net book value at 31 December	<u><u>3,550</u></u>	<u><u>1,499</u></u>

The remaining amortisation period of the intangible assets is between 6 months and 4.4 years.

The above intangible assets include computer software under construction at cost of the Group and the Bank of RM1,297,580 (2022: RM1,138,677).

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

18 Goodwill

	The Group and the Bank	
	2023 RM'000	2022 RM'000
Cost		
At 1 January/At 31 December	<u>136,000</u>	<u>136,000</u>

Goodwill is wholly allocated to the consumer banking cash-generating unit (“CGU”). This CGUs do not carry any intangible assets with indefinite useful life.

Impairment test for goodwill

Value-in-use

The recoverable amount of the CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on the 2024 financial budgets approved by the Board of Directors, projected for four years (2024 to 2027) based on the average historical Gross Domestic Product (“GDP”) growth of the country covering a four years period, revised for current economic conditions. Cash flows beyond the four years period are extrapolated using an estimated growth rate of 4.16% (2022: 3.83%). The cash flow projections are derived based on a number of key factors including the past performance and management’s expectation of market developments. The discount rate used in determining the recoverable amount of all the CGU is 10.36% (2022: 11.29%). The discount rate is pre-tax and reflects the specific risks relating to the CGU.

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

Impairment charge

There was no impairment charge for the financial year ended 31 December 2023 and 31 December 2022.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****19 Deposits from customers**

(i) By type of deposits:

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
a) Savings deposit	8,944,308	7,187,660
Commodity Murabahah (via Tawarruq arrangement)*	8,944,308	7,187,660
b) Demand deposit	21,623,729	17,053,489
Qard	19,637,587	14,998,197
Commodity Murabahah (via Tawarruq arrangement)*	1,986,142	2,055,292
c) Term deposit	80,057,417	78,385,199
Commodity Murabahah Deposits-i (via Tawarruq arrangement)	50,166,877	46,654,408
Fixed Return Income Account-i (via Tawarruq arrangement)*	29,394,871	31,135,417
Negotiable Islamic Debt Certificate (NIDC) Hybrid (Bai' Bithamin Ajil (BBA) and Bai' al-Dayn)	495,669	595,374
d) Specific investment account	25,160	100,638
Mudharabah	25,160	100,638
e) Others	181,130	98,990
Qard	181,130	98,990
	110,831,744	102,825,976

*included Qard contract of RM890,124,000 (31 December 2022:RM1,831,665,000)

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****19 Deposits from customers (Continued)**

(i) By type of deposits: (Continued)

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

	The Group and the Bank	
	31 December 2023	31 December 2022
	RM'000	RM'000
Due within six months	63,759,645	68,358,324
Six months to less than one year	15,272,085	8,873,186
One year to less than three years	173,634	376,555
Three years to less than five years	866,737	852,999
Five years and more	10,478	24,773
	<u>80,082,579</u>	<u>78,485,837</u>

(ii) By type of customers:

	The Group and the Bank	
	31 December 2023	31 December 2022
	RM'000	RM'000
Government and statutory bodies	7,469,522	7,050,281
Business enterprises	43,657,808	35,293,648
Individuals	32,074,557	32,992,422
Others	27,629,857	27,489,625
	<u>110,831,744</u>	<u>102,825,976</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****20 Investment accounts of customers**

	The Group and the Bank	
	31 December 2023	31 December 2022
	RM'000	RM'000
Unrestricted investment accounts (Mudharabah)		
-without maturity		
Special Mudharabah Investment Account	1,665,728	1,252,671
Saving Mudharabah	17,698	-
-with maturity		
Term Investment Account-i	16,659,812	11,902,747
Unrestricted investment accounts (Wakalah)		
-without maturity		
Daily Investment Account-i	48,300	27,548
Restricted investment accounts (Mudharabah)		
-with maturity		
Restricted Profit Sharing Investment Account (RPSIA)	592,587	501,666
	18,984,125	13,684,632

i) Movement in the investment accounts of customers:

	The Group and the Bank				The Group and the Bank			
	2023				2022			
	Mudharabah		Wakalah		Mudharabah		Wakalah	
	Unrestricted Investment Account	Restricted Investment Account	Unrestricted Investment Account	Total	Unrestricted Investment Account	Restricted Investment Account	Unrestricted Investment Account	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 1 January	13,155,418	501,666	27,548	13,684,632	9,915,992	462,331	48,844	10,427,167
<i>Funding inflows/outflows</i>								
New placement during the financial year	22,242,955	-	35,118	22,278,073	17,539,488	-	22,151	17,561,639
Redemption during the financial year	(17,631,866)	-	(14,426)	(17,646,292)	(14,558,336)	-	(43,467)	(14,601,803)
Income from investment	843,882	91,910	1,119	936,911	419,927	40,271	800	460,998
<i>Company's share of profit</i>								
Profit distributed to mudarib	(267,151)	(459)	(1,059)	(268,669)	(161,653)	(328)	(780)	(162,761)
Incentive fee	-	(530)	-	(530)	-	(608)	-	(608)
As at 31 December	18,343,238	592,587	48,300	18,984,125	13,155,418	501,666	27,548	13,684,632
<i>Investment asset:</i>								
House financing	4,043,013	-	-	4,043,013	2,952,815	-	-	2,952,815
Hire purchase receivables	12,062,216	-	-	12,062,216	8,871,451	-	-	8,871,451
Other term financing	2,235,330	-	48,300	2,283,630	1,331,152	-	27,548	1,358,700
Marketable securities	-	591,926	-	591,926	-	500,197	-	500,197
Miscellaneous Other Assets	2,679	661	-	3,340	-	1,469	-	1,469
Total investment	18,343,238	592,587	48,300	18,984,125	13,155,418	501,666	27,548	13,684,632

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****20 Investment accounts of customers (Continued)**

ii) Profit Sharing Ratio and Rate of Return:

	2023		2022	
	Investment account holder Average profit sharing ratio (%)	Average rate of return (%)	Investment account holder Average profit sharing ratio (%)	Average rate of return (%)
Unrestricted investment accounts:				
- no specific tenure	4.19	0.15	5.32	0.14
- less than 1 year	49.54	2.54	43.87	1.83

	2023			2022		
	Investment account holder Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)	Investment account holder Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)
Restricted investment accounts:						
- more than 5 years	99.00	4.19	0.91	99.00	2.75	1.08

iii) By type of customers:

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Business enterprises	2,569,571	1,916,959
Individuals	16,317,463	11,521,762
Others	97,091	245,911
	<u>18,984,125</u>	<u>13,684,632</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****21 Deposits and placements of banks and other financial institutions**

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Licensed investment banks	645,848	572,975
Licensed Islamic banks	400,329	-
Licensed banks	3,760,466	6,377,236
Bank Negara Malaysia	5,000	5,000
Other financial institutions	721,863	453,528
	<u>5,533,506</u>	<u>7,408,739</u>

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

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Due within six months	5,364,448	7,245,158
One year to three years	169,058	163,581
	<u>5,533,506</u>	<u>7,408,739</u>

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****22 Investment accounts due to designated financial institutions**

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Restricted investment accounts		
Mudharabah	3,424,851	3,576,590
	3,424,851	3,576,590
By type of counterparty		
Licensed banks	3,424,851	3,576,590

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

<u>Mudharabah</u>	The Group and the Bank	
Restricted Profit Sharing Investment Account -RPSIA	31 December 2023 RM'000	31 December 2022 RM'000
1 January	3,576,590	3,919,753
<i>Funding inflows/outflows</i>		
Redemption during the financial year	(275,530)	(432,522)
Income from investment	161,246	134,652
<i>Bank's share of profit</i>		
Profit distributed to mudarib	(1,612)	(1,347)
Incentive fee	(35,843)	(43,946)
31 December	3,424,851	3,576,590
<i>Investment asset:</i>		
Other term financing	3,064,850	3,254,059
Miscellaneous other assets	360,001	322,531
Total investment	3,424,851	3,576,590

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****22 Investment accounts due to designated financial institutions (Continued)**

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

	2023			2022		
	Investment account holder			Investment account holder		
	Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)	Average profit sharing ratio (%)	Average rate of return (%)	Performance incentive fee (%)
Restricted investment accounts: less than 1 year	99.00	4.19	0.91	99.00	2.75	1.08

These placements are the RPSIA placed by CIMB Bank Berhad amounting to RM3,424,851,000 (2022: RM3,576,590,000) for tenures within 1 month (2022: within 1 month) at indicative profit rates from 3.60% to 4.01% per annum (2022: 3.01% to 3.93% per annum). These placements are used to fund certain specific financing. The RPSIA is a contract based on the Shariah concept of Mudharabah between two parties, i.e. investor and entrepreneur to finance a business venture where the investor provides capital and the business venture is managed solely by the entrepreneur. The profit of the business venture is shared between both parties based on pre-agreed ratios. Losses shall be borne solely by the investors.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

23 Financial liabilities designated at fair value through profit or loss

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Deposits from customers - structured investments	<u>2,821,784</u>	<u>2,857,004</u>

The Group and the Bank have issued structured investments and have designated them at fair value in accordance with MFRS 9. The Group and the Bank have the option to designate these instruments at fair value reduces an accounting mismatch, is managed by the Group and the Bank on the basis of its fair value, or includes terms that have substantive derivative characteristics.

The carrying amount of financial liabilities designated at fair value of the Group and the Bank as at 31 December 2023 were RM75,260,000 (2022: RM222,678,000) lower than the contractual amount at maturity. The fair value changes of the financial liabilities that are attributable to the changes in own credit risk are not significant.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****24(a) Islamic derivative financial instruments**

The following tables summarise the contractual underlying principal amounts of trading derivative and financial instruments held for hedging purposes. The principal or contractual amounts of these instruments reflect the volume of transactions outstanding at the date of statement of financial position and do not represent amounts at risk.

Trading derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in “Islamic Derivative Financial Instruments” Assets and Liabilities respectively.

	The Group and the Bank					
	31 December 2023			31 December 2022		
	Principal amount RM'000	Fair values Assets RM'000	Liabilities RM'000	Principal amount RM'000	Fair values Assets RM'000	Liabilities RM'000
<u>Trading derivatives</u>						
<u>Foreign exchange derivatives</u>						
Currency forwards	12,193,722	126,388	(182,555)	11,137,932	238,783	(284,690)
Currency swaps	11,840,682	128,735	(99,383)	13,831,112	149,115	(165,128)
Currency spot	117,214	291	(343)	25,087	77	(79)
Currency option	280,105	2,561	(2,614)	52,555	1,650	(1,650)
Cross currency profit rate swaps	964,055	39,344	(37,018)	822,618	36,625	(32,637)
	25,395,778	297,319	(321,913)	25,869,304	426,250	(484,184)
<u>Profit rate derivatives</u>						
Islamic profit rate swaps	7,896,745	26,667	(103,561)	5,504,176	23,065	(246,448)
<u>Equity related derivatives</u>						
Equity swap	27,130	510	(510)	12,029	130	(124)
<u>Credit related contracts</u>						
Total return swaps	39,800	610	(610)	40,400	477	(477)
<u>Commodity derivatives</u>						
Commodity swaps	732	15	(10)	-	-	-
Commodity options	17,035	22	(22)	4,259	8	(8)
	17,767	37	(32)	4,259	8	(8)
<u>Hedging derivatives</u>						
Islamic profit rate swaps	3,761,373	32,018	(6,814)	882,286	16,965	(1,483)
Total derivative assets/(liabilities)	37,138,593	357,161	(433,440)	32,312,454	466,895	(732,724)

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

24(a) Islamic derivative financial instruments (Continued)

Fair value hedge

The Group and the Bank use Islamic profit rate swaps to hedge its exposure to changes in the fair value of debt instruments at fair value through other comprehensive income, fixed rate financing, recourse obligation on loans and financing sold to Cagamas and bonds and debentures.

The Group's hedge accounting policy only allows for effective hedge relationships to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessment to ensure that an economic relationship exists between the hedged item and hedging instrument. The hedge effectiveness is assessed by comparing changes in the fair value of the hedged items attributable to changes in the benchmark rate of profit with changes in the fair value of the Islamic profit rate swaps.

The Group and the Bank establish the hedge ratio by matching the notional of the derivatives with the principal of the underlying being hedged. Ineffectiveness is recognised on hedge where the change in the designated component value of the hedging instrument exceeds on an absolute basis the change in value of the hedged item attributable to the hedged risk. In hedges of the above profit rate risk, this may arise if differences arise between the credit risk inherent within the hedged item and the hedging instrument. The Group uses collateral/credit enhancement to mitigate the risk. However, the remaining risk can result in hedge ineffectiveness.

The main source of ineffectiveness that are expected to affect the hedging relationship during the financial year are:

- The effect of the counterparty and the Group's own credit risk on the fair value of the Islamic profit rate swaps which is not reflected in the fair value of the hedged item attributable to the change in profit rate; and
- Differences in maturities and reset dates of the Islamic profit rate swaps and the fixed rate financing.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

24(a) Islamic derivative financial instruments (Continued)

Fair value hedge (Continued)

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

31 December 2023	Risk	Hedge type	The Group and the Bank				
			Less than 1 month RM'000	1-3 months RM'000	Maturity 3 months-1 year RM'000	1-5 years RM'000	more than 5 years RM'000
Islamic profit rate swaps	Profit rate	Fair value Hedge	-	-	55,000	3,286,373	420,000

31 December 2022	Risk	Hedge type	The Group and the Bank				
			Less than 1 month RM'000	1-3 months RM'000	Maturity 3 months - 1 year RM'000	1-5 years RM'000	More than 5 years RM'000
Islamic profit rate swaps	Profit rate	Fair value Hedge	-	-	-	612,286	270,000

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

	The Group and the Bank	
	31 December 2023	31 December 2022
MYR profit rates	3.48%	3.20%
USD profit rates	3.03%	3.03%

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

24(a) Islamic derivative financial instruments (Continued)

Fair value hedge (Continued)

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

	Risk	Hedge type	Nominal amount RM'000	Fair values*		The Group and the Bank		Nominal amount directly impacted by IBOR reform***
				Assets		Liabilities		
				Assets RM'000	Liabilities RM'000	Changes in fair value used for calculating hedge ineffectiveness RM'000	Hedge ineffectiveness recognised in profit or loss** RM'000	
31 December 2023								
Islamic profit rate swaps	Profit rate	Fair value hedge	3,761,373	32,018	(6,814)	8,935	108	3,725,000

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

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

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

***Of the RM3,725,000,000 nominal of Islamic profit rates swaps above, RM3,725,000,000 related to MYR Islamic profit rate swaps before the anticipated MYR KLIBOR replacement.

****Of the RM882,286,000 nominal of Islamic profit rates swaps above, RM830,000,000 related to MYR Islamic profit rate swaps before the anticipated MYR KLIBOR replacement; RM52,286,000 related to USD Islamic profit rate swaps before the anticipated USD LIBOR replacement.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

24(a) Islamic derivative financial instruments (Continued)

Fair value hedge (Continued)

Effect of IBOR Reform - significant assumption.

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

- The Group and the Bank have applied the assumptions afforded by IFRS/MFRS 9 6.8 where applicable.
- The Group and the Bank will cease applying IFRS/MFRS 9 6.8 prospectively when the uncertainty arises from IBOR reform is no longer exist and/or when the hedging relationship discontinued.
- No other changes to the terms of the hedged items are anticipated.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****24(a) Islamic derivative financial instruments (Continued)****Fair value hedge (Continued)**

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

			The Group and the Bank					
			Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Change in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
			Assets	Liabilities	Assets	Liabilities		
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31 December 2023								
Hedged items	Risk	Hedge type						
Debt instruments at FVOCI	Profit rate	Fair value hedge	929,516	-	6,574	(6,713)	12,915	-
Financing, advances and other financing/loans	Profit rate	Fair value hedge	35,748	-	-	(934)	898	-
Recourse obligation on loans and financing sold to Cagamas	Profit rate	Fair value hedge	-	(1,830,477)	-	(16,761)	(16,761)	-
Bonds and debentures	Profit rate	Fair value hedge	-	(1,009,474)	-	(5,880)	(5,880)	-
31 December 2022								
			Carrying amount		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Change in fair value used for calculating hedge ineffectiveness	Accumulated amount of fair value hedge adjustments remaining in the SOFP for any hedged items that have ceased to be adjusted for hedging gains and losses
			Assets	Liabilities	Assets	Liabilities		
			RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Hedged items	Risk	Hedge type						
Debt instruments at FVOCI	Profit rate	Fair value hedge	798,863	-	798	(14,962)	(12,889)	-
Financing, advances and other financing/loans	Profit rate	Fair value hedge	50,778	-	-	(1,832)	(3,397)	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****24(b) Commitments and contingencies**

In the normal course of business, the Group and the Bank enter into various commitments and incur certain contingent liabilities with legal recourse to their customers.

These commitments and contingencies are not secured over the assets of the Group and the Bank, except for certain financial assets at fair value through profit or loss being pledged as credit support assets for certain over-the-counter derivative contracts.

Treasury related derivative financial instruments are revalued on a gross position basis and the unrealised gains or losses are reflected in “Derivative Financial Instruments” Assets and Liabilities respectively.

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

	The Group and the Bank	
	31 December 2023	31 December 2022
	Principal amount RM'000	Principal amount RM'000
<u>Credit-related</u>		
Direct credit substitutes	518,387	342,836
Transaction-related contingent items	1,052,177	972,966
Short-term self-liquidating trade-related contingencies	144,821	140,107
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	17,029,337	15,291,877
- maturity exceeding one year	12,864,150	12,250,712
Miscellaneous commitments and contingencies	47,950	60,107
Total credit-related commitments and contingencies	31,656,822	29,058,605

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****24(b) Commitments and contingencies (Continued)**

	The Group and the Bank	
	31 December 2023	31 December 2022
	Principal amount RM'000	Principal amount RM'000
<u>Treasury-related</u>		
Foreign exchange related contracts:		
- less than one year	24,247,165	24,722,507
- one year to five years	714,796	635,755
- more than five years	433,817	511,042
	25,395,778	25,869,304
Profit rate related contracts:		
- less than one year	518,377	1,378,419
- one year to five years	9,511,626	4,083,641
- more than five years	1,628,115	924,402
	11,658,118	6,386,462
Equity related contracts:		
- less than one year	1,873	12,029
- one year to five years	25,257	-
	27,130	12,029
Commodity related contract:		
- less than one year	17,767	4,259
	17,767	4,259
Credit related contracts:		
- one year to five years	39,800	40,400
	39,800	40,400
Total treasury-related commitments and contingencies	37,138,593	32,312,454
	68,795,415	61,371,059

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****25 Other liabilities**

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Accruals and other payables	109,569	82,241
Clearing accounts	344,969	237,254
Expected credit losses for financing commitments and financial guarantee contracts	93,333	45,147
Collateral received for derivative transactions	42,374	1,797
Structured deposits	26,116	21,100
Treasury related payables	132,415	15,922
Others	69,304	42,779
	818,080	446,240

- (a) Expected credit losses movement of financing commitments and financial guarantee contracts are as follows:

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2023	25,092	12,017	8,038	45,147
Changes in expected credit losses due to transferred within stages:	10,339	(11,039)	700	-
Transferred to Stage 1	17,009	(14,047)	(2,962)	-
Transferred to Stage 2	(6,633)	12,413	(5,780)	-
Transferred to Stage 3	(37)	(9,405)	9,442	-
Total charge to Income Statement:	39,701	9,452	(1,027)	48,126
New exposures	44,486	264	-	44,750
Exposures derecognised or matured	(35,435)	(4,030)	(4,907)	(44,372)
Change in credit risk	30,650	13,218	3,880	47,748
Other movements	10	44	6	60
At 31 December 2023	75,142	10,474	7,717	93,333

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****25 Other liabilities (Continued)**

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

The Group and the Bank	12-month expected credit losses (Stage 1) RM'000	Lifetime expected credit losses - not credit impaired (Stage 2) RM'000	Lifetime expected credit losses - Credit impaired (Stage 3) RM'000	Total RM'000
At 1 January 2022	62,268	39,180	3,808	105,256
Changes in expected credit losses due to transferred within stages:	14,716	(19,818)	5,102	-
Transferred to Stage 1	17,522	(16,991)	(531)	-
Transferred to Stage 2	(2,761)	4,601	(1,840)	-
Transferred to Stage 3	(45)	(7,428)	7,473	-
Total charge to Income Statement:	(51,897)	(7,610)	(878)	(60,385)
New exposures	79,789	129	2,075	81,993
Exposures derecognised or matured	(35,269)	(11,504)	(3,347)	(50,120)
Change in credit risk	(96,417)	3,765	394	(92,258)
Other movements	5	265	6	276
At 31 December 2022	25,092	12,017	8,038	45,147

As at 31 December 2023, the gross carrying amount of financing commitments and financial guarantee contracts that are credit impaired for the Group and the Bank is RM54,837,000 (2022: RM46,290,000).

26 Lease liabilities

	The Group and the Bank	
	31 December 2023	31 December 2022
	RM'000	RM'000
Building	786	1,198

27 Recourse obligation on loans and financing sold to Cagamas

This represents the proceeds received from house financing sold directly to Cagamas Berhad with recourse to the Bank. Under this agreement, the Bank undertakes to administer the financing on behalf of Cagamas Berhad and to buy-back any financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****28 Senior Sukuk**

	Note	The Group and the Bank	
		31 December 2023 RM'000	31 December 2022 RM'000
RM100 million Senior Sukuk (2023/2026)	(a)	100,346	-
RM600 million Senior Sukuk (2023/2028)	(b)	602,115	-
RM300 million Senior Sukuk (2023/2030)	(c)	301,133	-
		1,003,594	-
Fair value changes arising from fair value hedges		5,880	-
		1,009,474	-

(a) RM100 million Senior Sukuk (2023/2026)

On 30 November 2023, the Bank issued RM100 million of Senior Sukuk under its RM10.0 billion Sukuk Wakalah Programme. The Senior Sukuk, which bear a profit rate of 3.95% per annum payable semi-annually, will mature on 30 November 2026.

The bank has undertaken fair value hedge on the profit rate risk of the Senior Sukuk using Islamic profit rate swaps.

(b) RM600 million Senior Sukuk (2023/2028)

On 30 November 2023, the Bank issued RM600 million of Senior Sukuk under its RM10.0 billion Sukuk Wakalah Programme. The Senior Sukuk, which bear a profit rate of 4.02% per annum payable semi-annually, will mature on 30 November 2028.

The bank has undertaken fair value hedge on the profit rate risk of the Senior Sukuk using Islamic profit rate swaps.

(c) RM300 million Senior Sukuk (2023/2030)

On 30 November 2023, the Bank issued RM300 million of Senior Sukuk under its RM10.0 billion Sukuk Wakalah Programme. The Senior Sukuk, which bear a profit rate of 4.31% per annum payable semi-annually, will mature on 29 November 2030.

The bank has undertaken fair value hedge on the profit rate risk of the Senior Sukuk using Islamic profit rate swaps.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****29 Subordinated Sukuk**

	Note	The Group and the Bank	
		31 December 2023	31 December 2022
		RM'000	RM'000
Subordinated Sukuk 2019/2029 RM800 million	(a)	808,055	807,973
Subordinated Sukuk 2022/2032 RM300 million	(b)	301,369	301,369
		<u>1,109,424</u>	<u>1,109,342</u>

(a) Subordinated Sukuk 2019/2029 RM800 million

On 25 September 2019, the Bank had issued RM800 million Tier 2 Junior Sukuk (“the Sukuk”) at par and is due on 25 September 2029, with optional redemption on 25 September 2024 or any periodic payment date thereafter. The Sukuk bears a profit rate of 3.75% per annum.

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

The RM800 million Sukuk qualify as Tier 2 Capital for the purpose of the total capital ratio computation of the Bank.

(b) Subordinated Sukuk 2022/2032 RM300 million

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

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****30 Perpetual preference shares**

	The Group and the Bank	
	2023	2022
	RM'000	RM'000
Issued and fully paid		
Perpetual preference shares:		
At 1 January	350,000	420,000
Redemption during the financial year	-	(70,000)
At 31 December	<u>350,000</u>	<u>350,000</u>

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

Each preference share shall on a winding-up or other return of capital confer on its holder the right to receive, in priority to the holders of ordinary shares, the cash payment in full the nominal amount and premium payable of that preference share after the payment and discharge of all debts and liabilities of the Bank and the costs of winding up or such capital reduction exercise.

A preference share shall not entitle its holder to participate in the surplus assets and profits of the Bank beyond such redemption rights as are expressly set out in these Articles.

The Bank may declare dividends on any of the preference shares.

The preference shares are not convertible to ordinary shares or any other class of share of the Bank.

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

31 Ordinary share capital

	The Group and the Bank	
	2023	2022
	RM'000	RM'000
Issued and fully paid		
Ordinary shares:		
At 1 January/31 December	<u>1,000,000</u>	<u>1,000,000</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****32 Reserves**

	Note	The Group		The Bank	
		31 December 2023 RM'000	31 December 2022 RM'000	31 December 2023 RM'000	31 December 2022 RM'000
Merger reserve	(a)	(2,457)	(2,457)	(2,457)	(2,457)
Capital reserve	(b)	458	458	458	458
Regulatory reserve	(c)	210,633	184,715	210,633	184,715
Share-based payment reserve	(d)	-	22	-	22
Capital contribution by ultimate holding company	(e)	4,212	2,514	4,212	2,514
Fair value reserve					
-Debt instruments at fair value through other comprehensive income	(f)	(54,640)	(150,405)	(54,640)	(150,405)
Other reserves					
- Own credit risk reserve	(g)	(477)	112	(477)	112
Retained earnings		8,137,723	7,271,332	8,137,688	7,271,297
		<u>8,295,452</u>	<u>7,306,291</u>	<u>8,295,417</u>	<u>7,306,256</u>

- (a) Merger reserves, which are non-distributable, relate to the difference between the cost of the merger between the Bank and the Islamic banking operation of CIMB Bank Berhad, and the value of the net assets and reserves transferred to the Bank.
- (b) Capital reserves, which are non-distributable, relate to the retained earnings of the Islamic banking business of CIMB Bank Berhad which were transferred to the Bank, arising from the business combination under common control using the predecessor basis of accounting in the financial year 2007.
- (c) Regulatory reserve of the Group is maintained by the Bank, which is transferred from the retained earnings, as an additional credit risk absorbent to ensure robustness on the financing impairment assessment methodology with the adoption of MFRS 9 beginning 1 January 2018.

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

- (d) Share-based payment reserve arose from Employee Ownership Plan, Long Term Incentive Plan ("LTIP"), the Group's and the Bank's share-based compensation benefits.
- (e) Capital contribution by ultimate holding company is the cost of the ordinary shares and share options of the Group's and the Bank's awarded to eligible employees of the Group and the Bank.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****32 Reserves (Continued)**

- (f) For debt instruments at FVOCI, changes in fair value are accumulated within the financial assets at FVOCI reserve within equity. The accumulated changes in fair value are transferred to profit and loss when the investment is disposed of.
- (g) Changes in fair value of financial liabilities designated at fair value relating to the Group's and the Bank's own credit risk are recognised in other comprehensive income. These changes are also accumulated within own credit risk reserve within equity.

33 Restricted Agency Investment Account

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

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
<u>RAIA arrangement</u>		
Financing and advances	12,882,815	11,280,429
Commitments and contingencies	2,600,000	3,000,000
	<u>15,482,815</u>	<u>14,280,429</u>
	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Total RWA for Credit Risk	<u>830,893</u>	<u>857,557</u>
	<u>830,893</u>	<u>857,557</u>

RAIA arrangement is with the Bank's holding company, CIMB Bank Berhad, and the contract is based on the Wakalah principle where CIMB Bank Berhad provides the funds, whilst the assets are managed by the Bank (as the Wakeel or agent). In the arrangement, the Bank has transferred substantially all the risk and rewards of ownership of the Investment (i.e. the financing facility) to CIMB Bank Berhad. Accordingly, the underlying assets (including the undisbursed portion of the financing commitment) and allowance for impairment arising thereon, if any, are recognised and accounted for by CIMB Bank Berhad.

The recognition and derecognition of the above are in accordance to Note F and H in the financial statements of the Group and the Bank for the financial year ended 31 December 2023.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****33 Restricted Agency Investment Account (Continued)**

ii) Movement in the Investment Account

<u>Wakalah</u>	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Restricted Agency Investment Account -RAIA		
As at 1 January	11,280,429	10,248,755
<u>Funding inflows/outflows</u>		
New placement during the financial year	1,800,000	1,500,000
Redemption during the financial year	(138,934)	(272,945)
Income from investment	(58,680)	(195,381)
As at 31 December	<u>12,882,815</u>	<u>11,280,429</u>
<u>Investment asset:</u>		
Syndicated financing	1,531,910	1,532,275
Revolving credit	1,202,943	701,354
Other term financing	10,147,962	9,046,800
Total investment	<u>12,882,815</u>	<u>11,280,429</u>

iii) Rate of Return

	Investment account holder	
	2023 Average rate of return %	2022 Average rate of return %
Restricted investment accounts:		
1 month or less	3.63	2.63
more than 1 month to 3 months	3.57	2.72
more than 3 month to 6 months	-	2.80
more than 4 years to 5 years	3.71	3.62
more than 5 years	4.15	4.15

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****34 Income derived from investment of depositors' funds and others**

	Note	The Group and the Bank	
		31 December 2023 RM'000	31 December 2022 RM'000
Income derived from investment of:			
- General investment deposits	(i)	3,498,001	2,899,989
- Specific investment deposits	(ii)	1,078	2,377
- Other deposits	(iii)	1,634,571	1,185,277
		<u>5,133,650</u>	<u>4,087,643</u>

(i) Income derived from investment of general investment deposits

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Financing, advances and other financing/loans:		
- Profit income	2,738,988	2,237,659
- Unwinding income*	36,218	18,422
Debt instruments at fair value through other comprehensive income	134,452	129,235
Debt instruments at amortised cost	316,252	223,542
Money at call and deposit with financial institutions	244,864	230,961
Reverse Collateralised Commodity Murabahah	16,343	2,702
	<u>3,487,117</u>	<u>2,842,521</u>
Accretion of discount less amortisation of premium	(21,261)	(23,277)
Other finance income for financial assets at fair value through profit or loss		
- Financial assets at fair value through profit or loss	61,967	47,749
- Financing, advances and other financing/loans	2,745	-
- Net accretion of discount less amortisation of premium	62,663	36,583
Total finance income and hibah	<u>3,593,231</u>	<u>2,903,576</u>
Other operating income		
Net gain from financial assets at fair value through profit or loss:		
- realised	17,214	1,907
- unrealised	4,184	635
Net gain/(loss) from sale of investment in debt instruments at fair value through other comprehensive income	6,059	(9,966)
Net unrealised loss arising from financing, advances and other financings at fair value through profit or loss	(1,330)	-
Net loss from foreign exchange transactions	(134,190)	(8,128)
	<u>(108,063)</u>	<u>(15,552)</u>
Fee and commission income		
- Guarantee fee	12,833	11,965
	<u>3,498,001</u>	<u>2,899,989</u>

*Unwinding income is income earned on impaired financial assets.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****34 Income derived from investment of depositors' fund and others
(Continued)****(ii) Income derived from investment of specific investment deposits**

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Money at call and deposit with financial institutions	<u>1,078</u>	<u>2,377</u>

(iii) Income derived from investment of other deposits

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Financing, advances and other financing/loans:		
- Profit income	1,276,833	918,802
- Unwinding income*	16,876	7,450
Debt instruments at fair value through other comprehensive income	62,647	53,387
Debt instruments at amortised cost	147,872	92,163
Money at call and deposit with financial institutions	113,168	93,790
Reverse Collateralised Commodity Murabahah	<u>7,790</u>	<u>1,067</u>
	1,625,186	1,166,659
Accretion of discount less amortisation of premium	(9,897)	(9,655)
Other finance income for financial assets at fair value through profit or loss		
- Financial assets at fair value through profit or loss	28,853	19,768
- Financing, advances and other financing/loans	1,385	-
- Net accretion of discount less amortisation of premium	<u>29,389</u>	<u>15,109</u>
Total finance income and hibah	1,674,916	1,191,881
Other operating income		
Net gain from financial assets at fair value through profit or loss:		
- realised	7,898	574
- unrealised	1,992	86
Net gain/(loss) from sale of investment in debt instruments at fair value through other comprehensive income	2,915	(4,401)
Net unrealised loss arising from financing, advances and other financings at fair value through profit or loss	(671)	-
Net loss from foreign exchange transactions	<u>(58,458)</u>	<u>(7,722)</u>
	(46,324)	(11,463)
Fees and commission income		
- Guarantee fee	5,979	4,859
	<u>1,634,571</u>	<u>1,185,277</u>

*Unwinding income is income earned on impaired financial assets

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

35 Income derived from investment of investment account

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Financing, advances and other financing/loans:		
- Profit income	1,048,180	704,899
- Unwinding income*	10	61
Debt instrument at amortised cost	45,679	25,989
Money at call and deposit with financial institutions	-	137
	<u>1,093,869</u>	<u>731,086</u>
Accretion of discount less amortisation of premium	8,146	6,845
	<u>1,102,015</u>	<u>737,931</u>
Other operating income		
Net gain from sale of securities at amortised cost	65	-
Net gain from foreign exchange transactions	124	1
	189	1
Fees and commission income		
- Service charge and fee	1,014	987
- Commission fee	2	1
	<u>1,103,220</u>	<u>738,920</u>

*Unwinding income is income earned on impaired financial assets

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****36 Income derived from investment of shareholder's fund**

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Financing, advances and other financing/loans:		
- Profit income	306,250	227,595
- Unwinding income*	4,053	1,825
Debt instruments at fair value through other comprehensive income	15,033	13,277
Debt instruments at amortised cost	35,404	22,888
Money at call and deposits with financial institutions	27,302	23,104
Reverse Collateralised Commodity Murabahah	1,838	254
	389,880	288,943
Accretion of discount less amortisation of premium	(2,376)	(2,405)
Other finance income for financial assets at fair value through profit or loss		
- Financial assets at fair value through profit or loss	6,925	4,914
- Financing, advances and other financing/loans	311	-
- Net accretion of discount less amortisation of premium	7,031	3,773
Total finance income and hibah	401,771	295,225
Other operating income		
Net gain from financial assets at fair value through profit or loss:		
- realised	1,912	107
- unrealised	467	2
Net gain/(loss) from sale of investment in debt instruments at fair value through other comprehensive income	683	(1,116)
Net unrealised loss arising from financing, advances and other financings at fair value through profit or loss	(150)	-
Net loss from foreign exchange transactions	(14,926)	(3,327)
Net gain from hedging activities	108	554
Net gain/(loss) from derivative financial instruments:		
- realised	301,726	204,655
- unrealised	186,798	(288,143)
Net gain/(loss) arising from financial liabilities designated at fair value through profit or loss		
- realised	59,648	(9,878)
- unrealised	(146,829)	182,574
	389,437	85,428
Fees and commission income		
- Guarantee fee	1,432	1,200
- Service charge and fee	127,808	114,442
- Commission fee	179,530	153,956
Total fee and commission income	308,770	269,598
Less : Fee and commission expense	(43,197)	(19,206)
Net fees and commission income	265,573	250,392
Other income	1,036	1,626
	1,057,817	632,671

*Unwinding income is income earned on impaired financial assets

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****37 Modification loss**

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Loss on modification of cash flows	<u>77</u>	<u>2,845</u>

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

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Expected credit losses on financing, advances and other financing/loans at amortised cost	458,482	430,942
Impaired financing, advances and other financing/loans:		
- recovered	(78,524)	(71,940)
- written off	3,458	2,103
	<u>383,416</u>	<u>361,105</u>

39 Other expected credit losses made/(written back)

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Expected credit losses made/(written back) on:		
- Debt instruments at fair value through other comprehensive income	596	(2,142)
- Debt instruments at amortised cost	51	(262)
- Money at call and deposits and placements with banks and other financial institutions	(1)	1
- Other assets	2,632	16,112
	<u>3,278</u>	<u>13,709</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****40 Income attributable to depositors and others**

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Deposits from customers:		
- Mudharabah	1,078	2,377
- Non-Mudharabah	3,099,614	1,861,078
Deposits and placements of banks and other financial institutions:		
- Non-Mudharabah	284,109	95,702
Others		
- Financial liabilities designated at fair value through profit or loss	97,781	49,464
- Subordinated Sukuk	44,700	45,315
- Recourse obligation on loans and financing sold to Cagamas	27,236	-
- Structured deposits	163	183
- Lease liabilities	63	72
- Collateralised Commodity Murabahah	71,176	25,538
- Senior Sukuk	3,556	-
	<u>3,629,476</u>	<u>2,079,729</u>

41 Profit distributed to investment account holder

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
- Restricted	176,627	121,256
- Unrestricted	576,800	258,300
	<u>753,427</u>	<u>379,556</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****42 Personnel costs**

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Salaries, allowances and bonuses ²	24,786	26,165
Pension costs (defined contribution plan)	2,656	2,409
Staff incentives and other staff payments	936	1,008
Medical expenses	448	278
Share-based expense ¹	1,698	1,570
Others	1,102	861
	<u>31,626</u>	<u>32,291</u>

¹ The long term incentive plan (“LTIP”) was implemented by CIMB Group Holdings Bhd (“CIMBGH”) in June 2021. The LTIP awards ordinary shares and share options of CIMBGH to eligible employees of the Group. The eligibility of participation in the LTIP shall be at the discretion of the LTIP Committee of CIMBGH and the awarded shares and share options will be vested in stages at predetermined dates subject to continued employment and performance conditions. Refer note 47(h).

² Included in salaries, allowances and bonuses is shared-based payment expense (EOP) of RM7,019 (2022: RM199,410). Refer note 47(g).

43 Other overheads and expenditures

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Establishment costs		
Depreciation of property, plant and equipment	348	386
Amortisation of intangible assets	985	19,929
Depreciation of rights-of-use assets	569	578
Rental	533	465
Repairs and maintenance	208	(520)
Utility expenses	30	24
Others	5,727	3,159
Marketing expenses		
Advertisement and publicity	2,222	6,942
Others	522	195
Administration and general expenses		
Consultancy and professional fees	2,423	1,629
Legal expenses	1,211	321
Stationery	395	229
Postages	196	276
Donation	6,147	2,328
Incidental expenses on banking operations	4,465	4,060
Takaful	3,183	3,154
Group service expense	1,200,217	1,096,594
Others	12,178	8,999
	<u>1,241,559</u>	<u>1,148,748</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****43 Other overheads and expenditures (Continued)**

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

	The Group		The Bank	
	31 December 2023 RM'000	31 December 2022 RM'000	31 December 2023 RM'000	31 December 2022 RM'000
Directors remuneration (Note 44)	4,923	5,048	4,923	5,048
Auditors' remuneration :				
<u>PricewaterhouseCoopers PLT (audit)</u>				
- statutory audit	542	472	535	465
- limited review	94	94	94	94
- other audit related	189	-	189	-
<u>PricewaterhouseCoopers Malaysia (non audit)</u>				
- tax services	44	40	44	40

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

44 Directors and Shariah Committee Members remuneration

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

Executive Director

Ahmad Shahrman Mohd Shariff

Non-Executive Directors

Dato' Mohamed Ross Mohd Din

Ahmed Baqar Rehman

Jalalullail Othman

Dr Azura Othman

Zuhaida Zulkifli (appointed on 1 March 2023)

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

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Executive Director		
- Salary and other remuneration	2,982	3,049
- Benefits-in-kind	7	7
Non-Executive Directors		
- Fees	677	645
- Other remuneration	1,210	1,300
- Benefits-in-kind	47	47
Shariah Committee members		
- Fees	530	664
- Other remuneration	170	295
	<u>5,623</u>	<u>6,007</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****44 Directors and Shariah Committee Members remuneration (Continued)**

	The Group and the Bank			Total RM'000
	Fees RM'000	Salary and/or other remuneration RM'000	Benefits- in-kind RM'000	
2023				
Executive Directors				
Ahmad Shahrman Mohd Shariff	-	2,982	7	2,989
Non-Executive Directors				
Dato' Mohamed Ross Mohd Din	140	225	47	412
Ahmed Baqar Rehman	140	359	-	499
Jalalullail Othman	140	201	-	341
Dr. Azura Othman	140	280	-	420
Zuhaida Zulkifli	117	145	-	262
	677	1,210	47	1,934
Shariah Committee members				
Associate Prof Dr Mohamed Fairouz Abdul Khir	135	32	-	167
Associate Professor Dr. Aishath Muneeza	90	32	-	122
Dr Mohammad Mahbubi Ali	68	28	-	96
En Jalalullail Othman	59	15	-	74
Dr Ahmad Sufian Che Abdullah	90	32	-	122
Mr Ahmed Baqar Rehman	31	8	-	39
Professor Dr. Yousef Abdullah Al Shubaily	57	23	-	80
	530	170	-	700
	1,207	4,362	54	5,623

Note: The Directors and officers of the Group and of the Bank are covered by Directors and Officers liability takaful for any liability incurred in the discharge of their duties, provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The takaful contribution paid during the financial year for the Group and the Bank amounted to RM320,653 (2022: RM303,990) respectively.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****44 Directors and Shariah Committee Members remuneration (Continued)**

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****45 Taxation and zakat**

	The Group and the Bank	
	31 December 2023	31 December 2022
	RM'000	RM'000
Taxation based on profit for the financial year:		
- Malaysian income tax	391,975	495,119
Deferred taxation (Note 9)	(98,571)	3,653
Under/(over) provision in prior years	2,989	(8,529)
	296,393	490,243
Zakat	15,000	9,360
	311,393	499,603
	1,203,702	1,501,636
Reconciliation between tax expense and the Malaysian tax rate		
Profit before taxation and zakat	1,203,702	1,501,636
Tax calculated at a tax rate of 24% (2022: 24%)	288,889	486,540
Tax effects:		
- income not subject to tax	(91)	(122)
- expenses not deductible for tax purposes	4,606	11,456
- difference due to Cukai Makmur	-	898
Under/(over) provision in prior years	2,989	(8,529)
Tax expense	296,393	490,243

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

46 Earnings per share

(a) Basic earnings per share

The basic earnings per ordinary share for the Group and the Bank are calculated based on the net profit for the financial year of RM892,309,000 (2022: RM1,002,033,000) respectively divided by the weighted average number of ordinary shares of 1,000,000,000 (2022: 1,000,000,000) in issue during the financial year respectively.

(b) Diluted earnings per share

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

47 Significant related party transactions and balances

For the purposes of these financial statements, parties (both companies and key management personnel) are considered to be related to the Group if the Group or the Bank has the ability, directly or indirectly to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Bank and the party are subject to common control or common significant influence.

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

47 Significant related party transactions and balances (Continued)

(a) Related parties and relationship

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

Related parties	Relationship
CIMB Group Holdings Berhad	Ultimate holding company
CIMB Group Sdn. Bhd.	Penultimate holding company
CIMB Bank Berhad	Immediate holding company
CIMB Islamic Nominees (Tempatan) Sdn. Bhd.	Subsidiary
CIMB Islamic Nominees (Asing) Sdn. Bhd.	Subsidiary
Subsidiaries of CIMB Group Holdings Berhad as disclosed in its financial statements	Subsidiaries of ultimate holding company
Subsidiaries of CIMB Group Sdn. Bhd. as disclosed in its financial statements	Subsidiaries of penultimate holding company
Subsidiaries of CIMB Bank Berhad as disclosed in its financial statements	Subsidiaries of immediate holding company
Associates and joint venture of CIMB Group Holdings Berhad as disclosed in its financial statements	Associates and joint venture of ultimate holding company
Associates and joint venture of CIMB Group Sdn. Bhd. as disclosed in its financial statements	Associates and joint venture of penultimate holding company
Joint venture of CIMB Bank Berhad as disclosed in its financial statements	Joint venture of immediate holding company
Key management personnel	See below

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****47 Significant related party transactions and balances (Continued)****(b) Related party transactions and balances of the Group and the Bank**

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

	Immediate and ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
The Group and the Bank 2023			
Income			
Profit income on deposits and placement with banks and other financial institutions	7,193	-	-
Profit income on financing, advances and other financing/loans	-	-	4,510
Service charges and fees	89	42	
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	212,805	2,181	55
Profit expense on deposits from customers	-	596	-
Profit expense on Investment accounts due to designated financial institutions	123,791	-	-
Profit expense on subordinated sukuk	44,700	-	-
Group services expense	1,195,905	4,312	-
Professional Fees	324	238	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****47 Significant related party transactions and balances (Continued)****(b) Related party transactions and balances of the Group and the Bank (Continued)**

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

	Immediate and ultimate holding company	Other related companies	Key management personnel
The Group and the Bank	RM'000	RM'000	RM'000
2022			
Income			
Profit income on deposits and placement with banks and other financial institutions	5,781	40	-
Profit income on financing, advances and other financing/loans	-	-	4,510
Service charges and fees	513	5	
Expenditure			
Profit expense on deposits and placements of banks and other financial institutions	65,893	1,654	6
Profit expense on deposits from customers	-	440	-
Profit expense on Investment accounts due to designated financial institutions	89,359	-	-
Profit expense on subordinated sukuk	45,315	-	-
Group services expense	1,091,829	4,765	-
Professional Fees	-	176	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****47 Significant related party transactions and balances (Continued)****(b) Related party transactions and balances of the Group and the Bank
(Continued)**

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

	Immediate and ultimate holding company RM'000	Other related companies RM'000	Key management personnel RM'000
The Group and the Bank			
2023			
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	29,086	1,484	-
Financing, advances and other financing/loans	-	-	3,797
Derivatives	269,968	-	-
Others	79,682	-	-
Amounts due to			
Deposit from customers	-	39,649	6,390
Deposits and placements of banks and other financial institutions	3,474,417	84,560	-
Investment accounts due to designated financial institutions	3,424,851	-	-
Subordinated sukuk	1,109,424	-	-
Derivatives	212,607	-	-
Others	91,371	-	-
Commitment and contingencies			
Foreign exchange related contracts	14,139,427	-	-
Equity related contracts	13,565	-	-
Profit rate related contracts	9,125,878	-	-
Commodity related contracts	8,881	-	-
Credit related contract	19,900	-	-

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****47 Significant related party transactions and balances (Continued)****(b) Related party transactions and balances of the Group and the Bank (Continued)**

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

	Immediate and ultimate holding company	Other related companies	Key management personnel
The Group and the Bank 2022	RM'000	RM'000	RM'000
Amounts due from			
Current accounts, deposits and placements with banks and other financial institutions	144,975	952	-
Financing, advances and other financing/loans	-	-	3,837
Derivatives	386,105	-	-
Others	37,327	-	-
Amounts due to			
Deposit from customers	-	45,101	1,679
Deposits and placements of banks and other financial institutions	6,240,182	82,732	-
Investment accounts due to designated financial institutions	3,576,590	-	-
Subordinated sukuk	1,109,342	-	-
Derivatives	384,296	-	-
Others	15,722	-	-
Commitment and contingencies			
Foreign exchange related contracts	15,767,157	-	-
Equity related contracts	6,015	-	-
Profit rate related contracts	5,139,282	-	-
Commodity related contracts	2,129	-	-
Credit related contract	20,200	-	-

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****47 Significant related party transactions and balances (Continued)****(c) Related party expenses transaction by geographical**

	31 December 2023		
	Profit Expense	The Group and the Bank Group services expense	Others
	RM'000	RM'000	RM'000
Malaysia	384,128	1,200,217	562
	<u>384,128</u>	<u>1,200,217</u>	<u>562</u>
	31 December 2022		
	Profit Expense	The Group and the Bank Group services expense	Others
	RM'000	RM'000	RM'000
Malaysia	202,667	1,096,594	176
	<u>202,667</u>	<u>1,096,594</u>	<u>176</u>

(d) Key management personnelKey management compensation

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Salaries and other employee benefits #	27,202	33,129
	<u>27,202</u>	<u>33,129</u>
	The Group and the Bank	
	31 December 2023 units	31 December 2022 units
Shares of the ultimate holding company awarded from EOP	85,959	83,599
Shares of the ultimate holding company awarded from LTIP		
- ESOS	-	169,000
- SGP	-	36,000
	<u>-</u>	<u>36,000</u>

includes compensation paid by holding and other related companies

During the financial year, share based payment expenses to key management personnel of the Group and the Bank amounted to RM558,000 (2022: RM2,240,000).

Financing to Directors of the Bank amounting to RM2,236,259 (2022: RM2,276,329). Financing made to other key management personnel of the Group and the Bank are on similar terms and conditions generally available to other employees within the Group.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****47 Significant related party transactions and balances (Continued)****(e) Credit transactions and exposures with connected parties**

Credit exposures with connected parties as per Bank Negara Malaysia's revised 'Guidelines on Credit Transactions and Exposures with Connected Parties' which became effective in 2008 are as follows:

	The Group and the Bank	
	31 December 2023 RM'000	31 December 2022 RM'000
Outstanding credit exposures with connected parties	2,011,838	1,618,686
Percentage of outstanding credit exposures to connected parties as a proportion of total credit exposures	1.2%	1.0%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	0.0%	0.0%

(f) Transactions with shareholders and Government

Khazanah Nasional Berhad ("KNB"), the major shareholder of the ultimate holding company, owns 23.01% of the issued capital of the ultimate holding company (2022: 24.06%). KNB is an entity controlled by the Malaysian Government. The Group and the Bank consider that, for the purpose of MFRS 124 "Related Party Disclosures", KNB and the Malaysian Government are in the position to exercise significant influence over it. As a result, the Malaysian Government and Malaysian Government controlled bodies (collectively referred to as "government-related entities") are related parties of the Group and the Bank.

The Group and the Bank have collectively, but not individually, entered into significant transactions with other government-related entities which include but not limited to the following:

- Purchase of securities issued by government-related entities
- Financing to government-related entities
- Deposit placing with and deposit taking from government-related entities

These transactions are conducted in the ordinary course of the Group's and the Bank's business on agreed terms.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****47 Significant related party transactions and balances (Continued)****(g) Equity Ownership Plan (“EOP”)**

The EOP was introduced on 1 April 2011 by CIMB Group where CIMB Group will grant ordinary shares of CIMB Group Holdings Berhad to selected employees of the Bank. Under the EOP, earmarked portions of variable remuneration of selected employees of the Bank will be utilised to purchase ordinary shares of CIMB Group Holdings Berhad from the open market. The purchased shares will be released progressively to the eligible employees at various dates after the purchase date, subject to continued employment. A related company will act on behalf of CIMB Group to administer the EOP and to hold the shares in trust up to the pre-determined transfer dates. The eligibility of participation in the EOP shall be at the discretion of the Group Nomination and Remuneration Committee of CIMB Group.

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

The total share-based payment expense recognised in statement of income for the Group and the Bank during the financial year amounted to RM7,019 (2022: RM199,410).

The weighted average fair value of shares awarded under EOP which were purchased over a period of 10 trading days was RM5.02 per ordinary share (2022: RM5.07), based on observable market price.

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

	The Group and the Bank	
	2023	2022
	Unit	Unit
	'000	'000
Shares :		
At 1 January	28	371
Awarded	-	-
Released	(28)	(343)
At 31 December	<u>-</u>	<u>28</u>

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

47 Significant related party transactions and balances (Continued)

(h) Long Term Incentive Plan (“LTIP”)

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

The LTIP is awarded to employees who hold senior management positions and key roles within the CIMB Group and its subsidiary companies, and who fulfill the eligibility criteria and have been approved for participation by the LTIP Committee. Any LTIP awards made to Executive Directors (or any persons connected to the directors) is subject to the approval of the shareholders at a general meeting. Total awards under the LTIP is subject to a maximum of 2.5% of issued ordinary shares of CIMB Group Holdings Berhad.

The LTIP, which is valid for 7 years from the implementation date, comprises of 2 performance-based plans – the Employee Share Option Scheme (“ESOS”) and the Share Grant Plan (“SGP”).

- The ESOS is a share option scheme with a premium on the exercise price, where vesting is subject to service conditions. The LTIP Committee may, at any time within the duration of the LTIP, grant an ESOS award to eligible employees, subject to the terms and conditions of the by-laws. The ESOS shares may be settled through issuance and transfer of new shares, or other modes of settlement as provided by the by-laws.
- The SGP is a restricted share unit scheme where vesting is subject to service and performance conditions (based on return on equity targets and individual performance). The LTIP Committee may, at any time within the duration of the LTIP, grant an SGP award to eligible employees, subject to the terms and conditions of the by-laws. The SGP shares may be settled through issuance and transfer of new shares, or other modes of settlement as provided by the by-laws.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****47 Significant related party transactions and balances (Continued)****(h) Long Term Incentive Plan (“LTIP”) (Continued)****(i) Details of ESOS shares awarded:**

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

The following table indicates the number and movement of ESOS shares during the financial year ended 31 December 2023:

Award Date	Outstanding as at	Movement during the year		Outstanding as at	Exercisable as at
	1 January 2023	Awarded	Expired/ Forfeited	31 December 2023	31 December 2023
	(Units'000)	(Units'000)	(Units'000)	(Units'000)	(Units'000)
9 June 2021	5,604	-	-	5,604	-
31 March 2022	101	-	-	101	-
8 September 2022	68	-	-	68	-
8 December 2022	-	-	-	-	-

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

	Award Date	Award Date	Award Date	Award Date
	9 June 2021	31 March 2022	8 September 2022	8 December 2022
Fair value of ESOS shares (RM)	0.45	0.75	0.74	0.81
Exercise Price (RM)	4.96	5.58	5.75	5.93
Closing share price at award date (RM)	4.65	5.33	5.40	5.61
Option term	From award date until 8 June 2028	From award date until 8 June 2028	From award date until 8 June 2028	From award date until 8 June 2028
Expected volatility (%)	23.60	24.85	25.04	25.62
Risk-free rate (%)	2.87	3.50	3.82	3.69
Discounted dividend flow	2.05	1.72	1.67	1.63

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****47 Significant related party transactions and balances (Continued)****(h) Long Term Incentive Plan (“LTIP”) (Continued)****(ii) Details of SGP shares awarded**

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

The following table indicates the number and movement of SGP shares during the financial year ended 31 December 2023:

Award Date	Outstanding as at	Movement during the year		Outstanding as at	Exercisable as at
	1 January 2023	Awarded	Expired/ Forfeited	31 December 2023	31 December 2023
	(Units'000)	(Units'000)	(Units'000)	(Units'000)	(Units'000)
9 June 2021	406	-	-	406	-
31 March 2022	22	-	-	22	-
8 September 2022	14	-	-	14	-
8 December 2022	-	-	-	-	-

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

	Award Date	Award Date	Award Date	Award Date
	9 June 2021	31 March 2022	8 September 2022	8 December 2022
Fair value of SGP Shares (RM)	4.65	5.33	5.40	5.61
Closing share price at award date (RM)	4.65	5.33	5.40	5.61

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

48 Capital commitments

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

	The Group and the Bank	
	31 December	31 December
	2023	2022
	RM'000	RM'000
Capital expenditure:		
- authorised and contracted for	2,819	9,860
- authorised but not contracted for	10,151	56,675
	<u>12,970</u>	<u>66,535</u>

Analysed as follows:

	The Group and the Bank	
	31 December	31 December
	2023	2022
	RM'000	RM'000
Property, plant and equipment	3,593	24,725
Computer software	9,377	41,810
	<u>12,970</u>	<u>66,535</u>

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

49 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined the Group Executive Committee as its chief operating decision-maker.

Segment information is presented in respect of the Group's business segment. The Group's operations are principally conducted in Malaysia and accordingly no analysis in respect of geographical segments has been presented.

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

(i) Business segment reporting

Definition of segments

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

Consumer Banking

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

Commercial Banking

Commercial Banking offers products and services for customer segments comprising small and medium-scale enterprises ("SMEs") and mid-sized corporations. Their products and services include banking credit facilities, trade financing, cash management, online business banking platform, remittance and foreign exchange, as well as general deposit products.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

49 Segment reporting (Continued)

(i) Business segment reporting (Continued)

Wholesale Banking

Wholesale Banking comprises Investment Banking, Corporate Banking, Treasury and Markets, Transaction Banking, and Private Banking.

- Investment Banking includes end-to-end client coverage and advisory services. Client coverage focuses on marketing and delivering solutions to corporate and financial institutional clients whereas advisory offers financial advisory services to corporations on issuance of debt restructuring, initial public offerings, secondary offerings and general corporate advisory.
- Corporate Banking offers a broad spectrum of Islamic funding solutions ranging from trade, working capital lines and capital expenditure to leveraging, merger and acquisition, leveraged and project financing. Corporate Banking's client managers partner with product specialists within the Group to provide a holistic funding solution, from cash management, trade finance, foreign exchange, custody and corporate financings, to derivatives, structured products and debt capital market.
- Treasury and Markets focuses on treasury activities and services which include foreign exchange, money market, derivatives and trading of capital market instruments. It includes the Group's equity derivatives which develops and issues new equity derivatives instruments such as structured warrants and over-the-counter options to provide investors with alternative investment avenues.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

49 Segment reporting (Continued)

(i) Business segment reporting (Continued)

Wholesale Banking (Continued)

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

- Transaction Banking comprises Trade Finance and Cash Management which provide various trade facilities and cash management solutions.
- Private Banking offers a full suite of wealth management solutions to high net worth individuals with access to a complete range of private banking services, extending from investment to securities financing to trust services.

Group Funding

Group Funding encompasses a wide range of activities from capital, balance sheet and fixed income investments and management, as well as the funding and incubation of corporate ventures and projects.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****49 Segment reporting (Continued)****(i) Business segment reporting (Continued)**

31 December 2023	Commercial	Consumer	Wholesale	Group	
The Group	Banking	Banking	Banking	Funding	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Net financing income after modification loss:					
- external	767,002	2,348,680	(1,132,628)	406,977	2,390,031
- inter-segment	(52,202)	(882,862)	1,480,712	(545,648)	-
	<u>714,800</u>	<u>1,465,818</u>	<u>348,084</u>	<u>(138,671)</u>	<u>2,390,031</u>
Other operating income	121,370	257,974	137,281	5,051	521,676
Total income	836,170	1,723,792	485,365	(133,620)	2,911,707
Overhead expenses	(143,374)	(688,230)	(177,032)	(264,549)	(1,273,185)
Consist of :					
Depreciation of property, plant and equipment	-	(1)	(5)	(342)	(348)
Amortisation of intangible assets	(481)	(251)	(253)	-	(985)
Profit before expected credit losses	692,796	1,035,562	308,333	(398,169)	1,638,522
Expected credit losses (made)/written back on financing, advances and other financing/loans	(102,592)	(281,248)	436	(12)	(383,416)
Expected credit losses (made)/written back for commitments and contingencies	(4,385)	(47,628)	3,887	-	(48,126)
Other expected credit losses written back/(made)	-	-	1,228	(4,506)	(3,278)
Segment results	585,819	706,686	313,884	(402,687)	1,203,702
Taxation and zakat					(311,393)
Net profit for the financial year					<u><u>892,309</u></u>
Segment assets	23,179,158	83,162,739	35,943,310	16,022,916	158,308,123
Unallocated assets					1,357,638
Total assets					<u><u>159,665,761</u></u>
Segment liabilities	19,500,716	49,882,929	66,391,029	13,425,793	149,200,467
Unallocated liabilities					819,842
Total liabilities					<u><u>150,020,309</u></u>
Other segment items					
Capital expenditure	1,482	773	780	74	3,109

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****49 Segment reporting (Continued)****(i) Business segment reporting (Continued)**

31 December 2022	Commercial	Consumer	Wholesale	Group	
The Group	Banking	Banking	Banking	Funding	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Net financing income:					
- external	603,129	2,209,087	(663,444)	520,088	2,668,860
- inter-segment	(4,020)	(787,918)	1,051,314	(259,376)	-
	599,109	1,421,169	387,870	260,712	2,668,860
Other operating income	100,548	232,078	14,216	(18,598)	328,244
Total income	699,657	1,653,247	402,086	242,114	2,997,104
Overhead expenses	(137,114)	(622,378)	(142,373)	(279,174)	(1,181,039)
Consist of :					
Depreciation of property, plant and equipment	-	-	(38)	(348)	(386)
Amortisation of intangible assets	-	(122)	(1,467)	(18,340)	(19,929)
Profit/(loss) before allowances	562,543	1,030,869	259,713	(37,060)	1,816,065
Expected credit losses (made)/written back on financing, advances and other financing/loans	(78,171)	(284,053)	1,130	(11)	(361,105)
Expected credit losses written back for commitments and contingencies	3,514	43,900	12,971	-	60,385
Other expected credit losses and impairment allowances made	-	-	(212)	(13,497)	(13,709)
Segment results	487,886	790,716	273,602	(50,568)	1,501,636
Taxation					(499,603)
Net profit for the financial year					1,002,033
Segment assets	19,382,267	74,346,200	37,390,395	10,988,949	142,107,811
Unallocated assets					1,119,406
Total assets					143,227,217
Segment liabilities	16,271,280	45,822,906	60,213,095	11,816,650	134,123,931
Unallocated liabilities					446,995
Total liabilities					134,570,926
Other segment items					
Capital expenditure	-	12	159	1,938	2,109

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****49 Segment reporting (Continued)****(i) Business segment reporting (Continued)**

Basis of pricing for inter-segment transfers:

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

(ii) Geographic segment reporting

	31 December 2023			
	Net financing income RM'000	Total non- current assets RM'000	Total assets RM'000	Total liabilities RM'000
Malaysia	<u>2,390,031</u>	<u>140,622</u>	<u>159,665,761</u>	<u>150,020,309</u>

	31 December 2022			
	Net financing income RM'000	Total non- current assets RM'000	Total assets RM'000	Total liabilities RM'000
Malaysia	<u>2,668,860</u>	<u>139,281</u>	<u>143,227,217</u>	<u>134,570,926</u>

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

50 Capital adequacy

The key driving principles of the Group's and the Bank's capital management policies are to diversify its sources of capital to allocate capital efficiently, and achieve and maintain an optimal and efficient capital structure of the Group and the Bank, with the objective of balancing the need to meet the requirements of all key constituencies, including regulators, shareholders and rating agencies.

This is supported by the Capital Management Plan which is centrally supervised by the CIMB Group Executive Committee who periodically assesses and reviews the capital requirements and source of capital across the Group, taking into account all on-going and future activities that consume or create capital, and ensuring that the minimum target for capital adequacy is met. Quarterly updates on capital position of the Group and the Bank are also provided to the Board of Directors.

The capital adequacy framework applicable to the Malaysian banking entities is based on the Bank Negara Malaysia ("BNM") Capital Adequacy Framework for Islamic Banks ("CAFIB") (Capital Components), of which the latest revision was issued on 15 December 2023. The revised guidelines took effect on 15 December 2023 for all banking institutions and financial holding companies and sets up the regulatory capital requirements concerning capital adequacy ratios and components of eligible regulatory capital in compliance with Basel III.

The risk-weighted assets of the Bank Group and the Bank are computed in accordance with the CAFIB (Basel II - Risk-Weighted Assets), of which the latest revision was issued on 18 December 2023.

The Internal Ratings Based ("IRB") Approach adopted by CIMB Islamic Bank is applied for the major credit exposures with retail exposures on Advanced IRB approach and non-retail exposures on Foundation IRB approach. The remaining credit exposures and Market Risk are on the Standardised Approach while Operational Risk is based on the Basic Indicator Approach.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****50 Capital adequacy (Continued)***Capital Structure and Adequacy*

The table below sets out the summary of the sources of capital and the capital adequacy ratios of the Group and the Bank as at 31 December 2023. The Group and the Bank issued various capital instruments pursuant to the respective regulatory guidelines that qualify as capital pursuant to the CAFIB (Capital Components) issued by BNM.

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

	The Group		The Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
Common equity tier 1 ratio	12.996%	14.040%	12.996%	14.040%
Tier 1 ratio	13.522%	14.670%	13.522%	14.670%
Total capital ratio	<u>15.545%</u>	<u>17.078%</u>	<u>15.545%</u>	<u>17.078%</u>

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

	The Group		The Bank	
	31 December 2023 RM'000	31 December 2022 RM'000	31 December 2023 RM'000	31 December 2022 RM'000
Credit risk	60,587,492	50,149,895	60,587,629	50,150,033
Market risk	759,406	586,305	759,406	586,305
Operational risk	5,308,225	4,784,999	5,307,380	4,784,196
Total risk-weighted assets	<u>66,655,123</u>	<u>55,521,199</u>	<u>66,654,415</u>	<u>55,520,534</u>

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****50 Capital adequacy (Continued)**

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

	The Group		The Bank	
	31 December 2023	31 December 2022	31 December 2023	31 December 2022
	RM'000	RM'000	RM'000	RM'000
Common Equity Tier 1 capital				
Ordinary shares capital	1,000,000	1,000,000	1,000,000	1,000,000
Other reserves	8,295,452	7,306,291	8,295,417	7,306,256
Common Equity Tier 1 capital before regulatory adjustments	<u>9,295,452</u>	<u>8,306,291</u>	<u>9,295,417</u>	<u>8,306,256</u>
<u>Less: Regulatory adjustments</u>				
Goodwill	(136,000)	(136,000)	(136,000)	(136,000)
Intangible assets	(3,283)	(1,385)	(3,283)	(1,385)
Deferred tax assets	(283,238)	(188,997)	(283,238)	(188,997)
Regulatory reserve	(210,633)	(184,715)	(210,633)	(184,715)
Others	477	(112)	477	(112)
Common Equity Tier 1 capital after regulatory adjustments	<u>8,662,775</u>	<u>7,795,082</u>	<u>8,662,740</u>	<u>7,795,047</u>
Additional Tier 1 capital				
Perpetual preference shares	350,000	350,000	350,000	350,000
Additional Tier 1 capital before regulatory adjustments	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
<u>Less: Regulatory adjustments</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Additional Tier 1 capital after regulatory adjustments	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
Total Tier 1 capital	<u>9,012,775</u>	<u>8,145,082</u>	<u>9,012,740</u>	<u>8,145,047</u>
Tier 2 capital				
Subordinated Sukuk	1,100,000	1,100,000	1,100,000	1,100,000
Surplus of eligible provisions over expected loss	167,724	153,480	167,721	153,477
General provisions ^	81,031	83,450	81,033	83,452
Total Tier 2 capital	<u>1,348,755</u>	<u>1,336,930</u>	<u>1,348,754</u>	<u>1,336,929</u>
Total capital	<u>10,361,530</u>	<u>9,482,012</u>	<u>10,361,494</u>	<u>9,481,976</u>

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

50 Capital adequacy (Continued)

^ Total capital of the Group and the Bank as at 31 December 2023 have excluded general provision restricted from Tier 2 capital of RM48.8 million (2022: RM31.8 million) respectively.

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

As at 31 December 2023, RPSIA assets excluded from the Total Capital Ratio calculation amounted to RM3,425,929,000 (2022: RM3,577,694,000).

51 Significant event during the financial year

On 30 November 2023, the Bank issued RM1.0 billion Senior Sukuk under its RM10.0 billion Sukuk Wakalah Programme as disclosed in Note 28.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

52 Critical accounting estimates and judgements in applying accounting policies

The Group and the Bank make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's and the Bank's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are outlined below:

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

The expected credit loss allowance for financial assets at amortised cost and FVOCI requires the use of complex models and significant assumptions about future economic conditions and credit behaviour. Significant judgements are required in applying the accounting requirements for measuring expected credit loss, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of expected credit loss;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated expected credit loss; and
- Establishing groups of similar financial assets for the purposes of measuring expected credit loss.

Refer to Note 53.1 Credit risk measurement for details on the key judgements and assumptions of the estimation of expected credit loss allowance for financial assets at amortised cost and FVOCI.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

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

(b) *Goodwill impairment*

The Group test annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note L(a) of the Summary of Material Accounting Policies.

The first step of the impairment review process requires the identification of independent operating units, dividing the Group's business into the various CGU. The goodwill is then allocated to these various CGU. The first element of this allocation is based on the areas of the business expected to benefit from the synergies derived from the acquisition. The second element reflects the allocation of the net assets acquired and the difference between the consideration paid for those net assets and their fair value.

The carrying value of the CGU, including the allocated goodwill, is compared to the higher of fair value less cost to sell and value in use to determine whether any impairment exists. Detailed calculations may need to be carried out taking into consideration changes in market in which a business operates. In the absence of readily available market price data, this calculation is usually based upon discounting expected pre-tax cash flows at the individual CGU's pre-tax discount rate, which reflect the specific risks relating to the CGU. This requires exercise of judgement. Refer to Note 18 for details of these assumptions and the potential impact of changes to the assumptions. Changes to the assumptions used by management, particularly the discount rate and the terminal growth rate, may significantly affect the results of the impairment.

Value-in-use does not reflect future cash outflows or related cost savings (for example reductions in staff costs) or benefits that are expected to arise from a future restructuring to which an entity is not yet committed.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

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

(c) Fair value of financial instruments

The majority of the Group's and the Bank's financial instruments reported at fair value are based on quoted and observable market prices. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity and model inputs such as volatility for longer dated derivatives and discount rates, payment rates and default rate assumptions for asset backed securities. The valuation of financial instruments is described in more detail in Note 53.4.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management

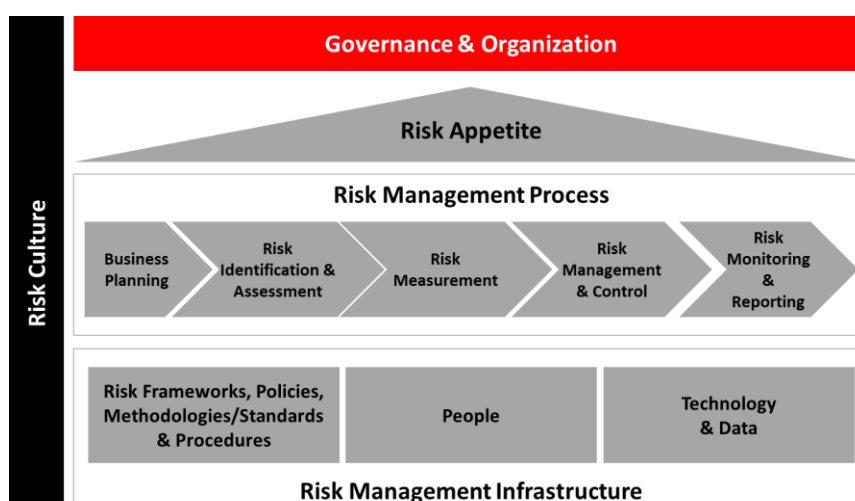
(a) Financial risk management objectives and policies

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

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

The Group employs a Group Enterprise-Wide Risk Management (“EWRM”) framework as a standardised approach to effectively manage its risk and opportunities. The Group EWRM framework provides the Board and management with tools to anticipate and manage both the existing and potential risks, taking into consideration evolving risk profiles as dictated by changes in business strategies, the external environment and/or regulatory environment.

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



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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

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

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

The key features of the Group EWRM include:

- a) **Risk Culture**: The Group embraces risk management as an integral part of its culture and decision-making processes. The Group’s risk management philosophy is embodied in the Three Lines-of-Defence approach, whereby risks are managed initially from the onset of risk-taking activity. There is clear accountability of risk ownership across the Group.
- b) **Governance & Organisation**: A strong governance structure is important to ensure an effective and consistent implementation of the Group EWRM framework. The Board is ultimately responsible for the Group’s strategic direction, which is supported by the risk appetite and relevant risk management frameworks, policies, methodologies/standards and procedures. The Board is assisted by various risk committees and control functions in ensuring that the Group’s risk management framework is effectively implemented.
- c) **Risk Appetite**: It is defined as the amount and type of risks that the Group is able and willing to accept in pursuit of its strategic and business objectives. Risk appetite is set in conjunction with the annual strategy and business planning process to ensure appropriate alignment between strategy, growth aspirations, operating plans, capital and risk.
- d) **Risk Management Process**:
 - **Business Planning**: Risk management is central to the business planning process, including setting frameworks for risk appetite, risk posture and new products/business activities.
 - **Risk Identification & Assessment**: Risks are systematically identified and assessed through the robust application of the Group’s risk frameworks, policies, methodologies/standards and procedures.
 - **Risk Measurement**: Risks are measured and aggregated using the Group-wide methodologies across each of the risk types, including stress testing.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

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

d) Risk Management Process: (Continued)

- Risk Management and Control: Risk management limits and controls are used to manage risk exposures within the risk appetite set by the Board. Risk management limits and controls are regularly monitored and reviewed in the face of evolving business needs, market conditions and regulatory changes. Corrective actions are taken to mitigate risks.
- Risk Monitoring and Reporting: Risks on an individual as well as a portfolio basis are regularly monitored and reported to ensure they remain within the Group’s risk appetite.

e) Risk Management Infrastructure:

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

(c) Risk Governance

At the apex of the governance structure are the respective Boards of entities within the Group, which decides on the entity's risk appetite corresponding to its business strategies. Each Board Risk and Compliance Committee ("BRCC") reports directly to the respective Boards and assumes responsibility on behalf of the respective Boards for the supervision of risk management and control activities. Each BRCC determines the relevant entity's risk strategies and policies, keeping them aligned with the principles within the risk appetite. Each BRCC also oversees the implementation of the Group EWRM framework, provides strategic guidance and reviews the decisions of the Group Risk and Compliance Committee ("GRCC").

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

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

- Credit risk, defined as the possibility of losses due to an obligor, market counterparty or an issuer of securities or other instruments held, failing to perform its contractual obligations to the Group;
- Market risk, defined as any fluctuations in the value of financial instruments due to changes in market risk factors such as profit rates, currency exchange rates, credit spreads, equity prices, commodities prices and their associated volatility;
- Liquidity and Funding risk, defined as the current and potential risk to earnings, shareholders' funds or reputation arising from the inability to efficiently meet its present and future (both anticipated and unanticipated) funding needs or regulatory obligations when they come due, which may adversely affect its daily operations and incur unacceptable losses;
- Rate of return risk in the banking book, which is the current and potential risk to the Group's earning and economic value arising from movement in profit rates;

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

- Operational risk, defined as the risk of loss resulting from inadequate or failed processes, people and systems, or from external events. It includes legal risk but excludes strategic and Shariah non-compliance risks;
- Capital risk, defined as the risk of a bank not having sufficient capital to withstand potential losses suffered in its operations. Capital is important as it can be used to pay depositors, customers, creditors, and other claimants in case there is insufficient liquidity during a crisis;
- Technology risk, is the risk of loss resulting from inadequate or weaknesses in strategy, people, process, technology or external events, which includes financial risk, regulatory/compliance risk and the risk of reputational loss/damage;
- Fraud risk, defined as the risk of loss resulting from an act or course of deception or omission with the intention to conceal, omit, distort, misrepresent, falsify or etc. to: (i) gain unlawful/illegal/unfair personal advantages, (ii) induce another individual(s) to surrender willing/unwilling of a legal right/possession or (iii) damage another individual(s) resulting in a loss to another;
- Outsourcing risk, defined as the risk emanating from outsourcing arrangements that could result in a disruption to business operations, financial loss or reputational damage to the Group;
- Shariah Non Compliance (“SNC”) risk, defined as the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which CIMB Group may suffer arising from failure to comply with Shariah requirements determined by Shariah Advisory Council (“SAC”) of BNM and Securities Commission (“SC”), including standards on Shariah matters issued by BNM pursuant to Section 29(1) of the IFSA, or decisions or advice by Board Shariah Committee (“BSC”) of CIMB Islamic Bank; or other Shariah regulatory authorities of the jurisdictions where the Group operates;
- Sustainability risk, defined as the risk of financial and non-financial impact arising from environmental, social and ethical issues stemming from transactions and/or activities associated with a business relation and its operations, and/or the Group’s own internal operations and employees; and
- Regulatory compliance risk, defined as the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which CIMB Group may suffer arising from possible failure to comply with the applicable laws and regulations of the jurisdictions in which the Group operates.

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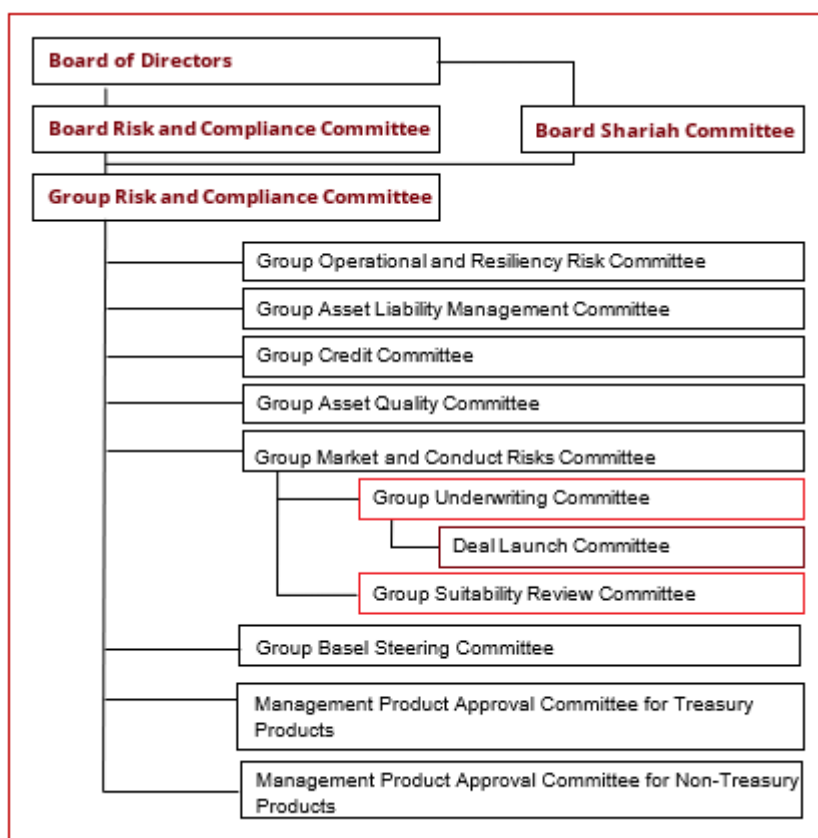
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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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



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

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

Three Lines-of-Defence

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

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

Within the second line-of-defence is GRD, a function independent of business units. It assists the Group's management and stakeholders in the monitoring and controlling of risk exposures within the Board-approved risk appetite statement.

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

- a) Actively engages the respective Boards and senior management on risk management issues and initiatives; and

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

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

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

a) CRO

- The Group CRO is supported by the CROs who oversee the risk management functions in overseas branches and banking subsidiaries.
- CRO’s main function is to assess and manage the enterprise risk and liaise with regulators in the respective country/entity under his/her purview.
- For countries where a CRO is not present and/or not required, a local Head of Risk Management is appointed to be the overall risk coordinator for that country.

b) Risk Centres of Excellence

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

b) Risk Centres of Excellence (Continued)

i. Asset Liability Management CoE

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

ii. Credit Risk CoE

The Credit Risk CoE consists of Retail and Non-Retail credit risk and is dedicated to the assessment, measurement, management, monitoring and reporting of credit risk in the Group. The scope under the CoE function include areas ranging from development of credit risk policies, procedures and standards to advance portfolio analytics, and implementation of credit risk modelling (including rollout of alternative credit underwriting models leveraging on machine learning techniques for retail portfolios).

iii. Market Risk CoE

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

b) Risk Centres of Excellence (Continued)

iv. Non-Financial Risk Management CoE

The Non-Financial Risk Management (“NFRM”) CoE ensures the first line-of-defence manages their operational risk by providing an operational risk framework that enables them to identify, assess, manage and report their operational risks.

The team also provides constructive challenge and assessment to the first line-of-defence’s execution of the operational risk framework and acts as a consultant with the Group in providing operational risk expertise and reporting to senior management.

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

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

(c) Risk Governance (Continued)

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

b) Risk Centres of Excellence (Continued)

v. Enterprise Risk And Infrastructure CoE

The Enterprise Risk and Infrastructure CoE ensures the Group’s compliance to Basel and Single Counterparty Exposure Limit (“SCEL”) regulatory requirements, including Basel model and underwriting model development, implementation and validation of risk models, and management of risk data for credit risk measurement and risk reporting across the Group. In addition, the climate risk unit within the CoE is responsible for working with Group Sustainability, various risk CoEs and business units to implement climate risk management at an enterprise level, in support of the Group’s 2050 net-zero ambition, which is to transition all operational and attributable greenhouse gas emissions from the Group’s financing and investment portfolios in alignment with net-zero pathways by 2050.

Sustainability risk (including climate risk) is a transverse risk that manifests itself through existing risk types. Due to the cross-cutting nature of Sustainability risk, the implementation of Group-wide sustainability governance framework is currently spearheaded and managed by Group Sustainability as the Sustainability CoE, which sits outside of Group Risk. Notwithstanding this, Sustainability risk has been and will continue to be integrated into the Group’s existing risk management frameworks.

Strategies and Processes for Various Risk Management

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk

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

Credit risk is inherent in banking activities and arises from traditional financing activities through financing facilities, trade finance as well as commitments to support client's obligation to third parties, e.g. guarantees or kafalah contracts. In derivatives, sales and trading activities, credit risk arises from the possibility that the Group's counterparties will be unable or unwilling to fulfil their obligation on transactions on or before settlement dates.

Credit Risk Management

Without effective credit risk management, the impact of the potential losses can be overwhelming. The purpose of credit risk management is to keep credit risk exposure to an acceptable level vis-à-vis the capital, and to ensure the returns commensurate with risks.

Consistent with the Three Lines-of-Defence model on risk management where risks are managed initially from the onset of risk-taking activities, the Group implemented the risk-based delegated authority framework. This promotes clarity of risk accountability whereby the business unit, being the first line-of-defence, manages risk in a proactive manner and Group Risk being independent from the business units, functions as the second line-of-defence. This enhances the collaboration between Group Risk and the business units.

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

Credit Risk Management (Continued)

The Group adopts a multi-tiered credit approving authority spanning from the delegated authorities at business level, joint delegated authorities between business units and Group Risk, to the various credit committees. The credit approving committees are set up to enhance the efficiency and effectiveness of the credit oversight as well as the credit approval process for all credit applications originating from the business units. For corporate, commercial and private banking financings, credit applications are independently evaluated by Credit Risk- (Non-Retail) CoE team prior to submission to the joint delegated authority or the relevant committees for approval; certain business units' officers are delegated with credit approving authority to approve low valued credit facilities. In addition, for financing to sectors and clients that are exposed to high environmental and social risks, the Sustainability CoE conducts due diligence from an environmental and social point of view. For retail financing, Consumer Credit Operations evaluates and approves the credit applications according to the designated delegated authority; higher financings limits will be approved by joint delegated authority or relevant committees.

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

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

Credit Risk Management (Continued)

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

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

Credit reviews and rating are conducted on the non-retail credit exposures at minimum on an annual basis and more frequently when material information on the obligor or other external factors is made available.

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

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

Credit Risk Management (Continued)

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

Credit Risk Mitigation

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

i) Collaterals/Securities

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

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

Credit Risk Mitigation (Continued)

ii) Collateral Valuation and Management

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

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

iii) Netting

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

iv) Portfolio diversification for better clarity

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

Credit Risk Measurement

The measurement of expected credit loss allowance under the MFRS9's three-stage approach is to recognise lifetime expected credit loss allowance for financial instrument for which there has been a significant increase in credit risk since initial origination or is credit-impaired as at the reporting date. The financial instrument which has not undergone any significant deterioration shall be recognised with 12-month expected credit loss allowance.

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

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

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

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

The assessment of SICR shall be a multifactor and holistic analysis and based on a mixture of quantitative and/or qualitative information. To determine whether the risk of default of a financing has increased significantly since initial recognition, the current risk of default at the reporting date is compared with the risk of default at initial recognition.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

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

Retail

A retail financing, advances and other financing/loans is perceived to have experienced significant increase in credit risk when the asset meets one of the following criteria:

- Past due for more than 1 month on its contractual payment;
- Habitual delinquent;
- Modified under Agensi Kaunseling dan Pengurusan Kredit (“AKPK”) scheme and subject to monitoring period.

Non-retail

The stage allocation will be performed at customer level. A customer is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Significant downgrade of internal rating;
- Customer on watchlist and exhibits weaknesses which, if uncorrected, will potentially become a non-performing account in the next 12 months;
- Past due for more than 1 month on its contractual payment;
- Habitual delinquent.

Treasury

A debt instrument is considered to have credit risk increased significantly since initial recognition if any of the following criteria is met:

- Significant downgrade of internal rating;
- Customer on watchlist and exhibits weaknesses which will potentially become a non-performing account in the next 12 months;
- Margin call or force selling trigger not regularised within the stipulated period (applicable to option premium financing only).

The Group has not used the low credit risk exemption for any financial instruments for the financial year ended 31 December 2023 and 31 December 2022. The criteria used to identify SICR are monitored and reviewed periodically for appropriateness by the Management.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(ii) Definition of credit impaired

Financing, advances and other financing/loans

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

- (a) Where the principal or profit or both of the credit facility is past due for more than 90 days or 3 months;
- (b) In the case of revolving credit facilities (e.g. cashline facilities), where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months;
- (c) Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, and the credit facility exhibits weaknesses in accordance with the Group's internal credit risk rating framework; or
- (d) As soon as a default occurs where the principal and /or profit payments are scheduled on intervals of 3 months or longer.

For the purpose of ascertaining the period in arrears:

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

(e) Force Impaired Credit Facilities

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(ii) Definition of credit impaired (Continued)

Financing, advances and other financing/loans (Continued)

(f) Cross Default

When an obligor/counterparty has multiple credit facilities with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt/financing obligation triggers default on another debt/financing obligation (cross default). Where there is no right to set off clause is available, assessment of provision needs to be performed on individual credit facility level instead of consolidated obligor/counterparty level.

Sukuk and other debt instruments measured at amortised cost or FVOCI

The financial instruments are classified as impaired when it meets one or more of the following criteria:

- Sukuk that have an internal rating of 14 and above shall be classified as impaired upon approval by relevant approval authority. Impaired credits must be graded / classified with the appropriate regulatory financing grading(s).
- Sukuk which are force impaired and approved by Group Asset Quality Committee will be subject to individual impairment assessment.
- When an obligor/counterparty has multiple financing, advances and other financing/loans/sukuk with the Group and cross default obligation applies, an assessment of provision is required under which default of one debt obligation triggers default on another debt obligation (cross default). Where there is no right to set off clause is available, an assessment of provision needs to be performed on individual financing, advances and other financing/loans/sukuk level instead of consolidated obligor/counterparty level.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

(iii) Definition of default

Financing, advances and other financing/loans

The Group defines a financial instrument as in default when it meets one or more of the following criteria:

- Credit-impaired;
- Restructured accounts by AKPK scheme;
- Write-off / charged-off accounts;
- Repossessed accounts (applicable for hire purchase financings only);
- Force disposed accounts (applicable for non-voluntary Amanah Saham Bumiputera (“ASB”) financing only).

The criteria above have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (“PD”), Exposure at Default (“EAD”) and Loss given Default (“LGD”) throughout the Group’s expected loss calculations for financing, advances and other financing/loans.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

Sukuk and other debt instruments measured at amortised cost or FVOCI

The default criteria is fully aligned with external rating agency’s default definition as the Group has chosen to benchmark external data for modelling purposes:

- Failure to make principal and/or profit payment under the contractual terms, which is not remedied within the grace period.
- Bankruptcy filings, administration, receivership, liquidation, winding-up or cessation of business of issuer/obligor.
- Failure to honor corporate-guarantee obligations provided to subsidiaries.
- Distressed exchange offer (e.g. extended maturities, lower coupons and etc.).
- Change in payment terms of a credit arrangement or indenture imposed by the sovereign that results in a diminished financial obligation.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

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

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

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

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

Probability of Default

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

The PD is derived based on the modelling approach of which statistical analysis and expert judgement was performed to identify the risk parameters which correlate with the historical observed default. The model relies on the risk parameters and its correlation with the historical observed default to predict the 12-month PD. The Lifetime PD is developed using forecasted MEV with the application of survival probabilities up to maturity of the financing facility.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

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

Exposure at Default

EAD is the total amount that the Group is exposed to at the time the customer defaults.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type.

- For amortising products and bullet repayment financings, this is based on the contractual repayments owed by the customer over a 12 month or remaining maturity.
- For revolving products the exposure at default is predicted by taking current disbursed balance and adding a “credit conversion factor” which allows for the expected disbursement of the remaining limit by the time of default.

Loss Given Default

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

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

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

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

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

The estimation of ECL incorporates forward-looking information. The Group has performed statistical analysis based on historical experience and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. The relationship of these economic variables on the PD, EAD and LGD has been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of PD and LGD. These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgment has also been applied in this process. Forecasts of these economic variables are sourced from Group's Economics team.

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

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

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

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****Credit Risk Measurement (Continued)****(v) Forward-looking information incorporated into the ECL models (Continued)**

The key economic variables used for the ECL sensitivity assessment:

Key variables:	31 December 2023	31 December 2022
	Changes (+/- bps)	Changes (+/- bps)
GDP growth	50	50
Equity market index	50	100
Housing Price Index (HPI)	50	100
Overnight policy rate (OPR)	50	50

	The Group and the Bank (Writeback)/made 31 December 2023		The Group and the Bank (Writeback)/made 31 December 2022	
	RM'000	RM'000	RM'000	RM'000
	+	-	+	-
Impact on expected credit losses	(257)	(2,349)	370	(206)

The impact captures the non-linearity and offsetting effect arising from the correlation of variables with the ECL and does not reflect any overlay or adjustment which could potentially be put in place as a result of the change in macroeconomics.

(vi) Grouping of exposure for ECL measured on collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogeneous.

In performing this grouping, there must be sufficient information for the Group to be statistically credible. Where sufficient information is not available internally, the Group has considered benchmarking internal/external supplementary data to use for modelling purposes.

The appropriateness of groupings is monitored and reviewed on a periodic basis by the Credit Risk and Modelling team.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

Write off policy

Write-off is usually taken when relevant recovery actions have been exhausted or further recovery is not economically feasible or justifiable. When a financing, advances and other financing/loans or debt instrument is deemed uncollectible, it is written off against the related allowance for impairment. Such financing, advances and other financing/loans are either written off in full or partially after taking into consideration the realisable value of collateral (if any) and when in the judgement of the Management, there is no prospect of recovery. All write-offs must be approved by the Board or its delegated authorities.

The Group and the Bank may write-off financing, advances and other financing/loans or debt instrument that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the financial year ended 31 December 2023 was RM219 million (2022: RM175 million) for the Group and the Bank.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

Modification of financing, advances and other financing/loans

Where the original contractual terms of a financial asset have been modified and the instrument has not been derecognised, the resulting modification loss is recognised in the income statements with a corresponding decrease in the gross carrying value of the asset.

If the modification involved a concession that the Group would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne. ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk.

These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification. The risk of default of such financing, advances and other financing/loans after modification is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial and so does not result in derecognition of the original financing, advances and other financing/loans. The Group monitors the subsequent performance of modified assets. The Group may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from Stage 3 or Stage 2 (lifetime ECL) to Stage 1 (12-month ECL). This is only the case for assets which have performed in accordance with the new terms for six consecutive months or more.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

Credit Risk Measurement (Continued)

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

Off-Balance Sheet exposures are exposures such as derivatives, trade facilities and undisbursed commitments. The Group adopts the Current Exposure method to compute the capital requirement for CCR under BNM's guidelines on CAFIB (Risk-Weighted Assets).

i) Credit Risk Mitigation

For credit derivatives and swaps transactions, the Group enters into master agreement with counterparties, whenever possible. Further, the Group may also enter into Credit Support Annexes, International Swaps and Derivatives Association Agreement ("CSA") with counterparties. The net credit exposure with each counterparty is monitored based on the threshold agreed in the master agreement and the Group may request for additional margin for any exposures above the agreed threshold, in accordance with the terms specified in the relevant CSA or the master agreement. The eligibility of collaterals and frequency calls are negotiated with the counterparty and endorsed by GCC or the relevant credit approving authority.

ii) Treatment of Rating Downgrade

In the event of a one-notch downgrade of rating, based on the terms of the existing CSA and exposure as at 31 December 2023 and 31 December 2022, there was no requirement for additional collateral to be posted.

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.1 Maximum exposure to credit risk (without taking into account any collateral held or other credit enhancements)**

For financial assets reflected in the statement of financial position, the exposure to credit risk equals their carrying amount. For financial guarantees and similar contract granted, it is the maximum amount that the Group and the Bank would have to pay if the guarantees were called upon. For credit related commitments and contingents that are irrevocable over the life of the respective facilities, it is generally the full amount of the committed facilities.

All financial assets of the Group and the Bank are subject to credit risk except for cash in hands, securities instruments in financial investments at fair value through profit or loss, unit trust in debt instruments at fair value through other comprehensive income, equity instruments at fair value through other comprehensive income, statutory deposits with central banks as well as non-financial assets.

	The Group and the Bank	
	31 December 2023	31 December 2022
	RM'000	RM'000
Financial guarantees	410,004	337,341
Credit related commitments and contingencies	31,246,818	27,703,151
	<u>31,656,822</u>	<u>28,040,492</u>

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net financing, advances and other financing/loans for the Group and the Bank is 72.6% (2022: 68.3%) while the financial effect of collateral for derivatives for the Group and the Bank is 81.9% (2022: 87.3%). The financial effects of collateral held for the remaining financial assets are insignificant.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for net financing, advances and other financing/loans that are credit impaired as at 31 December 2023 for the Group and the Bank is 77.9% (2022: 84.9%).

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.2 Offsetting financial assets and financial liabilities****(a) Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements - by type**

	Gross amounts of recognised financial assets in the statement of financial position RM'000	Gross amounts of recognised financial liabilities set off in the statement of financial position RM'000	Net amounts of financial assets presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Financial collaterals RM'000	
The Group and the Bank						
31 December 2023						
<u>Financial assets</u>						
Reverse Collateralised Commodity Murabahah	700,067	-	700,067	-	(684,466)	15,601
Derivative assets	357,161	-	357,161	(269,431)	(23,144)	64,586
Total	1,057,228	-	1,057,228	(269,431)	(707,610)	80,187
31 December 2022						
<u>Financial assets</u>						
Reverse Collateralised Commodity Murabahah	503,206	-	503,206	-	(496,367)	6,839
Derivative assets	466,895	-	466,895	(406,502)	(173)	60,220
Total	970,101	-	970,101	(406,502)	(496,540)	67,059

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.2 Offsetting financial assets and financial liabilities (Continued)****(b) Financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements - by type**

	Gross amounts of recognised financial liabilities in the statement of financial position RM'000	Gross amounts of recognised financial assets set off in the statement of financial position RM'000	Net amounts of financial liabilities presented in the statement of financial position RM'000	Related amounts not set off in the statement of financial position		Net amount RM'000
				Financial instruments RM'000	Financial collaterals RM'000	
The Group and the Bank						
31 December 2023						
<u>Financial liabilities</u>						
Collateralised Commodity Murabahah	2,229,121	-	2,229,121	(2,229,121)	-	-
Derivative liabilities	433,440	-	433,440	(269,431)	-	164,009
Total	2,662,561	-	2,662,561	(2,498,552)	-	164,009
31 December 2022						
<u>Financial liabilities</u>						
Collateralised Commodity Murabahah	1,927,726	-	1,927,726	(1,927,726)	-	-
Derivative liabilities	732,724	-	732,724	(406,476)	-	326,248
Total	2,660,450	-	2,660,450	(2,334,202)	-	326,248

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure**

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

(a) Geographical sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2023 and 31 December 2022 are as follows:

	The Group 31 December 2023						Total RM'000
	Malaysia RM'000	Indonesia RM'000	Singapore RM'000	United States RM'000	United Kingdom RM'000	Others RM'000	
Cash and short-term funds	10,477,625	1,132	4,163	28,161	1,017	5,713	10,517,811
Reverse Collateralised Commodity Murabahah	700,067	-	-	-	-	-	700,067
Deposits and placements with banks and other financial institutions	138,065	-	-	-	-	-	138,065
Financial assets at fair value through profit or loss	3,754,473	-	-	-	-	-	3,754,473
Debt instruments at fair value through other comprehensive income	5,362,764	-	-	-	-	-	5,362,764
Debt instruments at amortised cost	13,995,085	-	-	-	-	-	13,995,085
Islamic derivative financial instruments	355,406	-	-	-	-	1,755	357,161
Financing, advances and other financing/loans	121,476,487	-	-	-	-	-	121,476,487
Other assets	317,717	-	5,049	-	-	-	322,766
Amount due from holding company and ultimate holding company	635,013	-	-	-	-	-	635,013
Amount due from related companies	32	-	-	-	8	-	40
Financial guarantees	410,004	-	-	-	-	-	410,004
Credit related commitments and contingencies	31,042,365	22,647	29,814	-	1,082	150,910	31,246,818
Total credit exposures	188,665,103	23,779	39,026	28,161	2,107	158,378	188,916,554

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2023 and 31 December 2022 are as follows: (Continued)

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2023 and 31 December 2022 are as follows: (Continued)

	The Bank						Total
	31 December 2023						
	Malaysia	Indonesia	Singapore	United States	United Kingdom	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cash and short-term funds	10,477,625	1,132	4,163	28,161	1,017	5,713	10,517,811
Reverse Collateralised Commodity Murabahah	700,067	-	-	-	-	-	700,067
Deposits and placements with banks and other financial institutions	138,065	-	-	-	-	-	138,065
Financial assets at fair value through profit or loss	3,754,473	-	-	-	-	-	3,754,473
Debt instruments at fair value through other comprehensive income	5,362,764	-	-	-	-	-	5,362,764
Debt instruments at amortised cost	13,995,085	-	-	-	-	-	13,995,085
Islamic derivative financial instruments	355,406	-	-	-	-	1,755	357,161
Financing, advances and other financing/loans	121,476,487	-	-	-	-	-	121,476,487
Other assets	317,717	-	5,049	-	-	-	322,766
Amount due from holding company and ultimate holding company	635,013	-	-	-	-	-	635,013
Amount due from related companies	32	-	-	-	8	-	40
Financial guarantees	410,004	-	-	-	-	-	410,004
Credit related commitments and contingencies	31,042,365	22,647	29,814	-	1,082	150,910	31,246,818
Total credit exposures	188,665,103	23,779	39,026	28,161	2,107	158,378	188,916,554

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(a) Geographical sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) based on the location of the counterparty as at 31 December 2023 and 31 December 2022 are as follows: (Continued)

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

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

(b) Industry sectors

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2023 and 31 December 2022 based on the industry sectors of the counterparty are as follows:

The Group 31 December 2023										
	Cash and short-term funds	Reverse Collateralised Commodity Murabahah	Deposits and placements with banks and other financial institutions	Financial assets at fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Debt instruments at amortised cost	Islamic derivative financial instruments	Other financial assets *	Financing, advances and other financing/ loans	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Primary agriculture	-	-	-	-	95,789	25,424	-	-	4,057,409	4,178,622
Mining and quarrying	-	-	-	-	69,361	594,678	-	-	614,859	1,278,898
Manufacturing	-	-	-	-	110,329	-	828	-	4,562,592	4,673,749
Electricity, gas and water supply	-	-	-	20,338	415,003	684,716	-	-	1,526,177	2,646,234
Construction	-	-	-	-	186,863	100,652	55	-	3,673,145	3,960,715
Transport, storage and communications	-	-	-	498,348	95,893	993,658	1,231	-	3,646,241	5,235,371
Education, health and others	-	-	-	-	-	-	-	-	2,705,236	2,705,236
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	-	7,213,319	7,213,319
Finance, takaful, real estate and business activities	10,517,811	700,067	138,065	2,055,316	1,612,191	3,461,150	291,181	957,819	10,421,005	30,154,605
<u>Others</u>										
Household	-	-	-	-	-	-	-	-	83,046,202	83,046,202
Others	-	-	-	1,180,471	2,777,335	8,134,807	63,866	-	10,302	12,166,781
	10,517,811	700,067	138,065	3,754,473	5,362,764	13,995,085	357,161	957,819	121,476,487	157,259,732

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2023 and 31 December 2022 based on the industry sectors of the counterparty are as follows: (Continued)

	The Group 31 December 2022									
	Cash and short-term funds	Reverse Collateralised Commodity Murabahah	Deposits and placements with banks and other financial institutions	Financial assets at fair value through profit or loss	Debt instruments at fair value through other comprehensive income	Debt instruments at amortised cost	Islamic derivative financial instruments	Other financial assets *	Financing, advances and other financing/ loans	Total
Primary agriculture	-	-	-	-	72,805	25,506	4	-	4,022,181	4,120,496
Mining and quarrying	-	-	-	-	72,971	501,772	-	-	561,298	1,136,041
Manufacturing	-	-	-	9,758	104,051	-	7,934	-	3,957,034	4,078,777
Electricity, gas and water supply	-	-	-	-	325,589	398,095	-	-	539,255	1,262,939
Construction	-	-	-	-	168,585	95,930	-	-	2,499,620	2,764,135
Transport, storage and communications	-	-	-	5,115	64,866	241,925	7	-	4,188,105	4,500,018
Education, health and others	-	-	-	-	-	-	-	-	2,684,744	2,684,744
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	-	5,309,503	5,309,503
Finance, takaful, real estate and business activities	15,308,885	503,206	-	812,761	1,569,989	2,696,613	423,097	755,793	9,467,214	31,537,558
<i>Others</i>	-	-	-	-	-	-	-	-	74,345,164	74,345,164
Household	-	-	-	-	-	-	-	-	18,633	18,633
Others	-	-	-	1,214,592	2,621,528	5,401,623	35,853	-	-	9,292,229
	15,308,885	503,206	-	2,042,226	5,000,384	9,361,464	466,895	755,793	107,592,751	141,031,604

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2023 and 31 December 2022 based on the industry sectors of the counterparty are as follows: (Continued)

	The Bank 31 December 2023									
	Cash and short-term funds RM'000	Reverse Collateralised Commodity Murabahah RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets at fair value through profit or loss RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Islamic derivative financial instruments RM'000	Other financial assets [*] RM'000	Financing, advances and other financing/loans RM'000	Total RM'000
Primary agriculture	-	-	-	-	95,789	25,424	-	-	4,057,409	4,178,622
Mining and quarrying	-	-	-	-	69,361	594,678	-	-	614,859	1,278,898
Manufacturing	-	-	-	-	110,329	-	828	-	4,562,592	4,673,749
Electricity, gas and water supply	-	-	-	20,338	415,003	684,716	-	-	1,526,177	2,646,234
Construction	-	-	-	-	186,863	100,652	55	-	3,673,145	3,960,715
Transport, storage and communications	-	-	-	498,348	95,893	993,658	1,231	-	3,646,241	5,235,371
Education, health and others	-	-	-	-	-	-	-	-	2,705,236	2,705,236
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	-	7,213,319	7,213,319
Finance, takaful, real estate and business activities	10,517,811	700,067	138,065	2,055,316	1,612,191	3,461,150	291,181	957,819	10,421,005	30,154,605
<i>Others</i>										
Household	-	-	-	-	-	-	-	-	83,046,202	83,046,202
Others	-	-	-	1,180,471	2,777,335	8,134,807	63,866	-	10,302	12,166,781
	10,517,811	700,067	138,065	3,754,473	5,362,764	13,995,085	357,161	957,819	121,476,487	157,259,732

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

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

(b) Industry sectors (Continued)

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for items recognised in the statements of financial position as at 31 December 2023 and 31 December 2022 based on the industry sectors of the counterparty are as follows: (Continued)

	The Bank 31 December 2022									
	Cash and short- term funds RM'000	Reverse Collateralised Commodity Murabahah RM'000	Deposits and placements with banks and other financial institutions RM'000	Financial assets at fair value through profit or loss RM'000	Debt instruments at fair value through other comprehensive income RM'000	Debt instruments at amortised cost RM'000	Islamic derivative financial instruments RM'000	Other financial assets* RM'000	Financing, advances and other financing/ loans RM'000	Total RM'000
Primary agriculture	-	-	-	-	72,805	25,506	4	-	4,022,181	4,120,496
Mining and quarrying	-	-	-	-	72,971	501,772	-	-	561,298	1,136,041
Manufacturing	-	-	-	9,758	104,051	-	7,934	-	3,957,034	4,078,777
Electricity, gas and water supply	-	-	-	-	325,589	398,095	-	-	539,255	1,262,939
Construction	-	-	-	-	168,585	95,930	-	-	2,499,620	2,764,135
Transport, storage and communications	-	-	-	5,115	64,866	241,925	7	-	4,188,105	4,500,018
Education, health and others	-	-	-	-	-	-	-	-	2,684,744	2,684,744
Wholesale and retail trade, and restaurants and hotels	-	-	-	-	-	-	-	-	5,309,503	5,309,503
Finance, takaful, real estate and business activities	15,308,885	503,206	-	812,761	1,569,989	2,696,613	423,097	755,793	9,467,214	31,537,558
<i>Others</i>										
Household	-	-	-	-	-	-	-	-	74,345,164	74,345,164
Others	-	-	-	1,214,592	2,621,528	5,401,623	35,853	-	18,633	9,292,229
	<u>15,308,885</u>	<u>503,206</u>	<u>-</u>	<u>2,042,226</u>	<u>5,000,384</u>	<u>9,361,464</u>	<u>466,895</u>	<u>755,793</u>	<u>107,592,751</u>	<u>141,031,604</u>

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.3 Concentration of risks of financial assets with credit risk exposure (Continued)****(b) Industry sectors (Continued)**

The analysis of credit risk concentrations (without taking into account any collateral held or other credit enhancements) for financial guarantees and credit related commitments and contingencies, based on the industry sectors of the counterparty are as follows:

	The Group and the Bank			
	31 December 2023		31 December 2022	
	Financial guarantees RM'000	Credit related commitments and contingencies RM'000	Financial guarantees RM'000	Credit related commitments and contingencies RM'000
Primary agriculture	1,818	1,133,583	1,293	693,693
Mining and quarrying	3,739	280,422	3,998	239,287
Manufacturing	86,643	2,109,534	99,823	2,116,496
Electricity, gas and water supply	23,585	2,952,105	22,990	3,112,512
Construction	118,381	3,963,506	110,777	3,863,071
Transport, storage and communications	14,844	1,944,517	8,556	1,324,961
Education, health and others	4,311	949,388	3,500	750,337
Wholesale and retail trade, and restaurants and hotels	138,448	2,550,246	65,362	1,851,871
Finance, takaful, real estate and business activities	16,265	2,975,659	18,570	1,845,520
<i>Others</i>				
Household	1,970	12,386,937	2,472	11,904,689
Others	-	921	-	714
	410,004	31,246,818	337,341	27,703,151

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

53.1.4 Credit quality of financial assets

(a) Financial assets using General 3-stage approach

Where expected credit loss model is applied, the credit quality of financial instruments subject to credit risk are assessed by reference to internal rating system adopted by the Group and the Bank, as summarised below:

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

Rating classification	Internal rating label
Good	1 to 17
Satisfactory	18 to 25
Impaired	26 and above

Other financial instruments

Rating classification	Internal rating label
Investment grade (IG)	1 to 10
Non-investment grade	11 to 25
Impaired	26 and above

Other financial instruments include cash and short-term funds, deposits and placements with banks and other financial institutions, reverse collateralised Commodity Murabahah, debt instruments at fair value through other comprehensive income, debt instruments at amortised cost, amount due from intercompany balances and other assets.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

53.1.4 Credit quality of financial assets (Continued)

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

Credit quality description can be summarised as follows:

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

Satisfactory – There is concern over the counterparty's ability to make payments when due. However, these have not yet converted to actual delinquency and the counterparty is continuing to make payments when due and is expected to settle all outstanding amounts of principal and profit.

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

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

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

Impaired – Refers to the asset that is being impaired.

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

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

The Group and the Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Cash and short-term fund and deposits and placement with banks and other financial institutions				
2023				
Sovereign	47	-	-	47
Investment grade	68,054	-	-	68,054
Non-investment grade	2,183	-	-	2,183
No rating	10,585,592	-	-	10,585,592
Gross carrying amount	10,655,876	-	-	10,655,876
Total ECL	-	-	-	-
Net carrying amount	10,655,876	-	-	10,655,876
2022				
Sovereign	127,956	-	-	127,956
Investment grade	136,022	-	-	136,022
Non-investment grade	3,504	-	-	3,504
No rating	15,041,403	-	-	15,041,403
Gross carrying amount	15,308,885	-	-	15,308,885
Total ECL	-	-	-	-
Net carrying amount	15,308,885	-	-	15,308,885

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

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

The Group and the Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Reverse Collateralised Commodity Murabahah, at amortised cost				
2023				
No rating	700,067	-	-	700,067
Gross carrying amount	700,067	-	-	700,067
Total ECL	-	-	-	-
Net carrying amount	700,067	-	-	700,067
2022				
No rating	503,206	-	-	503,206
Gross carrying amount	503,206	-	-	503,206
Total ECL	-	-	-	-
Net carrying amount	503,206	-	-	503,206

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

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

The Group and the Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Debt instruments at fair value through other comprehensive income				
2023				
Sovereign	2,896,165	-	-	2,896,165
Investment grade	1,091,789	-	-	1,091,789
Non-investment grade	1,374,810	-	-	1,374,810
Gross carrying amount*	5,362,764	-	-	5,362,764
Total ECL ^^	(1,594)	-	-	(1,594)
Net carrying amount	5,361,170	-	-	5,361,170
2022				
Sovereign	2,751,452	-	-	2,751,452
Investment grade	965,167	-	-	965,167
Non-investment grade	1,283,765	-	-	1,283,765
Gross carrying amount*	5,000,384	-	-	5,000,384
Total ECL ^^	(998)	-	-	(998)
Net carrying amount	4,999,386	-	-	4,999,386

* This represents the fair value of the securities.

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

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for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

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

The Group and the Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Debt instruments at amortised cost				
2023				
Sovereign	11,892,473	-	-	11,892,473
Investment grade	848,993	-	-	848,993
Non-investment grade	659,410	-	-	659,410
Impaired	-	-	594,678	594,678
Gross carrying amount	13,400,876	-	594,678	13,995,554
Total ECL	(469)	-	-	(469)
Net carrying amount	13,400,407	-	594,678	13,995,085
2022				
Sovereign	7,781,274	-	-	7,781,274
Investment grade	549,856	-	-	549,856
Non-investment grade	498,387	-	-	498,387
Impaired	-	-	501,772	501,772
No rating	30,593	-	-	30,593
Gross carrying amount	8,860,110	-	501,772	9,361,882
Total ECL	(418)	-	-	(418)
Net carrying amount	8,859,692	-	501,772	9,361,464

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for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

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

The Group and the Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Financing, advances and other financing/loans at amortised cost				
2023				
Good	76,622,212	1,536,350	-	78,158,562
Satisfactory	22,537,806	4,668,650	-	27,206,456
Impaired	-	-	1,775,874	1,775,874
No rating	15,552,431	198,889	-	15,751,320
Gross carrying amount	114,712,449	6,403,889	1,775,874	122,892,212
Total ECL	(772,112)	(368,166)	(549,580)	(1,689,858)
Net carrying amount	113,940,337	6,035,723	1,226,294	121,202,354
2022				
Good	55,063,811	10,632,277	-	65,696,088
Satisfactory	22,056,431	5,571,466	-	27,627,897
Impaired	-	-	1,409,337	1,409,337
No rating	13,574,810	772,272	-	14,347,082
Gross carrying amount	90,695,052	16,976,015	1,409,337	109,080,404
Total ECL	(163,249)	(892,799)	(431,605)	(1,487,653)
Net carrying amount	90,531,803	16,083,216	977,732	107,592,751
Other assets				
2023				
Sovereign	207,586	-	-	207,586
Investment grade	89,913	-	-	89,913
Impaired	-	-	534	534
No rating	13,229	-	-	13,229
Gross carrying amount	310,728	-	534	311,262
Total ECL	(17,913)	-	(534)	(18,447)
Net carrying amount	292,815	-	-	292,815
2022				
Sovereign	137,800	-	-	137,800
Investment grade	110,510	-	-	110,510
Impaired	-	-	1,727	1,727
No rating	42,112	-	-	42,112
Gross carrying amount	290,422	-	1,727	292,149
Total ECL	(14,083)	-	(1,727)	(15,810)
Net carrying amount	276,339	-	-	276,339

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for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

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

The Group and the Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Intercompany balances				
2023				
Investment grade	635,024	-	-	635,024
No rating	29	-	-	29
Gross carrying amount	635,053	-	-	635,053
Total ECL	-	-	-	-
Net carrying amount	635,053	-	-	635,053
2022				
Investment grade	433,766	-	-	433,766
No rating	3	-	-	3
Gross carrying amount	433,769	-	-	433,769
Total ECL	-	-	-	-
Net carrying amount	433,769	-	-	433,769

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for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(a) Financial assets using General 3-stage approach (Continued)**

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

The Group and the Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL-not credit impaired (Stage 2) RM'000	Lifetime ECL-credit impaired (Stage 3) RM'000	Total RM'000
Financing commitments and financial guarantee contracts				
2023				
Good	19,755,795	295,783	-	20,051,578
Satisfactory	2,648,079	191,293	-	2,839,372
Impaired	-	-	56,609	56,609
No rating	8,706,125	3,138	-	8,709,263
Gross carrying amount	31,109,999	490,214	56,609	31,656,822
Total ECL	(75,142)	(10,474)	(7,717)	(93,333)
Net carrying amount	31,034,857	479,740	48,892	31,563,489
2022				
Good	14,432,240	462,707	-	14,894,947
Satisfactory	2,646,976	299,220	-	2,946,196
Impaired	-	-	45,956	45,956
No rating	10,190,433	8,107	-	10,198,540
Gross carrying amount	27,269,649	770,034	45,956	28,085,639
Total ECL	(25,092)	(12,017)	(8,038)	(45,147)
Net carrying amount	27,244,557	758,017	37,918	28,040,492

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

53.1.4 Credit quality of financial assets (Continued)

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

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

The Group and the Bank
2023

Financing, advances and other financing/loans at amortised cost

	Cashline RM'000	Term financing RM'000	Bill receivable RM'000	Claims on customers		Staff financing RM'000	Credit card receivables RM'000	Revolving credits RM'000	Total gross carrying amount RM'000
				Islamic trust receipts RM'000	under acceptance credits RM'000				
12-month ECL (Stage 1)	1,358,124	103,707,578	880,616	20,108	996,763	310,380	289,243	7,149,637	114,712,449
- Good	761,539	69,061,445	601,649	11,408	648,332	310,221	112,628	5,114,990	76,622,212
- Satisfactory	122,559	22,193,316	16,681	253	31,150	-	168,835	5,012	22,537,806
- No rating	474,026	12,452,817	262,286	8,447	317,281	159	7,780	2,029,635	15,552,431
Lifetime ECL not credit-impaired (Stage 2)	218,849	5,722,818	204,990	95	210,658	385	9,938	36,156	6,403,889
- Good	91,128	1,118,958	166,151	95	156,600	385	20	3,013	1,536,350
- Satisfactory	113,527	4,419,194	38,839	-	54,058	-	9,889	33,143	4,668,650
- No rating	14,194	184,666	-	-	-	-	29	-	198,889
Lifetime ECL credit-impaired (Stage 3)	35,075	1,712,638	4,472	862	18,582	57	3,196	992	1,775,874
- Impaired	35,075	1,712,638	4,472	862	18,582	57	3,196	992	1,775,874
Total	1,612,048	111,143,034	1,090,078	21,065	1,226,003	310,822	302,377	7,186,785	122,892,212

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

53.1.4 Credit quality of financial assets (Continued)

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

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

The Group and the Bank
2022

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.1 Credit Risk (Continued)****53.1.4 Credit quality of financial assets (Continued)****(b) Financial assets using simplified approach****Analysis of other assets by credit rating**

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

The Group and the Bank

Rating classification	Internal rating label	External credit rating
Investment grade (IG)	1 to 10	AAA to BBB-
Non-investment grade	11 to 28	BB+ and below

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

The Group and the Bank

	Investment grade (AAA to BBB-) RM'000	No rating RM'000	Gross carrying amount RM'000	ECL RM'000	Net carrying amount RM'000
2023					
Other assets	-	30,057	30,057	(106)	29,951
Total	-	30,057	30,057	(106)	29,951
2022					
Other assets	-	45,796	45,796	(111)	45,685
Total	-	45,796	45,796	(111)	45,685

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

53.1.4 Credit quality of financial assets (Continued)

(b) Financial assets using simplified approach (Continued)

Analysis of other assets by credit rating (Continued)

Credit quality description can be summarised below:

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

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

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

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

53.1.5 Repossessed collateral

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

53.1.6 Modification of financing, advances and other financing/loans

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

	The Group and the Bank	
	31 December 2023	31 December 2022
	RM'000	RM'000
Amortised cost before modification	7,306	87,724
Modification loss	(23)	(1,676)
Amortised cost after modification	<u>7,283</u>	<u>86,048</u>

Gross carrying amounts of financing, advances and other financing/loans of the Group and the Bank as at 31 December 2023, for which loss allowance has changed to 12-month measurement during the financial year amounting to RM326,000 (31 December 2022: RM1,835,000) respectively.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.1 Credit Risk (Continued)

53.1.7 Overlays and adjustments for expected credit losses

In the post-COVID-19 environment, the Group continued to apply overlays and post-model adjustments to address economic uncertainties and external risks including, but not limited to, international trade trends, the prevailing effects of high policy rates and inflation, as well as the potential consequences of global geopolitical tensions for the adequacy of the overall level of ECL for the financial year ended 31 December 2023.

These overlays and post-model adjustments were applied to reflect the latest macroeconomic outlook not captured in the modelled outcome and the potential impact on delinquencies and defaults arising from the potential risks mentioned above.

The overlays and post-model adjustments involved a significant level of judgement and have reflected the management's views on the severity of post-pandemic impacts and paths to recovery in the forward-looking assessment of ECL estimation.

The impact of these overlays and post-model adjustments is estimated at the portfolio level, which remains outside the core MFRS 9 process and amounts to RM582.3 million (2022: RM248.4 million) of the Group's ECL on loans, advances/financing (including undrawn loans, advances/financing). Total overlays for ECL inclusive of the macro-economic adjustments is maintained by the Group within loans, advances/financing as at 31 December 2023.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.2 Market Risk

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

Market Risk Management (“MRM”)

The Group hedges the exposures to market risk by employing various strategies, including the use of derivative instruments.

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

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

The Group adopts the VaR methodology as an approach in the measurement of market risk. VaR is a statistical measure of the potential losses that could occur as a result of movements in market rates and prices over a specified time horizon within a given confidence level. The usage of market VaR by risk type based on 1-day holding period of the Group’s and the Bank’s trading exposures as at 31 December 2023 is shown in Note 53.2.1.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.2 Market Risk (Continued)

Market Risk Management (“MRM”) (Continued)

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

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

Capital Treatment for Market Risk

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.2 Market Risk (Continued)****53.2.1 VaR**

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

	The Group		The Bank	
	31 December 2023 RM'000	31 December 2022 RM'000	31 December 2023 RM'000	31 December 2022 RM'000
VaR				
Foreign exchange risk	1,063	554	1,063	554
Profit rate risk	1,221	3,538	1,221	3,538
Total	2,284	4,092	2,284	4,092
Total shareholder's funds	9,645,452	8,656,291	9,645,417	8,656,256
Percentage over shareholder's funds	0.02%	0.05%	0.02%	0.05%

53.2.2 Profit rate risk

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.2 Market Risk (Continued)

53.2.2 Profit rate risk (Continued)

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

The Group 31 December 2023	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000		
Financial assets									
Cash and short-term funds	10,509,055	-	-	-	-	-	8,756	-	10,517,811
Reverse Collateralised Commodity Murabahah	100,697	302,308	-	292,273	-	-	4,789	-	700,067
Deposits and placements with banks and other financial institutions	-	137,670	-	-	-	-	395	-	138,065
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	3,754,473	3,754,473
Debt instruments at fair value through other comprehensive income	59,992	60,036	-	135,603	2,732,741	2,321,804	52,588	-	5,362,764
Debt instruments at amortised cost	4,997	45,012	175,223	695,866	5,297,390	7,573,397	203,200	-	13,995,085
Islamic derivative financial instruments	-	-	176	249	29,355	2,238	-	325,143	357,161
Financing, advances and other financing/loans	95,640,086	2,975,469	1,649,066	128,324	5,035,993	16,047,549	-	-	121,476,487
Other assets	25,250	-	-	-	-	-	297,516	-	322,766
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	635,013	-	635,013
Amount due from related companies	-	-	-	-	-	-	40	-	40
Total financial assets	106,340,077	3,520,495	1,824,465	1,252,315	13,095,479	25,944,988	1,202,297	4,079,616	157,259,732

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.2 Market Risk (Continued)

53.2.2 Profit rate risk (Continued)

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

The Group 31 December 2023	Non-trading book						Non-profit sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 months RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000			
Financial liabilities									
Deposits from customers	56,180,672	20,909,019	16,697,138	15,160,507	1,030,709	10,384	843,315	-	110,831,744
Investment accounts of customers	3,662,911	4,390,680	5,022,693	5,037,556	521,316	-	348,969	-	18,984,125
Deposits and placements of banks and other financial institutions	1,684,751	3,346,279	310,000	-	169,058	-	23,418	-	5,533,506
Collateralised Commodity Murabahah	382,395	867,519	971,765	-	-	-	7,442	-	2,229,121
Investment accounts due to designated financial institutions	3,420,221	-	-	-	-	-	4,630	-	3,424,851
Financial liabilities designated at fair value through profit or loss	381	-	1,702	10,755	2,861,593	7,868	14,745	(75,260)	2,821,784
Islamic derivative financial instruments	-	-	-	-	4,878	1,936	-	426,626	433,440
Amount due to related companies	-	-	-	-	-	-	976	-	976
Other liabilities	42,914	4,109	1,456	-	19,900	-	744,135	-	812,514
Lease liabilities	-	-	-	786	-	-	-	-	786
Recourse obligation on loans and financing sold to Cagamas	-	-	-	488,000	2,316,760	-	18,238	-	2,822,998
Sukuk	-	-	-	-	703,694	302,185	3,595	-	1,009,474
Subordinated sukuk	-	-	-	800,000	300,000	-	9,424	-	1,109,424
Total financial liabilities	65,374,245	29,517,606	23,004,754	21,497,604	7,927,908	322,373	2,018,887	351,366	150,014,743
Net profit sensitivity gap	40,965,832	(25,997,111)	(21,180,289)	(20,245,289)	5,167,571	25,622,615		3,728,250	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	410,004	-	410,004
Credit related commitments and contingencies	-	-	-	-	-	-	31,246,818	-	31,246,818
Treasury related commitments and contingencies (hedging)	-	-	25,000	30,000	3,286,373	420,000	-	-	3,761,373
Net profit sensitivity gap	-	-	25,000	30,000	3,286,373	420,000	31,656,822	-	35,418,195

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.2 Market Risk (Continued)

53.2.2 Profit rate risk (Continued)

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

The Group 31 December 2022	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000		
Financial assets									
Cash and short-term funds	15,255,172	-	-	-	-	-	53,713	-	15,308,885
Reverse Collateralised Commodity Murabahah	502,462	-	-	-	-	-	744	-	503,206
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	2,042,226	2,042,226
Debt instruments at fair value through other comprehensive income	34,998	40,075	215,346	89,302	1,984,373	2,588,941	47,349	-	5,000,384
Debt instruments at amortised cost	-	79,987	544,654	755,730	3,882,735	4,000,524	97,834	-	9,361,464
Islamic derivative financial instruments	-	-	-	-	11,520	5,445	-	449,930	466,895
Financing, advances and other financing/loans	85,563,653	3,292,396	836,611	157,154	3,270,799	14,472,138	-	-	107,592,751
Other assets	108	8	-	-	60,770	37,322	223,816	-	322,024
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	433,749	-	433,749
Amount due from related companies	-	-	-	-	-	-	20	-	20
Total financial assets	101,356,393	3,412,466	1,596,611	1,002,186	9,210,197	21,104,370	857,225	2,492,156	141,031,604

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.2 Market Risk (Continued)

53.2.2 Profit rate risk (Continued)

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

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.2 Market Risk (Continued)

53.2.2 Profit rate risk (Continued)

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

The Bank 31 December 2023	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000		
Financial assets									
Cash and short-term funds	10,509,055	-	-	-	-	-	8,756	-	10,517,811
Reverse Collateralised Commodity Murabahah	100,697	302,308	-	292,273	-	-	4,789	-	700,067
Deposits and placements with banks and other financial institutions	-	137,670	-	-	-	-	395	-	138,065
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	3,754,473	3,754,473
Debt instruments at fair value through other comprehensive income	59,992	60,036	-	135,603	2,732,741	2,321,804	52,588	-	5,362,764
Debt instruments at amortised cost	4,997	45,012	175,223	695,866	5,297,390	7,573,397	203,200	-	13,995,085
Islamic derivative financial instruments	-	-	176	249	29,355	2,238	-	325,143	357,161
Financing, advances and other financing/loans	95,640,086	2,975,469	1,649,066	128,324	5,035,993	16,047,549	-	-	121,476,487
Other assets	25,250	-	-	-	-	-	297,516	-	322,766
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	635,013	-	635,013
Amount due from related companies	-	-	-	-	-	-	40	-	40
Total financial assets	106,340,077	3,520,495	1,824,465	1,252,315	13,095,479	25,944,988	1,202,297	4,079,616	157,259,732

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.2 Market Risk (Continued)

53.2.2 Profit rate risk (Continued)

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

The Bank 31 December 2023	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	Non-profit sensitive RM'000		
Financial liabilities									
Deposits from customers	56,180,672	20,909,019	16,697,138	15,160,507	1,030,709	10,384	843,315	-	110,831,744
Investment accounts of customers	3,662,911	4,390,680	5,022,693	5,037,556	521,316	-	348,969	-	18,984,125
Deposits and placements of banks and other financial institutions	1,684,751	3,346,279	310,000	-	169,058	-	23,418	-	5,533,506
Collateralised Commodity Murabahah	382,395	867,519	971,765	-	-	-	7,442	-	2,229,121
Investment accounts due to designated financial institutions	3,420,221	-	-	-	-	-	4,630	-	3,424,851
Financial liabilities designated at fair value through profit or loss	381	-	1,702	10,755	2,861,593	7,868	14,745	(75,260)	2,821,784
Islamic derivative financial instruments	-	-	-	-	4,878	1,936	-	426,626	433,440
Amount due to subsidiaries	-	-	-	-	-	-	46	-	46
Amount due to related company	-	-	-	-	-	-	976	-	976
Other liabilities	42,914	4,109	1,456	-	19,900	-	744,135	-	812,514
Lease liabilities	-	-	-	786	-	-	-	-	786
Recourse obligation on loans and financing sold to Cagamas	-	-	-	488,000	2,316,760	-	18,238	-	2,822,998
Sukuk	-	-	-	-	703,694	302,185	3,595	-	1,009,474
Subordinated sukuk	-	-	-	800,000	300,000	-	9,424	-	1,109,424
Total financial liabilities	65,374,245	29,517,606	23,004,754	21,497,604	7,927,908	322,373	2,018,933	351,366	150,014,789
Net profit sensitivity gap	40,965,832	(25,997,111)	(21,180,289)	(20,245,289)	5,167,571	25,622,615		3,728,250	
Financial guarantees and commitments and contingencies									
Financial guarantees	-	-	-	-	-	-	410,004	-	410,004
Credit related commitments and contingencies	-	-	-	-	-	-	31,246,818	-	31,246,818
Treasury related commitments and contingencies (hedging)	-	-	25,000	30,000	3,286,373	420,000	-	-	3,761,373
Net profit sensitivity gap	-	-	25,000	30,000	3,286,373	420,000	31,656,822	-	35,418,195

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.2 Market Risk (Continued)

53.2.2 Profit rate risk (Continued)

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

The Bank 31 December 2022	Non-trading book							Non-profit sensitive	Trading book	Total
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	RM'000			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Financial assets										
Cash and short-term funds	15,255,172	-	-	-	-	-	53,713	-	15,308,885	
Reverse Collateralised Commodity Murabahah	502,462	-	-	-	-	-	744	-	503,206	
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	2,042,226	2,042,226	
Debt instruments at fair value through other comprehensive income	34,998	40,075	215,346	89,302	1,984,373	2,588,941	47,349	-	5,000,384	
Debt instruments at amortised cost	-	79,987	544,654	755,730	3,882,735	4,000,524	97,834	-	9,361,464	
Islamic derivative financial instruments	-	-	-	-	11,520	5,445	-	449,930	466,895	
Financing, advances and other financing/loans	85,563,653	3,292,396	836,611	157,154	3,270,799	14,472,138	-	-	107,592,751	
Other assets	108	8	-	-	60,770	37,322	223,816	-	322,024	
Amount due from holding company and ultimate holding company	-	-	-	-	-	-	433,749	-	433,749	
Amount due from related companies	-	-	-	-	-	-	20	-	20	
Total financial assets	101,356,393	3,412,466	1,596,611	1,002,186	9,210,197	21,104,370	857,225	2,492,156	141,031,604	

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.2 Market Risk (Continued)

53.2.2 Profit rate risk (Continued)

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.2 Market Risk (Continued)****53.2.2 Profit rate risk (Continued)****(b) Sensitivity of profit and reserves****(i) Sensitivity of profit**

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

	The Group and the Bank			
	31 December 2023		31 December 2022	
	Increase/(Decrease)		Increase/(Decrease)	
	+ 100 basis points RM'000	- 100 basis points RM'000	+ 100 basis points RM'000	- 100 basis points RM'000
Impact to profit (after tax)	(5,308)	5,308	(3,536)	3,536

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

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.2 Market Risk (Continued)****53.2.2 Profit rate risk (Continued)****(b) Sensitivity of profit and reserves (Continued)****(ii) Sensitivity of reserves**

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

	The Group and the Bank			
	31 December 2023		31 December 2022	
	Increase/(Decrease)		Increase/(Decrease)	
	+ 100 basis points RM'000	- 100 basis points RM'000	+ 100 basis points RM'000	- 100 basis points RM'000
Impact to revaluation reserve - debt instruments at fair value through other comprehensive income	(2,695)	2,695	(2,669)	2,669

A 100 bps parallel rate movement is applied to the yield curve to model the potential impact on reserves in the next 12 months from changes in risk free rates. The impact on reserves arises from changes in valuation of financial investments at fair value through other comprehensive income following movements in risk free rates.

The projection assumes that all other variables are held constant. It also assumes a constant reporting date position and that all positions run to maturity.

The above sensitivities of profit and reserves do not take into account the effects of hedging and do not incorporate actions that the Group and the Bank would take to mitigate the impact of this profit rate risk. In practice, the Group and the Bank proactively seeks to mitigate the effect of prospective profit movements.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.2 Market Risk (Continued)****53.2.3 Foreign exchange risk**

The Group and the Bank are exposed to transactional foreign exchange exposures which are exposures on assets and liabilities denominated in currencies other than the functional currency of the transacting entity.

The Group and the Bank take minimal exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Group manages its exposure to foreign exchange currencies at each entity level.

- (a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank:

	The Group 31 December 2023					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	10,082,148	336,537	6,878	92,248	435,663	10,517,811
Reverse Collateralised Commodity Murabahah	405,390	-	-	294,677	294,677	700,067
Deposits and placements with banks and other financial institutions	-	138,065	-	-	138,065	138,065
Financial assets at fair value through profit or loss	3,498,736	255,737	-	-	255,737	3,754,473
Debt instruments at fair value through other comprehensive income	5,362,764	-	-	-	-	5,362,764
Debt instruments at amortised cost	13,400,407	594,678	-	-	594,678	13,995,085
Islamic derivative financial instruments	3,766,791	(6,060,043)	2,298,137	352,276	(3,409,630)	357,161
Financing, advances and other financing/loans	120,305,401	1,152,568	-	18,518	1,171,086	121,476,487
Other assets	319,116	1,865	691	1,094	3,650	322,766
Amount due from holding company and ultimate holding company	629,494	5,518	-	1	5,519	635,013
Amount due from related companies	40	-	-	-	-	40
	157,770,287	(3,575,075)	2,305,706	758,814	(510,555)	157,259,732

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.2 Market Risk (Continued)****53.2.3 Foreign exchange risk (Continued)**

- (a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

The Group 31 December 2023						
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	109,013,894	1,633,782	11,418	172,650	1,817,850	110,831,744
Investment accounts of customers	18,391,538	592,587	-	-	592,587	18,984,125
Deposits and placements of banks and other financial institutions	2,433,309	2,717,695	-	382,502	3,100,197	5,533,506
Collateralised Commodity Murabahah	2,229,121	-	-	-	-	2,229,121
Investment accounts due to designated financial institutions	3,424,851	-	-	-	-	3,424,851
Financial liabilities designated at fair value through profit or loss	2,821,784	-	-	-	-	2,821,784
Islamic derivative financial instruments	6,366,318	(8,403,673)	2,288,975	181,820	(5,932,878)	433,440
Amount due to related companies	976	-	-	-	-	976
Other liabilities	804,667	1,660	5,145	1,042	7,847	812,514
Lease liabilities	786	-	-	-	-	786
Recourse obligation on loans and financing sold to Cagamas	2,822,998	-	-	-	-	2,822,998
Sukuk	1,009,474	-	-	-	-	1,009,474
Subordinated sukuk	1,109,424	-	-	-	-	1,109,424
	150,429,140	(3,457,949)	2,305,538	738,014	(414,397)	150,014,743
Financial guarantees	409,672	332	-	-	332	410,004
Credit related commitments and contingencies	30,469,993	630,321	2,714	143,790	776,825	31,246,818
	30,879,665	630,653	2,714	143,790	777,157	31,656,822

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.2 Market Risk (Continued)****53.2.3 Foreign exchange risk (Continued)**

- (a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

	The Group 31 December 2022					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
<u>Financial assets</u>						
Cash and short-term funds	15,063,077	121,397	6,658	117,753	245,808	15,308,885
Reverse Collateralised Commodity Murabahah	503,206	-	-	-	-	503,206
Financial assets at fair value through profit or loss	1,739,423	302,803	-	-	302,803	2,042,226
Debt instruments at fair value through other comprehensive income	5,000,384	-	-	-	-	5,000,384
Debt instruments at amortised cost	8,859,692	501,772	-	-	501,772	9,361,464
Islamic derivative financial instruments	4,924,032	(7,456,170)	2,377,025	622,008	(4,457,137)	466,895
Financing, advances and other financing/loans	106,800,973	753,730	-	38,048	791,778	107,592,751
Other assets	301,785	19,174	650	415	20,239	322,024
Amount due from holding company and ultimate holding company	433,749	-	-	-	-	433,749
Amount due from related companies	20	-	-	-	-	20
	143,626,341	(5,757,294)	2,384,333	778,224	(2,594,737)	141,031,604

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.2 Market Risk (Continued)****53.2.3 Foreign exchange risk (Continued)**

- (a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

	The Group 31 December 2022					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non-MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	101,809,373	864,596	7,859	144,148	1,016,603	102,825,976
Investment accounts of customers	13,182,966	501,666	-	-	501,666	13,684,632
Deposits and placements of banks and other financial institutions	2,960,750	4,133,087	1,637	313,265	4,447,989	7,408,739
Collateralised Commodity Murabahah	1,927,726	-	-	-	-	1,927,726
Investment accounts due to designated financial institutions	3,576,590	-	-	-	-	3,576,590
Financial liabilities designated at fair value through profit or loss	2,857,004	-	-	-	-	2,857,004
Islamic derivative financial instruments	9,236,271	(11,165,872)	2,377,001	285,324	(8,503,547)	732,724
Amount due to related companies	755	-	-	-	-	755
Other liabilities	375,845	18,108	316	279	18,703	394,548
Lease liabilities	1,198	-	-	-	-	1,198
Subordinated sukuk	1,109,342	-	-	-	-	1,109,342
	137,037,820	(5,648,415)	2,386,813	743,016	(2,518,586)	134,519,234
Financial guarantees	327,696	9,084	-	561	9,645	337,341
Credit related commitments and contingencies	27,112,471	569,265	-	21,415	590,680	27,703,151
	27,440,167	578,349	-	21,976	600,325	28,040,492

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.2 Market Risk (Continued)****53.2.3 Foreign exchange risk (Continued)**

- (a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

	The Bank 31 December 2023					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	10,082,148	336,537	6,878	92,248	435,663	10,517,811
Reverse Collateralised Commodity Murabahah	405,390	-	-	294,677	294,677	700,067
Deposits and placements with banks and other financial institutions	-	138,065	-	-	138,065	138,065
Financial assets at fair value through profit or loss	3,498,736	255,737	-	-	255,737	3,754,473
Debt instruments at fair value through other comprehensive income	5,362,764	-	-	-	-	5,362,764
Debt instruments at amortised cost	13,400,407	594,678	-	-	594,678	13,995,085
Islamic derivative financial instruments	3,766,791	(6,060,043)	2,298,137	352,276	(3,409,630)	357,161
Financing, advances and other financing/loans	120,305,401	1,152,568	-	18,518	1,171,086	121,476,487
Other assets	319,116	1,865	691	1,094	3,650	322,766
Amount due from holding company and ultimate holding company	629,494	5,518	-	1	5,519	635,013
Amount due from related companies	40	-	-	-	-	40
	157,770,287	(3,575,075)	2,305,706	758,814	(510,555)	157,259,732

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.2 Market Risk (Continued)****53.2.3 Foreign exchange risk (Continued)**

- (a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

	The Bank 31 December 2023					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	109,013,894	1,633,782	11,418	172,650	1,817,850	110,831,744
Investment accounts of customers	18,391,538	592,587	-	-	592,587	18,984,125
Deposits and placements of banks and other financial institutions	2,433,309	2,717,695	-	382,502	3,100,197	5,533,506
Collateralised Commodity Murabahah	2,229,121	-	-	-	-	2,229,121
Investment accounts due to designated financial institutions	3,424,851	-	-	-	-	3,424,851
Financial liabilities designated at fair value through profit or loss	2,821,784	-	-	-	-	2,821,784
Islamic derivative financial instruments	6,366,318	(8,403,673)	2,288,975	181,820	(5,932,878)	433,440
Amount due to subsidiaries	46	-	-	-	-	46
Amount due to related companies	976	-	-	-	-	976
Other liabilities	804,667	1,660	5,145	1,042	7,847	812,514
Lease liabilities	786	-	-	-	-	786
Recourse obligation on loans and financing sold to Cagamas	2,822,998	-	-	-	-	2,822,998
Sukuk	1,009,474	-	-	-	-	1,009,474
Subordinated sukuk	1,109,424	-	-	-	-	1,109,424
	150,429,186	(3,457,949)	2,305,538	738,014	(414,397)	150,014,789
Financial guarantees	409,672	332	-	-	332	410,004
Credit related commitments and contingencies	30,469,993	630,321	2,714	143,790	776,825	31,246,818
	30,879,665	630,653	2,714	143,790	777,157	31,656,822

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.2 Market Risk (Continued)****53.2.3 Foreign exchange risk (Continued)**

- (a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

	The Bank 31 December 2022					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
Financial assets						
Cash and short-term funds	15,063,077	121,397	6,658	117,753	245,808	15,308,885
Reverse Collateralised Commodity Murabahah	503,206	-	-	-	-	503,206
Financial assets at fair value through profit or loss	1,739,423	302,803	-	-	302,803	2,042,226
Debt instruments at fair value through other comprehensive income	5,000,384	-	-	-	-	5,000,384
Debt instruments at amortised cost	8,859,692	501,772	-	-	501,772	9,361,464
Islamic derivative financial instruments	4,924,032	(7,456,170)	2,377,025	622,008	(4,457,137)	466,895
Financing, advances and other financing/loans	106,800,973	753,730	-	38,048	791,778	107,592,751
Other assets	301,785	19,174	650	415	20,239	322,024
Amount due from holding company and ultimate holding company	433,749	-	-	-	-	433,749
Amount due from related companies	20	-	-	-	-	20
	143,626,341	(5,757,294)	2,384,333	778,224	(2,594,737)	141,031,604

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.2 Market Risk (Continued)****53.2.3 Foreign exchange risk (Continued)**

- (a) The table below summarises the financial assets, financial liabilities and net open position by currency of the Group and the Bank: (Continued)

	The Bank 31 December 2022					
	MYR RM'000	USD RM'000	SGD RM'000	Others RM'000	Total non- MYR RM'000	Grand total RM'000
Financial liabilities						
Deposits from customers	101,809,373	864,596	7,859	144,148	1,016,603	102,825,976
Investment accounts of customers	13,182,966	501,666	-	-	501,666	13,684,632
Deposits and placements of banks and other financial institutions	2,960,750	4,133,087	1,637	313,265	4,447,989	7,408,739
Collateralised Commodity Murabahah	1,927,726	-	-	-	-	1,927,726
Investment accounts due to designated financial institutions	3,576,590	-	-	-	-	3,576,590
Financial liabilities designated at fair value through profit or loss	2,857,004	-	-	-	-	2,857,004
Islamic derivative financial instruments	9,236,271	(11,165,872)	2,377,001	285,324	(8,503,547)	732,724
Amount due to subsidiaries	46	-	-	-	-	46
Amount due to related companies	755	-	-	-	-	755
Other liabilities	375,845	18,108	316	279	18,703	394,548
Lease liabilities	1,198	-	-	-	-	1,198
Subordinated sukuk	1,109,342	-	-	-	-	1,109,342
	137,037,866	(5,648,415)	2,386,813	743,016	(2,518,586)	134,519,280
Financial guarantees	327,696	9,084	-	561	9,645	337,341
Credit related commitments and contingencies	27,112,471	569,265	-	21,415	590,680	27,703,151
	27,440,167	578,349	-	21,976	600,325	28,040,492

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.2 Market Risk (Continued)****53.2.3 Foreign exchange risk (Continued)****(b) Sensitivity of profit**

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

	The Group and the Bank			
	31 December 2023		31 December 2022	
	1% appreciation in foreign currency	1% depreciation in foreign currency	1% appreciation in foreign currency	1% depreciation in foreign currency
	Increase/(decrease) RM'000	RM'000	Increase/(decrease) RM'000	RM'000
Impact to profit (after tax)	(693)	693	316	(316)
USD	(966)	966	56	(56)
THB	8	(8)	6	(6)
HKD	38	(38)	33	(33)
GBP	234	(234)	212	(212)
JPY	(3)	3	(4)	4
SGD	(5)	5	(7)	7
EUR	(38)	38	(24)	24
AUD	(49)	49	(33)	33
Others	88	(88)	77	(77)

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

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.3 Liquidity Risk

Liquidity and funding risk is defined as the current and potential risk to earnings, shareholders fund or reputation arising from the Group's inability to efficiently meet its present and future (both anticipated and unanticipated) funding or regulatory obligations when they are due, which may adversely affect its daily operations and incur unacceptable losses. Liquidity risk arises from mismatches in the timing of cash flows.

The objective of the Group's liquidity risk management is to ensure that the Group can meet its cash obligations in a timely and cost-effective manner. To this end, the Group's liquidity risk management policy is to maintain high quality and well diversified portfolios of liquid assets and sources of funds under both business as usual and stress conditions. Due to its large delivery network and marketing focus, the Group is able to maintain a diversified core deposit base comprising savings, demand and term deposits, thus providing the Group with a stable large funding base from individuals, SMEs, corporates and financial institutions segments. The Group maintains some buffers of liquidity throughout the year to ensure safe and sound operations from a strategic, structural and tactical perspective.

The day-to-day responsibility for liquidity risk management and control in each individual entity is delegated to the respective Country Asset Liability Management Committee, which subsequently reports to Group Asset Liability Management Committee. The Group Asset Liability Management Committee meets at least once a month to discuss the liquidity risk and funding profile of the Group. The key liquidity risk metrics comprise of internal liquidity gaps or cashflow maturity profile mismatches under business as usual and stress scenarios, regulatory liquidity coverage ratio ("LCR") and Net Stable Funding Ratio ("NSFR") which are measured and monitored regularly. LCR is a quantitative regulatory requirement which seeks to ensure that banking institutions hold sufficient High Quality Liquid Assets ("HQLA") to withstand an acute liquidity stress scenario over a 30-calendar-days horizon. The Group monitors and reports LCR and NSFR based on the BNM LCR and NSFR Policy Document dated 25 August 2016 and 31 July 2019 respectively. The effective date for NSFR is 1 July 2021. As part of its ordinary course of business, the Bank maintains the LCR and NSFR above the regulatory requirements. In addition, liquidity risk stress testing under various scenarios covering bank-specific (idiosyncratic), market-wide and combined crises is performed regularly to identify sources of potential liquidity strain. Liquidity risk positions based on balance sheet forecasts and relevant risk drivers are projected to help business planning.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.3 Liquidity Risk (Continued)

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

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity Risk (Continued)****53.3.1 Contractual maturity of assets and liabilities**

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

	The Group							Total
	31 December 2023							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	10,517,811	-	-	-	-	-	-	10,517,811
Reverse Collateralised Commodity Murabahah	101,362	302,595	-	296,110	-	-	-	700,067
Deposits and placements with banks and other financial institutions	-	138,065	-	-	-	-	-	138,065
Financial assets at fair value through profit or loss	462,174	1,485,535	715,588	229,706	645,423	216,047	-	3,754,473
Debt instruments at fair value through other comprehensive income	73,308	82,250	17,057	135,603	2,732,742	2,321,804	-	5,362,764
Debt instruments at amortised cost	28,452	160,787	239,193	695,866	5,297,390	7,573,397	-	13,995,085
Islamic derivative financial instruments	109,147	69,938	28,187	2,013	96,867	51,009	-	357,161
Financing , advances and other financing/loans	4,908,406	1,505,922	872,502	1,610,236	12,362,853	100,216,568	-	121,476,487
Other assets	271,996	1	23,708	-	5,429	48,859	-	349,993
Deferred taxation	-	-	-	-	-	-	282,971	282,971
Tax recoverable	-	-	-	-	-	-	84,999	84,999
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,870,210	1,870,210
Amount due from holding company and ultimate holding company	635,013	-	-	-	-	-	-	635,013
Amount due from related companies	40	-	-	-	-	-	-	40
Goodwill	-	-	-	-	-	-	136,000	136,000
Right-of-use assets	-	-	-	-	-	-	569	569
Intangible assets	-	-	-	-	-	-	3,550	3,550
Property, plant and equipment	-	-	-	-	-	-	503	503
Total assets	17,107,709	3,745,093	1,896,235	2,969,534	21,140,704	110,427,684	2,378,802	159,665,761

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity Risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Group						No-specific maturity	Total
	31 December 2023							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Liabilities								
Deposits from customers	56,817,040	21,001,051	16,766,039	15,206,521	1,030,709	10,384	-	110,831,744
Investment accounts of customers	3,940,608	4,461,952	5,022,693	5,037,556	521,316	-	-	18,984,125
Deposits and placements of banks and other financial institutions	1,689,049	3,364,397	311,002	-	169,058	-	-	5,533,506
Collateralised Commodity Murabahah	385,059	870,900	973,162	-	-	-	-	2,229,121
Investment accounts due to designated financial institutions	3,424,851	-	-	-	-	-	-	3,424,851
Financial liabilities designated at fair value through profit or loss	8,941	6,185	1,702	10,755	2,786,333	7,868	-	2,821,784
Islamic derivative financial instruments	119,874	79,140	41,863	1,926	147,576	43,061	-	433,440
Amount due to related companies	976	-	-	-	-	-	-	976
Other liabilities	664,566	752	147	301	70,559	81,755	-	818,080
Lease liabilities	-	-	-	786	-	-	-	786
Recourse obligation on loans and financing sold to Cagamas	15,438	2,800	-	488,000	2,316,760	-	-	2,822,998
Sukuk	-	-	3,595	-	703,694	302,185	-	1,009,474
Subordinated sukuk	-	8,055	1,369	800,000	300,000	-	-	1,109,424
Total liabilities	67,066,402	29,795,232	23,121,572	21,545,845	8,046,005	445,253	-	150,020,309
Net liquidity gap	(49,958,693)	(26,050,139)	(21,225,337)	(18,576,311)	13,094,699	109,982,431	2,378,802	

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity Risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Group 31 December 2022							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Assets								
Cash and short-term funds	15,308,885	-	-	-	-	-	-	15,308,885
Reverse repurchase agreements	503,206	-	-	-	-	-	-	503,206
Financial assets at fair value through profit or loss	343,543	301,399	92,083	303,747	930,516	70,938	-	2,042,226
Debt instruments at fair value through other comprehensive income	43,989	63,856	229,922	89,302	1,984,373	2,588,942	-	5,000,384
Debt instruments at amortised cost	19,141	128,720	574,614	755,730	3,882,735	4,000,524	-	9,361,464
Islamic derivative financial instruments	108,161	194,698	42,548	10,814	52,350	58,324	-	466,895
Financing , advances and other financing/loans	3,695,359	1,276,701	662,456	1,749,170	9,912,086	90,296,979	-	107,592,751
Other assets	390,964	8	-	-	60,770	37,322	-	489,064
Deferred taxation	-	-	-	-	-	-	188,883	188,883
Tax recoverable	-	-	-	-	-	-	4,409	4,409
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,696,000	1,696,000
Amount due from holding company and ultimate holding company	433,749	-	-	-	-	-	-	433,749
Amount due from related companies	20	-	-	-	-	-	-	20
Goodwill	-	-	-	-	-	-	136,000	136,000
Right-of-use assets	-	-	-	-	-	-	1,004	1,004
Intangible assets	-	-	-	-	-	-	1,499	1,499
Property, plant and equipment	-	-	-	-	-	-	778	778
Total assets	20,847,017	1,965,382	1,601,623	2,908,763	16,822,830	97,053,029	2,028,573	143,227,217

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity Risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity Risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Bank 31 December 2023							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Assets								
Cash and short-term funds	10,517,811	-	-	-	-	-	-	10,517,811
Reverse Collateralised Commodity Murabahah	101,362	302,595	-	296,110	-	-	-	700,067
Deposits and placements with banks and other financial institutions	-	138,065	-	-	-	-	-	138,065
Financial assets at fair value through profit or loss	462,174	1,485,535	715,588	229,706	645,423	216,047	-	3,754,473
Debt instruments at fair value through other comprehensive income	73,308	82,250	17,057	135,603	2,732,742	2,321,804	-	5,362,764
Debt instruments at amortised cost	28,452	160,787	239,193	695,866	5,297,390	7,573,397	-	13,995,085
Islamic derivative financial instruments	109,147	69,938	28,187	2,013	96,867	51,009	-	357,161
Financing , advances and other financing/loans	4,908,406	1,505,922	872,502	1,610,236	12,362,853	100,216,568	-	121,476,487
Other assets	271,996	1	23,708	-	5,429	48,859	-	349,993
Deferred taxation	-	-	-	-	-	-	282,971	282,971
Tax recoverable	-	-	-	-	-	-	84,999	84,999
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,870,210	1,870,210
Investment in subsidiaries	-	-	-	-	-	-	11	11
Amount due from holding company and ultimate holding company	635,013	-	-	-	-	-	-	635,013
Amount due from related companies	40	-	-	-	-	-	-	40
Goodwill	-	-	-	-	-	-	136,000	136,000
Right-of-use assets	-	-	-	-	-	-	569	569
Intangible assets	-	-	-	-	-	-	3,550	3,550
Property, plant and equipment	-	-	-	-	-	-	503	503
Total assets	17,107,709	3,745,093	1,896,235	2,969,534	21,140,704	110,427,684	2,378,813	159,665,772

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity Risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Bank 31 December 2023							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No-specific maturity RM'000	
Liabilities								
Deposits from customers	56,817,040	21,001,051	16,766,039	15,206,521	1,030,709	10,384	-	110,831,744
Investment accounts of customers	3,940,608	4,461,952	5,022,693	5,037,556	521,316	-	-	18,984,125
Deposits and placements of banks and other financial institutions	1,689,049	3,364,397	311,002	-	169,058	-	-	5,533,506
Collateralised Commodity Murabahah	385,059	870,900	973,162	-	-	-	-	2,229,121
Investment accounts due to designated financial institutions	3,424,851	-	-	-	-	-	-	3,424,851
Financial liabilities designated at fair value through profit or loss	8,941	6,185	1,702	10,755	2,786,333	7,868	-	2,821,784
Islamic derivative financial instruments	119,874	79,140	41,863	1,926	147,576	43,061	-	433,440
Amount due to subsidiaries	46	-	-	-	-	-	-	46
Amount due to related companies	976	-	-	-	-	-	-	976
Other liabilities	664,566	752	147	301	70,559	81,755	-	818,080
Lease liabilities	-	-	-	786	-	-	-	786
Recourse obligation on loans and financing sold to Cagamas	15,438	2,800	-	488,000	2,316,760	-	-	2,822,998
Sukuk	-	-	3,595	-	703,694	302,185	-	1,009,474
Subordinated sukuk	-	8,055	1,369	800,000	300,000	-	-	1,109,424
Total liabilities	67,066,448	29,795,232	23,121,572	21,545,845	8,046,005	445,253	-	150,020,355
Net liquidity gap	(49,958,739)	(26,050,139)	(21,225,337)	(18,576,311)	13,094,699	109,982,431	2,378,813	

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for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity Risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

	The Bank							Total
	31 December 2022							
	Up to 1 month	> 1 – 3 months	> 3 – 6 months	> 6 – 12 months	> 1 – 5 years	Over 5 years	No-specific maturity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Assets								
Cash and short-term funds	15,308,885	-	-	-	-	-	-	15,308,885
Reverse repurchase agreements	503,206	-	-	-	-	-	-	503,206
Deposits and placements with banks and other financial institutions	-	-	-	-	-	-	-	-
Financial assets at fair value through profit or loss	343,543	301,399	92,083	303,747	930,516	70,938	-	2,042,226
Debt instruments at fair value through other comprehensive income	43,989	63,856	229,922	89,302	1,984,373	2,588,942	-	5,000,384
Debt instruments at amortised cost	19,141	128,720	574,614	755,730	3,882,735	4,000,524	-	9,361,464
Islamic derivative financial instruments	108,161	194,698	42,548	10,814	52,350	58,324	-	466,895
Financing , advances and other financing/loans	3,695,359	1,276,701	662,456	1,749,170	9,912,086	90,296,979	-	107,592,751
Other assets	390,964	8	-	-	60,770	37,322	-	489,064
Deferred taxation	-	-	-	-	-	-	188,883	188,883
Tax recoverable	-	-	-	-	-	-	4,409	4,409
Statutory deposits with Bank Negara Malaysia	-	-	-	-	-	-	1,696,000	1,696,000
Investment in subsidiaries	-	-	-	-	-	-	11	11
Amount due from holding company and ultimate holding company	433,749	-	-	-	-	-	-	433,749
Amount due from related companies	20	-	-	-	-	-	-	20
Goodwill	-	-	-	-	-	-	136,000	136,000
Right-of-use assets	-	-	-	-	-	-	1,004	1,004
Intangible assets	-	-	-	-	-	-	1,499	1,499
Property, plant and equipment	-	-	-	-	-	-	778	778
Total assets	20,847,017	1,965,382	1,601,623	2,908,763	16,822,830	97,053,029	2,028,584	143,227,228

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity Risk (Continued)****53.3.1 Contractual maturity of assets and liabilities (Continued)**

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

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

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity Risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis****Non-derivative financial liabilities**

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow.

	The Group 31 December 2023							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	
Non-derivative financial liabilities								
Deposits from customers	56,846,555	21,137,021	17,012,632	15,682,202	1,202,301	19,165	-	111,899,876
Investment accounts of customers	3,943,899	4,492,137	5,102,985	5,190,453	680,860	-	-	19,410,334
Deposits and placements of banks and other financial institutions	1,690,014	3,391,491	314,020	-	169,058	-	-	5,564,583
Collateralised Commodity Murabahah	385,059	870,900	973,162	-	-	-	-	2,229,121
Investment accounts due to designated financial institutions	3,431,804	-	-	-	-	-	-	3,431,804
Financial liabilities designated at fair value through profit or loss	194	13,902	24,474	59,318	3,069,021	7,861	-	3,174,770
Amount due to related companies	976	-	-	-	-	-	-	976
Other liabilities	654,523	4,247	1,474	301	70,259	81,755	-	812,559
Lease liabilities	-	197	197	396	-	-	-	790
Recourse obligation on loans and financing sold to Cagamas	18,486	10,403	18,788	545,462	2,654,910	-	-	3,248,049
Senior Sukuk	-	-	20,556	20,668	859,896	328,010	-	1,229,130
Subordinated sukuk	-	15,041	7,370	822,574	344,100	-	-	1,189,085
	66,971,510	29,935,339	23,475,658	22,321,374	9,050,405	436,791	-	152,191,077
Financial guarantees	410,004	-	-	-	-	-	-	410,004
Credit related commitments and contingencies	16,920,256	121,744	94,899	236,763	938,968	12,934,188	-	31,246,818
	17,330,260	121,744	94,899	236,763	938,968	12,934,188	-	31,656,822

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for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity Risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Non-derivative financial liabilities (Continued)**

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

	The Group 31 December 2022							Total RM'000
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	
Non-derivative financial liabilities								
Deposits from customers	56,452,393	23,991,460	13,152,920	8,554,043	1,426,011	38,233	-	103,615,060
Investment accounts of customers	2,481,450	2,119,906	3,941,262	4,719,138	138,253	649,523	-	14,049,532
Deposits and placements of banks and other financial institutions	2,581,491	4,584,380	111,103	-	163,581	-	-	7,440,555
Collateralised Commodity Murabahah	-	607,739	346,967	-	973,020	-	-	1,927,726
Investment accounts due to designated financial institutions	3,583,378	-	-	-	-	-	-	3,583,378
Financial liabilities designated at fair value through profit or loss	3,374	6,431	9,356	36,664	3,290,555	166	-	3,346,546
Amount due to related companies	755	-	-	-	-	-	-	755
Other liabilities	357,527	755	150	534	28,281	7,308	-	394,555
Lease liabilities	-	152	152	305	610	-	-	1,219
Subordinated sukuk	-	15,041	7,370	22,534	1,188,758	-	-	1,233,703
	65,460,368	31,325,864	17,569,280	13,333,218	7,209,069	695,230	-	135,593,029
Financial guarantees	337,341	-	-	-	-	-	-	337,341
Credit related commitments and contingencies	14,863,547	105,054	51,265	4,015	155,872	12,523,398	-	27,703,151
	15,200,888	105,054	51,265	4,015	155,872	12,523,398	-	28,040,492

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for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity Risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Non-derivative financial liabilities (Continued)**

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	The Bank 31 December 2023 > 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	Total RM'000
Non-derivative financial liabilities								
Deposits from customers	56,846,555	21,137,021	17,012,632	15,682,202	1,202,301	19,165	-	111,899,876
Investment accounts of customers	3,943,899	4,492,137	5,102,985	5,190,453	680,860	-	-	19,410,334
Deposits and placements of banks and other financial institutions	1,690,014	3,391,491	314,020	-	169,058	-	-	5,564,583
Collateralised Commodity Murabahah	385,059	870,900	973,162	-	-	-	-	2,229,121
Investment accounts due to designated financial institutions	3,431,804	-	-	-	-	-	-	3,431,804
Financial liabilities designated at fair value through profit or loss	194	13,902	24,474	59,318	3,069,021	7,861	-	3,174,770
Amount due to subsidiaries	46	-	-	-	-	-	-	46
Amount due to related companies	976	-	-	-	-	-	-	976
Other liabilities	654,523	4,247	1,474	301	70,259	81,755	-	812,559
Lease liabilities	-	197	197	396	-	-	-	790
Recourse obligation on loans and financing sold to Cagamas	18,486	10,403	18,788	545,462	2,654,910	-	-	3,248,049
Other borrowings	-	-	20,556	20,668	859,896	328,010	-	1,229,130
Senior Sukuk	-	-	7,370	822,574	344,100	-	-	1,189,085
Subordinated sukuk	-	15,041	-	-	-	-	-	-
	66,971,556	29,935,339	23,475,658	22,321,374	9,050,405	436,791	-	152,191,123
Financial guarantees	410,004	-	-	-	-	-	-	410,004
Credit related commitments and contingencies	16,920,256	121,744	94,899	236,763	938,968	12,934,188	-	31,246,818
	17,330,260	121,744	94,899	236,763	938,968	12,934,188	-	31,656,822

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity Risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Non-derivative financial liabilities (Continued)**

The tables below present the cash flows payable by the Group and the Bank under non-derivative financial liabilities by remaining contractual maturities at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow. (Continued)

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.3 Liquidity Risk (Continued)

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

Derivative financial liabilities

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities.

All trading derivatives, whether net or gross settled are analysed based on the expected maturity as the contractual maturity is not considered to be essential to the understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the fair values.

Hedging derivatives are disclosed based on remaining contractual maturities as the contractual maturities of such contracts are essential for an understanding of the timing of the cash flows. The amounts disclosed in respect of such contracts are the contractual undiscounted cash flows.

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity Risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis:

	The Group and the Bank							Total
	31 December 2023							
	Up to 1 month RM'000	> 1 – 3 months RM'000	> 3 – 6 months RM'000	> 6 – 12 months RM'000	> 1 – 5 years RM'000	Over 5 years RM'000	No specific maturity RM'000	RM'000
Derivative financial liabilities								
Trading derivatives								
- Foreign exchange derivatives	(2,614)	-	-	-	-	-	-	(2,614)
- Profit rate derivatives	(103,561)	-	-	-	-	-	-	(103,561)
- Equity related derivatives	(510)	-	-	-	-	-	-	(510)
- Commodity related derivatives	(32)	-	-	-	-	-	-	(32)
- Credit related contracts	(610)	-	-	-	-	-	-	(610)
Hedging derivatives:								
- Profit rate derivatives	(455)	(54)	(86)	(1,029)	(5,567)	92	-	(7,099)
	(107,782)	(54)	(86)	(1,029)	(5,567)	92	-	(114,426)

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for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.3 Liquidity Risk (Continued)****53.3.2 Contractual maturity of financial liabilities on an undiscounted basis (Continued)****Derivative financial liabilities (Continued)**

The table below analyses the Group's and the Bank's trading derivative financial liabilities and hedging derivative financial liabilities that will be settled on a net basis: (Continued)

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.3 Liquidity Risk (Continued)

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

Derivative financial liabilities (Continued)

The Group's and the Bank's derivatives that will be settled on a gross basis include foreign exchange derivatives, such as currency forward, currency swap, and cross currency profit rate swaps.

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow:

	The Group and the Bank 31 December 2023	
	Up to 1 month RM'000	Total RM'000
Derivative financial liabilities		
Trading derivatives		
Foreign exchange derivatives	(319,299)	(319,299)
	<u>(319,299)</u>	<u>(319,299)</u>

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.3 Liquidity Risk (Continued)

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

Derivative financial liabilities (Continued)

The table below analyses the Group's and the Bank's derivative financial liabilities that will be settled on a gross basis into relevant maturity groupings by expected maturity at the end of the reporting period. The amounts disclosed in the table are the contractual undiscounted cash flow: (Continued)

	The Group and the Bank	
	31 December 2022	
	Up to 1 month RM'000	Total RM'000
Derivative financial liabilities		
Trading derivatives		
Foreign exchange derivatives	(482,534)	(482,534)
	<u>(482,534)</u>	<u>(482,534)</u>

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.4 Fair value estimation

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

53.4.1 Determination of fair value and fair value hierarchy

The fair value hierarchy has the following levels:

Level 1 Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets and liabilities in active markets; or
- Quoted prices for identical or similar assets and liabilities in non-active markets; or
- Inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 One or more inputs to the valuation methodology are unobservable and significant to the fair value measurement.

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

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

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.4 Fair value estimation (Continued)

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

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

If prices or quotes are not available for an instrument or a similar instrument, fair value will be established by using valuation techniques or Mark-to-Model. Judgment may be required to assess the need for valuation adjustments to appropriately reflect unobservable parameters. The valuation models shall also consider relevant transaction data such as maturity. The inputs are then benchmarked and extrapolated to derive the fair value.

Valuation Model Review and Approval

- Fair valuation of financial instruments is determined either through Mark-to-Market or Mark-to-Model methodology, as appropriate;
- Market Risk Management is mandated to perform Mark-to-Market, Mark-to-Model and rate reasonableness verification. Market price and/or rate sources for Mark-to-Market are validated by Market Risk Management as part and parcel of market data reasonableness verification;
- Valuation methodologies for the purpose of determining Mark-to-Model prices will be verified by Group Risk Management Quantitative analysts before submitting to the Group Market Risk Committee (“GMRC”) for approval;
- Mark-to-Model process shall be carried out by Market Risk Management in accordance with the approved valuation methodologies. Group Risk Management Quantitative analysts are responsible for independent evaluation and validation of the Group’s financial models used for valuation;
- Group Risk Management Quantitative analysts are the guardian of the financial models and valuation methodologies. Market rate sources and model inputs for the purpose of Mark-to-Model must be verified by Group Risk Management Quantitative analysts and approved by Regional Head, Market Risk Management and/or the GMRC;

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.1 Determination of fair value and fair value hierarchy (Continued)****Valuation Model Review and Approval (Continued)**

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

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

	The Group and the Bank Fair Value		
	Level 2 RM'000	Level 3 RM'000	Carrying amount RM'000
31 December 2023			
<i>Recurring fair value measurements</i>			
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
-Money market instruments	3,579,418	-	3,579,418
-Unquoted securities	175,055	-	175,055
Debt instruments at fair value through other comprehensive income			
-Money market instruments	1,744,746	-	1,744,746
-Unquoted securities	3,618,018	-	3,618,018
Derivative financial instruments:			
-Trading derivatives	324,633	510	325,143
-Hedging derivatives	32,018	-	32,018
Financing, advances and other financing/loans at fair value through profit or loss	274,133	-	274,133
Total	9,748,021	510	9,748,531
<i>Recurring fair value measurements</i>			
<u>Financial liabilities</u>			
Derivative financial instruments:			
-Trading derivatives	426,116	510	426,626
-Hedging derivatives	6,814	-	6,814
Financial liabilities designated at fair value through profit or loss	2,821,784	-	2,821,784
Total	3,254,714	510	3,255,224

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.1 Determination of fair value and fair value hierarchy (Continued)**

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

	The Group and the Bank Fair Value		
	Level 2 RM'000	Level 3 RM'000	Carrying amount RM'000
31 December 2022			
<i>Recurring fair value measurements</i>			
<u>Financial assets</u>			
Financial assets at fair value through profit or loss			
-Money market instruments	1,659,213	-	1,659,213
-Unquoted securities	383,013	-	383,013
Debt instruments at fair value through other comprehensive income			
-Money market instruments	1,550,180	-	1,550,180
-Unquoted securities	3,450,204	-	3,450,204
Derivative financial instruments:			
-Trading derivatives	449,930	-	449,930
-Hedging derivatives	16,965	-	16,965
Total	7,509,505	-	7,509,505
<i>Recurring fair value measurements</i>			
<u>Financial liabilities</u>			
Derivative financial instruments:			
-Trading derivatives	731,241	-	731,241
-Hedging derivatives	1,483	-	1,483
Financial liabilities designated at fair value through profit or loss	2,857,004	-	2,857,004
Total	3,589,728	-	3,589,728

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.1 Determination of fair value and fair value hierarchy (Continued)**

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2023 (31 December 2022: Nil changes) for the Group and the Bank:

	Financial Assets	Financial Liabilities
	Derivative financial instruments	Derivative financial instruments
	Trading derivatives	Trading derivatives
	RM'000	RM'000
The Group and the Bank		
At 1 January 2023	-	-
Total gains/(losses) recognised in statement of income	205	(141)
Purchases	342	(423)
Settlements	(37)	54
At 31 December 2023	510	(510)
Total gains/(losses) recognised in statement of income for financial year ended 31 December 2023 under:		
- net other income	205	(141)

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.2 Fair value of financial assets and liabilities measured at amortised cost**

The following table analyse within the fair value hierarchy the Group's assets and liabilities' fair value as at 31 December 2023 and 31 December 2022 where the fair value does not approximate to carrying amount in the statement of financial position:

	The Group and the Bank		
	Fair Value		
	Carrying amount RM'000	Level 2 RM'000	Total RM'000
31 December 2023			
Assets			
Reverse Collateralised Commodity Murabahah	700,067	691,815	691,815
Debt instruments at amortised cost	13,995,085	14,213,265	14,213,265
Financing, advances and other financing/loans	121,202,354	121,559,698	121,559,698
Total	135,897,506	136,464,778	136,464,778
Liabilities			
Deposits from customers	110,831,744	110,881,716	110,881,716
Investment accounts of customers	18,984,125	19,030,370	19,030,370
Deposits and placements of banks and other financial institutions	5,533,506	5,521,785	5,521,785
Recourse obligation on loans and financing sold to Cagamas	2,822,998	2,861,590	2,861,590
Senior Sukuk	1,009,474	1,034,762	1,034,762
Subordinated Sukuk	1,109,424	1,118,224	1,118,224
Total	140,291,271	140,448,447	140,448,447

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**Notes to the Financial Statements
for the financial year ended 31 December 2023 (Continued)****53 Financial Risk Management (Continued)****53.4 Fair value estimation (Continued)****53.4.2 Fair value of financial assets and liabilities measured at amortised cost (Continued)**

The following table analyse within the fair value hierarchy the Group's assets and liabilities' fair value as at 31 December 2023 and 31 December 2022 where the fair value does not approximate to carrying amount in the statement of financial position: (Continued)

	The Group and the Bank Fair Value		
	Carrying amount RM'000	Level 2 RM'000	Total RM'000
31 December 2022			
Assets			
Debt instruments at amortised cost	9,361,464	9,402,850	9,402,850
Financing, advances and other financing/loans	107,592,751	108,069,591	108,069,591
Total	<u>116,954,215</u>	<u>117,472,441</u>	<u>117,472,441</u>
Liabilities			
Deposits from customers	102,825,976	102,844,747	102,844,747
Investment accounts of customers	13,684,632	13,737,357	13,737,357
Deposits and placements of banks and other financial institutions	7,408,739	7,392,497	7,392,497
Collateralised Commodity Murabahah	1,927,726	1,875,589	1,875,589
Subordinated Sukuk	1,109,342	1,106,439	1,106,439
Total	<u>126,956,415</u>	<u>126,956,629</u>	<u>126,956,629</u>

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.4 Fair value estimation (Continued)

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

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

Short-term funds and placements with financial institutions

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

Debt instruments at amortised cost

The estimated fair value is generally based on quoted and observable market prices. Where there is no ready market in certain securities, the Group and the Bank establish fair value by using valuation techniques. These include the use of recent arm's length transactions, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Other assets

The fair value of other assets approximates the carrying value less impairment allowance at the statement of financial position date.

Financing, advances and other financing/loans

For variable rate financing, the carrying value is generally a reasonable estimate of fair value.

For fixed rate financing with maturities of six months or more, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of financing with similar credit risks and maturities.

The fair values of impaired variable and fixed rate financing are represented by their carrying value, net of individual impairment allowance being the expected recoverable amount.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.4 Fair value estimation (Continued)

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

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

The estimated fair values of the amount due (to)/from subsidiaries and related companies and amount due (to)/from ultimate holding company approximate the carrying values as the balances are either recallable on demand or are based on the current rates for such similar financing.

Deposits from customers

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

Investment accounts of customers and investment accounts due to designated financial institutions

The estimated fair values of investment accounts of customers and investment accounts due to designated financial institutions with maturities of less than six months approximate the carrying values. For placements with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market profit rates for placements with similar remaining period to maturities.

Deposits and placements of banks and other financial institutions

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

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.4 Fair value estimation (Continued)

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

Collateralised Commodity Murabahah

The estimated fair values of Collateralised Commodity Murabahah with maturities of less than six months approximate the carrying values. For Collateralised Commodity Murabahah with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing money market rates with similar remaining period to maturity.

Other liabilities

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

Lease liabilities

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

Recourse obligation on loans and financing sold to Cagamas

The estimated fair values of loans and financing sold to Cagamas with maturities of less than six months approximate the carrying values. For loans and financing sold to Cagamas with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for loans and financing sold to Cagamas with similar risk profile.

Senior Sukuk

The estimated fair values of Sukuk with maturities of less than six months approximate the carrying values. For Sukuk with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for Sukuk with similar risk profile.

Subordinated Sukuk

The fair values for the quoted subordinated Sukuk are obtained from quoted market prices while the fair values for unquoted subordinated Sukuk are estimated based on discounted cash flow models.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.4 Fair value estimation (Continued)

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

Credit related commitment and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

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

Certain credit derivatives products where valuation inputs are unobservable are valued using analytic/semi-analytic pricing models that model credit default with other market variables such as foreign exchange ("FX") rates in a mathematically and theoretically consistent framework. These valuation models are the usual market standard used in credit derivatives pricing.

Credit derivatives inputs deemed to trigger Level 3 classification:

- Correlation between Credit and FX

Actual transactions, where available, are used to regularly recalibrate such unobservable parameters.

For the purpose of Model Reserve, the following ranges (where applicable) are proposed to be used for calculating such reserves:

- Credit and FX correlation (reserve on a Level 3 input) -
 1. Short Quanto CDS position shocked with larger negative correlation.
 2. Long Quanto CDS position shocked with larger positive correlation.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.4 Fair value estimation (Continued)

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

- FX Volatility (reserve on valuation model) -
 1. Long volatility shocked with lower volatility.
 2. Short volatility shocked with higher volatility.

Equity derivatives which primarily include over-the-counter options on individual or basket of shares or market indices are valued using option pricing models such as Black-Scholes and Monte Carlo Simulations.

These models are calibrated with the inputs which include underlying spot prices, dividend and yield curves. A Level 3 input for equity options is historical volatility i.e. volatility derived from the shares' historical prices. The magnitude and direction of the impact to the fair value depend on whether the Group is long or short the exposure.

- Higher volatility will result in higher fair value for net long positions.
- Higher volatility will result in lower fair value for net short positions.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

53 Financial Risk Management (Continued)

53.4 Fair value estimation (Continued)

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

The Group and the Bank Description	Fair value assets RM'000	Fair value liabilities RM'000	Valuation technique(s)	Unobservable inputs	Range of unobservable input	Inter-relationship between significant unobservable inputs and fair value measurement
Derivative financial instruments - Equity derivatives						
2023	510	(510)	Option pricing	Equity volatility	17.14% to 20.33%	Higher volatility results in higher/lower fair value depending on the net long/short positions
2022	-	-				

Sensitivity analysis for Level 3

The sensitivity of the fair value of equity derivatives to the movement in significant unobservable input is insignificant for the financial year ended 31 December 2023. Nil Level 3 in 2022.

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Notes to the Financial Statements for the financial year ended 31 December 2023 (Continued)

54 Directors of subsidiaries of the Bank

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

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

55 Authorisation for issue of Financial Statements

The Financial Statements have been authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 15 March 2024.