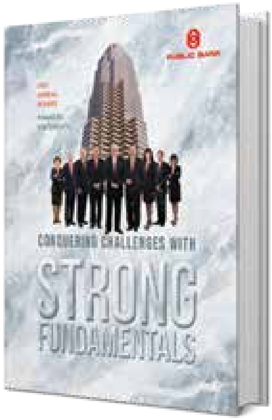
PUBLIC BANK

2021
ANNUAL
REPORT

FINANCIAL
STATEMENTS

CONQUERING CHALLENGES WITH STRONG FUNDAMENTALS



CONQUERING CHALLENGES WITH STRONG FUNDAMENTALS

This year's cover design with the marble base is reflective of our theme **'Conquering Challenges with Strong Fundamentals'**. Marble is a highly durable element known for its attributes of resilience, solidness and strength. Qualities which mirror the enduring strengths of Public Bank and our visionary leadership.

We credit our endurance to a resilient business model, prudent management and disciplined culture. The impeccable track record of the Bank is testament to our consistently strong financial and business performance. The strength of these fundamentals makes it possible for us to conquer challenges, step up our game and grow whilst navigating the ever-changing issues of these unprecedented times.

We will continue to leverage on our fundamentals to remain resilient and emerge stronger and better.

CORPORATE PHILOSOPHY

Public Bank Cares...

For Its Customers

- By providing the most courteous and efficient service in every aspect of its business
- By being innovative in the development of new banking products and services

For Its Shareholders

- By forging ahead and consolidating its position as a stable and progressive financial institution
- By generating profits and a fair return on their investment

For Its Employees

- By promoting the well-being of its staff through attractive remuneration and fringe benefits
- By promoting good staff morale through proper staff training and development and provision of opportunities for career advancement

For The Community It Serves

- By assuming its role as a socially responsible corporate citizen in a tangible manner
- By adhering closely to national policies and objectives thereby contributing towards the progress of the nation

...With Integrity

3RD LARGEST
bank in Malaysia by total assets

RM5.66 BILLION
net profit attributable to equity holders

INSIDE THIS **REPORT**

FINANCIAL STATEMENTS

CORPORATE **MISSION**

To sustain the position of being the **most efficient, profitable and respected premier financial institution in Malaysia.**

443 BRANCHES
network in the region

RM462.74 BILLION
in total assets

FINANCIAL HIGHLIGHTS

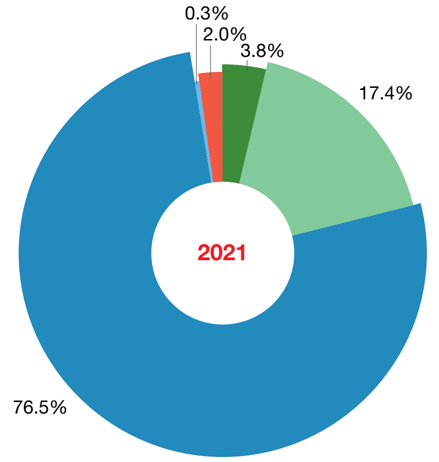
	GROUP		BANK	
	2021	**2020**	**2021**	**2020**
PROFITABILITY (RM'MILLION)				
Operating revenue	**19,623**	20,304	**13,469**	14,600
Operating profit	**8,579**	7,403	**6,673**	5,884
Profit before tax expense and zakat	**7,367**	6,285	**5,798**	5,156
Net profit attributable to equity holders of the Bank	**5,657**	4,872	**4,635**	4,125
KEY BALANCE SHEET DATA (RM'MILLION)				
Total assets	**462,739**	451,257	**358,933**	353,221
Gross loans, advances and financing	**358,027**	345,651	**274,926**	269,512
Deposits from customers	**380,394**	365,871	**288,512**	278,079
Shareholders' equity	**48,163**	47,248	**40,038**	39,940
FINANCIAL RATIOS (%)				
Profitability Ratios				
Net interest margin on average interest bearing assets	**2.2**	2.0	**2.1**	1.8
Net return on equity[1]	**12.4**	11.2	**12.2**	11.3
Return on average assets	**1.6**	1.4	**1.6**	1.5
Return on average risk-weighted assets	**2.5**	2.2	**2.5**	2.3
Capital Adequacy Ratios[2]				
Common Equity Tier I capital ratio	**14.5**	14.0	**13.3**	12.6
Tier I capital ratio	**14.6**	14.0	**13.4**	12.7
Total capital ratio	**17.7**	17.1	**16.6**	16.0
Asset Quality Ratio				
Gross impaired loans ratio	**0.3**	0.4	**0.3**	0.3

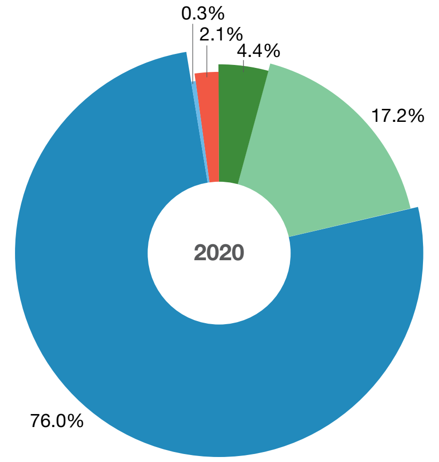
[1] *Based on average equity attributable to equity holders of the Bank, adjusted for dividend declared subsequent to year end.*
[2] *After deducting dividend declared subsequent to year end.*

SIMPLIFIED GROUP **BALANCE SHEET**

ASSETS

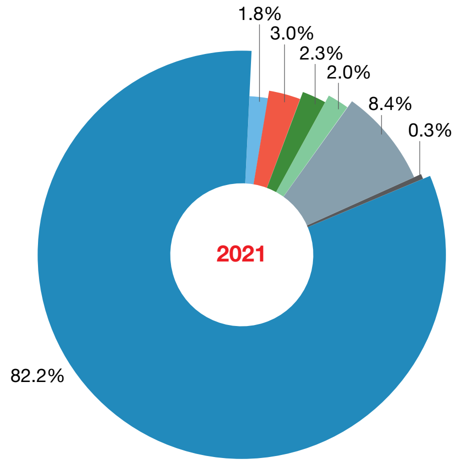
- Cash and balances with banks and reverse repurchase agreements
- Portfolio of financial investments
- Loans, advances and financing
- Statutory deposits with Central Banks
- Other assets (including intangible assets)

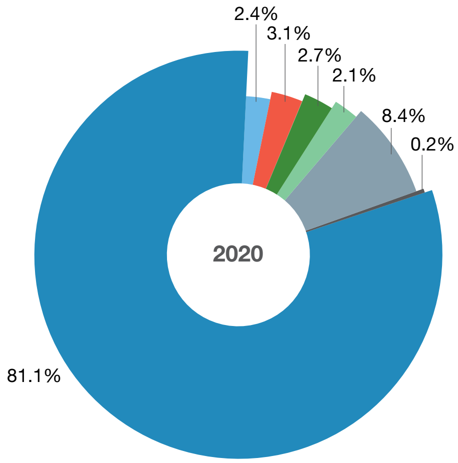




LIABILITIES & EQUITY

- Deposits from customers
- Deposits from banks
- Bills and acceptances payable and other liabilities
- Debt securities issued and other borrowed funds
- Share capital
- Reserves
- Non-controlling interests





FIVE-YEAR GROUP **FINANCIAL SUMMARY**

YEAR ENDED 31 DECEMBER	2021	2020	2019	2018	2017
OPERATING RESULTS (RM'MILLION)					
Operating profit	**8,579**	7,403	7,283	7,270	7,319
Profit before tax expense and zakat	**7,367**	6,285	7,134	7,101	7,118
Net profit attributable to equity holders of the Bank	**5,657**	4,872	5,512	5,591	5,470
KEY BALANCE SHEET DATA (RM'MILLION)					
Total assets	**462,739**	451,257	432,831	419,693	395,276
Gross loans, advances and financing	**358,027**	345,651	330,468	317,302	304,453
Total liabilities	**413,314**	402,830	388,084	377,597	356,831
Deposits from customers	**380,394**	365,871	353,340	339,160	319,259
Core customer deposits	**325,770**	310,144	294,646	283,846	269,723
Share capital	**9,418**	9,418	9,418	9,418	9,418*
Shareholders' equity	**48,163**	47,248	43,594	40,973	37,365
Commitments and contingencies	**102,643**	106,934	94,315	96,368	95,443
SHARE INFORMATION AND VALUATION					
Share Information					
Per share (sen)					
Basic/Diluted earnings#	**29.1**	25.1	28.4	28.9	28.3
Dividend#	**15.2**	13.0	14.6	13.8	12.2
Net assets#	**248.1**	243.4	224.6	211.1	193.5
Share price as at 31 December (RM)#	**4.16**	4.12	3.89	4.95	4.16
Market capitalisation (RM'Million)	**80,748**	79,972	75,469	96,122	80,671
Valuation					
Dividend yield (%)	**3.7**	3.2	3.8	2.8	2.9
Dividend payout ratio (%)	**52.2**	51.8	51.4	47.9	43.1
Price to earnings multiple (times)	**14.3**	16.4	13.7	17.2	14.7
Price to book multiple (times)	**1.7**	1.7	1.7	2.3	2.1

* *The Bank's share premium account was transferred to form part of the Bank's share capital pursuant to the Companies Act 2016 which came into force on 31 January 2017.*

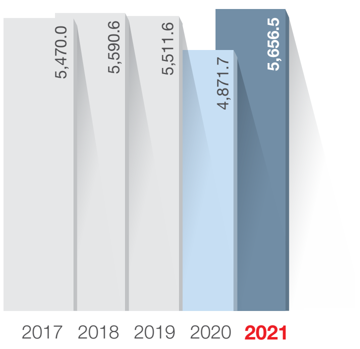
\# *For comparative purpose, the earnings, dividend, net assets and price per share had been adjusted to reflect the bonus issue of four bonus shares for every one existing ordinary share which was completed on 29 January 2021.*

YEAR ENDED 31 DECEMBER	2021	2020	2019	2018	2017
FINANCIAL RATIOS (%)					
Profitability Ratios					
Net interest margin on average interest bearing assets	**2.2**	2.0	2.2	2.2	2.3
Net return on equity[1]	**12.4**	11.2	13.6	14.8	15.8
Return on average assets	**1.6**	1.4	1.7	1.7	1.8
Return on average risk-weighted assets	**2.5**	2.2	2.6	2.7	2.8
Cost/income ratio	**31.6**	34.6	34.4	33.0	31.9
Asset Quality Ratios					
Gross loans to fund ratio	**90.1**	90.2	88.9	88.4	90.0
Gross loans to fund and equity ratio	**80.0**	80.0	79.2	79.0	80.7
Gross impaired loans ratio	**0.3**	0.4	0.5	0.5	0.5
Loan loss coverage					
– Exclude regulatory reserve	**360.7**	227.7	124.1	126.0	95.5
– Include regulatory reserve	**383.2**	325.1	249.8	237.5	256.5
Capital Adequacy Ratios[2]					
Common Equity Tier I capital ratio	**14.5**	14.0	13.5	13.1	12.2
Tier I capital ratio	**14.6**	14.0	13.5	13.7	13.0
Total capital ratio	**17.7**	17.1	16.8	16.3	16.0
PRODUCTIVITY RATIOS					
Number of employees	**19,364**	19,414	19,260	18,721	18,553
Gross loans per employee (RM'000)	**18,489**	17,804	17,158	16,949	16,410
Deposits per employee (RM'000)	**19,644**	18,846	18,346	18,117	17,208
Profit before tax per employee (RM'000)	**380**	324	370	379	384
MARKET SHARE (%)					
Domestic market share[3]					
Loans, advances and financing	**17.5**	17.7	17.3	17.2	17.8
Deposits from customers	**16.2**	16.5	16.5	16.2	16.6
Core customer deposits	**17.2**	17.2	16.9	16.8	17.4

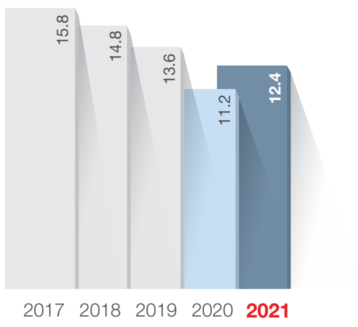
[1] *Based on equity attributable to equity holders of the Bank, adjusted for dividend declared subsequent to year end.*
[2] *After deducting dividend declared subsequent to year end.*
[3] *From year 2018 onwards, industry figures were revised to include data from MBSB Bank Bhd.*

SUMMARY OF
FIVE-YEAR GROUP GROWTH

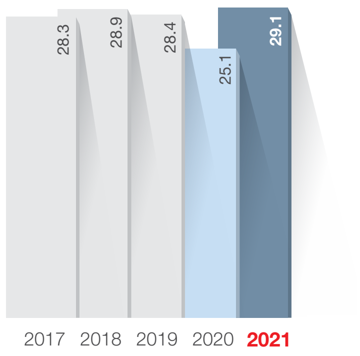
NET PROFIT ATTRIBUTABLE TO EQUITY HOLDERS
RM'Million



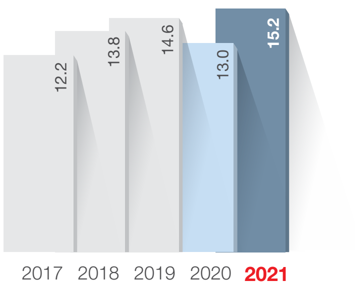
NET RETURN ON EQUITY
Percentage (%)



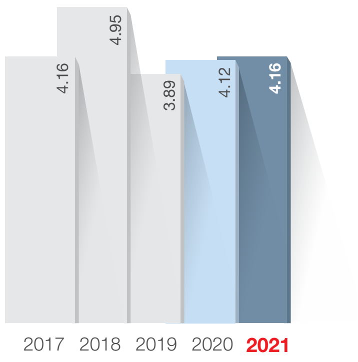
EARNINGS PER SHARE#
Sen



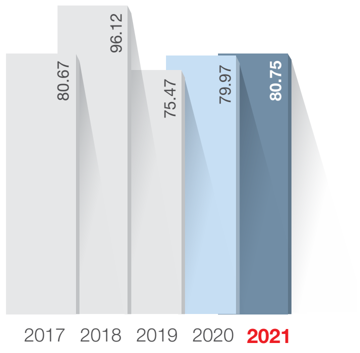
DIVIDEND PER SHARE#
Sen



SHARE PRICE#
RM



MARKET CAPITALISATION
RM'Billion

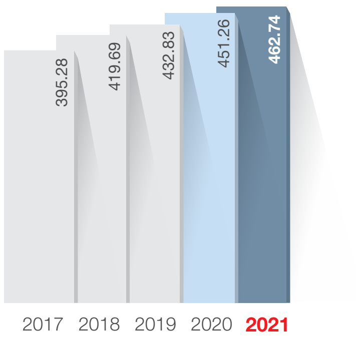


Adjusted to reflect the bonus issue of four bonus shares for every one existing ordinary share which was completed and listed on Bursa Malaysia on 29 January 2021.

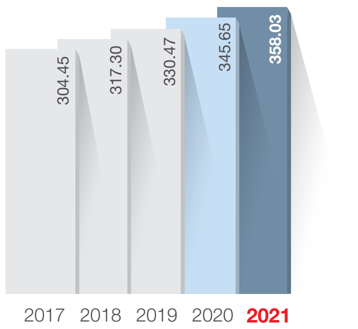
PUBLIC BANK'S RANKING BY MARKET CAPITALISATION ON BURSA MALAYSIA SECURITIES BERHAD

YEAR	2017	2018	2019	2020	2021
Ranking	3rd	2nd	2nd	2nd	**2nd**

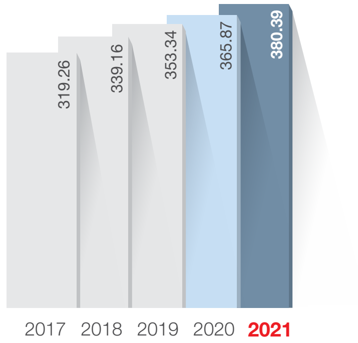
TOTAL ASSETS
RM'Billion



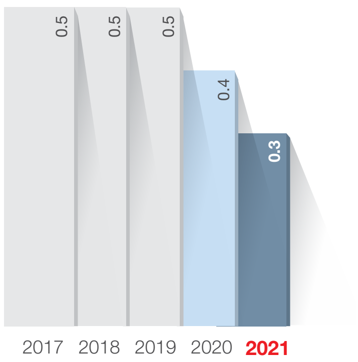
GROSS LOANS, ADVANCES AND FINANCING
RM'Billion



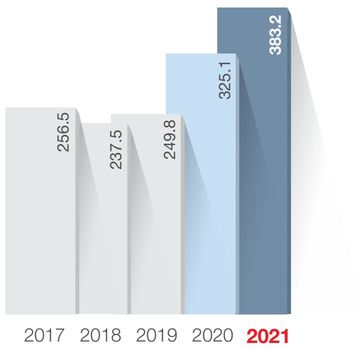
CUSTOMER DEPOSITS
RM'Billion



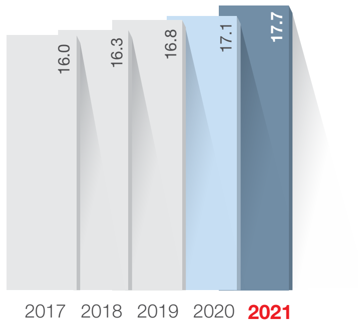
GROSS IMPAIRED LOANS RATIO
Percentage (%)



LOAN LOSS COVERAGE*
Percentage (%)



TOTAL CAPITAL RATIO**
Percentage (%)

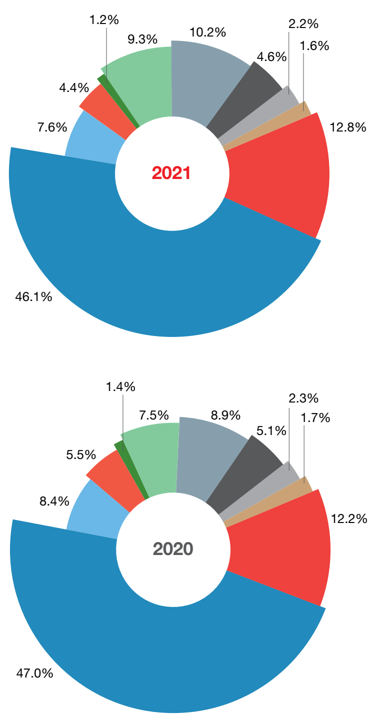


* *Including regulatory reserves.*
** *After deducting dividend declared subsequent to year end.*

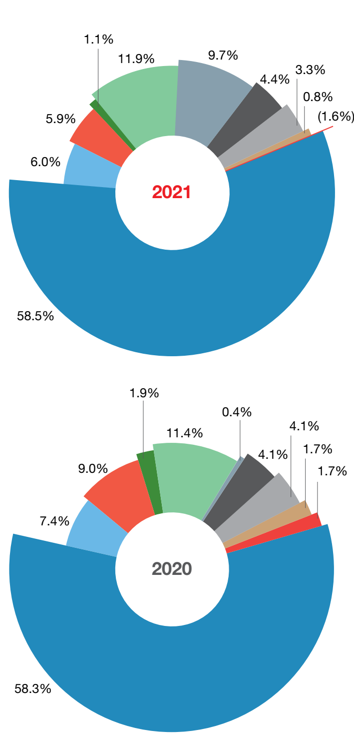
SEGMENTAL ANALYSIS

	Operating Revenue		Profit Before Tax		Total Assets	
	2021 (%)	2020 (%)	**2021 (%)**	2020 (%)	**2021 (%)**	2020 (%)
Hire purchase	**12.8**	12.2	**(1.6)**	1.7	**9.4**	9.5
Retail operations	**46.1**	47.0	**58.5**	58.3	**53.4**	51.8
Corporate lending	**7.6**	8.4	**6.0**	7.4	**7.3**	7.7
Treasury and capital market operations	**4.4**	5.5	**5.9**	9.0	**12.9**	13.5
Investment banking	**1.2**	1.4	**1.1**	1.9	**0.4**	0.4
Fund management	**9.3**	7.5	**11.9**	11.4	**0.1**	0.1
Others	**10.2**	8.9	**9.7**	0.4	**9.4**	9.8
Total domestic	**91.6**	90.9	**91.5**	90.1	**92.9**	92.8
Hong Kong SAR	**4.6**	5.1	**4.4**	4.1	**3.9**	4.0
Cambodia	**2.2**	2.3	**3.3**	4.1	**1.8**	2.0
Other countries	**1.6**	1.7	**0.8**	1.7	**1.4**	1.2
Total overseas	**8.4**	9.1	**8.5**	9.9	**7.1**	7.2
Total	**100.0**	100.0	**100.0**	100.0	**100.0**	100.0

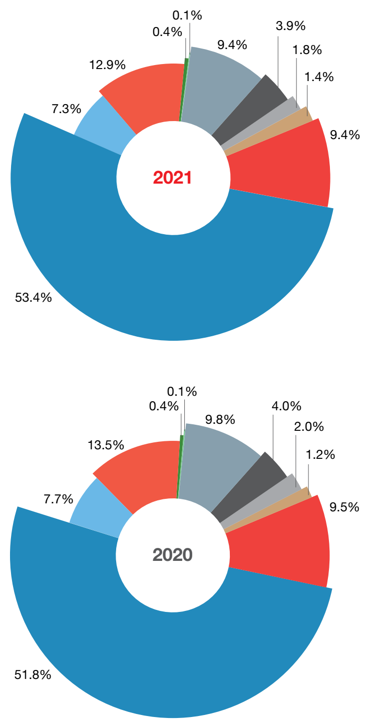
OPERATING REVENUE



PROFIT BEFORE TAX



TOTAL ASSETS



Hire purchase
Retail operations
Corporate lending
Treasury and capital market operations
Investment banking
Fund management
Others
Hong Kong SAR
Cambodia
Other countries

STATEMENT OF RESPONSIBILITY BY DIRECTORS

In respect of the preparation of the annual audited financial statements

The Directors are responsible for ensuring that the annual audited financial statements of the Group and of the Bank are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act 2016 in Malaysia, Bank Negara Malaysia's Guidelines and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and of the Bank are prepared with reasonable accuracy from the accounting records of the Group and of the Bank so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2021 and of their financial performance and cash flows for the year then ended.

In preparing the annual audited financial statements, the Directors have:

a. applied the appropriate and relevant accounting policies on a consistent basis;

b. made judgements and estimates that are reasonable and prudent; and

c. prepared the audited financial statements on a going concern basis.

The Directors also have a general responsibility to take reasonable steps to safeguard the assets of the Group and of the Bank, and to prevent and detect fraud and other irregularities.

CONTENTS

FINANCIAL STATEMENTS

APPENDIX

PILLAR 3 DISCLOSURE

DIRECTORS' REPORT

For the Financial Year ended 31 December 2021

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

PRINCIPAL ACTIVITIES

The Bank is principally engaged in all aspects of commercial banking and the provision of related financial services.

The principal activities of the subsidiary and associated companies are as disclosed in Notes 15 and 16 to the financial statements respectively.

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

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before tax expense and zakat	7,366,575	5,798,115
Tax expense and zakat	(1,636,698)	(1,163,210)
Profit for the year	5,729,877	4,634,905
Attributable to:		
Equity holders of the Bank	5,656,531	4,634,905
Non-controlling interests	73,346	-
Profit for the year	5,729,877	4,634,905

DIVIDENDS

The amount of dividends paid by the Bank since 31 December 2020 were as follows:

	RM'000
In respect of financial year ended 31 December 2020:	
Interim dividend of 13.0 sen based on 19,410,691,735 ordinary shares paid on 22 March 2021	2,523,390
In respect of financial year ended 31 December 2021:	
First interim dividend of 7.5 sen based on 19,410,691,735 ordinary shares paid on 23 September 2021	1,455,802
	3,979,192

Subsequent to the financial year end, on 25 February 2022 the Directors declared a second interim dividend of 7.7 sen, with the total amounting to approximately RM1,494,623,264 in respect of the current financial year. This is computed based on 19,410,691,735 ordinary shares in issue as at 31 December 2021, to be paid and distributed to shareholders whose names appear in the Record of Depositors at the close of business on 14 March 2022. The financial statements for the current financial year do not reflect these dividends. Upon declaration, this dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2022.

The Directors do not propose any final dividend for the financial year ended 31 December 2021.

ISSUANCE OF SHARES AND DEBENTURES

The Bank had on 29 January 2021 completed the bonus issue of 15,528,553,388 bonus shares on the basis of 4 bonus shares for every 1 existing Public Bank Berhad ("PBB") share held.

Other than the above, there were no issuance of new shares or debentures by the Bank during the year.

SHARE BUY-BACK

There were no share buy-backs, shares held as treasury shares nor resale of treasury shares by the Bank during the year.

RESERVES, PROVISIONS AND ALLOWANCES

There were no material transfers to or from reserves or provisions or allowances during the year other than those as disclosed in the statements of changes in equity and Notes 7, 8, 9, 10, 26, 29 and 30 to the financial statements.

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the statements of profit or loss and statements of financial position of the Group and of the Bank were made, the Directors took reasonable steps to ascertain that actions had been taken in relation to the writing off of bad debts and financing and the making of allowance for doubtful debts and financing, and satisfied themselves that all known bad debts and financing had been written off and adequate allowance had been made for doubtful debts and financing.

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

CURRENT ASSETS

Before the statements of profit or loss and statements of financial position of the Group and of the Bank were made, the Directors took reasonable steps to ensure that current assets, other than debts and financing, which were unlikely to be realised in the ordinary course of business at their values as shown in the accounting records of the Group and of the Bank have been written down to an amount which they might be expected to realise.

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

VALUATION METHODS

At the date of this report, the Directors are not aware of any circumstances which have arisen which would render adherence to the existing methods of valuation of assets and liabilities in the financial statements of the Group and of the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Group or of the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability in respect of the Group or of the Bank that has arisen since the end of the financial year other than those incurred in the ordinary course of business of the Group and of the Bank.

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

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances, not otherwise dealt with in this report or the financial statements of the Group and of the Bank, which would render any amount stated in the financial statements misleading.

ITEMS OF UNUSUAL NATURE

Other than as disclosed in Notes 2(i)(b) and 38 to the financial statements, the results of the operations of the Group and of the Bank during the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group and of the Bank for the current financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE YEAR

The significant events during the financial year are as disclosed in Note 54 to the financial statements.

SUBSEQUENT EVENTS

There were no material events subsequent to the reporting date that require disclosure or adjustments to the financial statements.

INDEMNIFICATION OF DIRECTORS

The Bank maintained on a group basis, a Directors' and Officers' Liability Insurance up to an aggregate limit of RM435,000,000 (2020: RM435,000,000) against any legal liability incurred by the Directors and officers in the discharge of their duties while holding office for the Bank or for its subsidiary companies. The Directors and officers shall not be indemnified by such insurance for any deliberate negligence, fraud, intentional breach of law or breach of trust proven against them. The amount of insurance premium paid for the Directors and officers for the current financial year was RM9,754,000 (2020: RM8,911,000).

DIRECTORS'
REPORT
For the Financial Year ended 31 December 2021

DIRECTORS OF THE BANK

The Directors who served since the beginning of the financial year to the date of this report are:

Tan Sri Dato' Sri Dr. Teh Hong Piow
Mr Lai Wan
Tan Sri Dato' Sri Tay Ah Lek
Ms Cheah Kim Ling
Mr Lee Chin Guan
Dato' Mohd Hanif bin Sher Mohamed
Ms Tham Chai Fhong
Mr Lim Chao Li (appointed on 5 April 2021)
Ms Gladys Leong (appointed on 1 July 2021)
Mr Tang Wing Chew (retired on 29 May 2021)
Ms Lai Wai Keen (retired on 29 May 2021)

The names of the Directors of the Bank's subsidiary companies who served on the respective boards of the subsidiary companies since the beginning of the financial year to the date of this report are disclosed in the Appendix to the financial statements.

In accordance with Clause 105 of the Bank's Constitution, Ms Gladys Leong retires at the forthcoming Annual General Meeting and, being eligible, offers herself for re-election.

In accordance with Clause 107 of the Bank's Constitution, Tan Sri Dato' Sri Dr. Teh Hong Piow, Tan Sri Dato' Sri Tay Ah Lek and Ms Cheah Kim Ling retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of the Directors in office at the end of the financial year in shares of the Bank and in shares of its subsidiary company during the financial year were as follows:

Shares Held in the Bank

	Number of Ordinary Shares				
	Balance at 1.1.2021	Bonus Issue*	Acquired	Disposed	Balance at 31.12.2021
Direct interests:					
Tan Sri Dato' Sri Dr. Teh Hong Piow	24,711,282	**98,845,128**	**–**	**–**	**123,556,410**
Tan Sri Dato' Sri Tay Ah Lek	3,688,845	**14,755,380**	**9,500,000**	**–**	**27,944,225**
Mr Lee Chin Guan	200,030	**800,120**	**–**	**–**	**1,000,150**
Ms Tham Chai Fhong	14,700	**58,800**	**–**	**–**	**73,500**
Mr Lim Chao Li (appointed on 5 April 2021)	30,342	**121,368**	**–**	**–**	**151,710**
Deemed interests:					
Tan Sri Dato' Sri Dr. Teh Hong Piow	884,194,971	**3,536,779,884**	**–**	**–**	**4,420,974,855**
Tan Sri Dato' Sri Tay Ah Lek	2,589,745	**10,358,980**	**–**	**(9,500,000)**	**3,448,725**
Mr Lai Wan	18,654	**74,616**	**–**	**–**	**93,270**
Ms Cheah Kim Ling	10,392	**41,568**	**–**	**–**	**51,960**

* Arising from allotment of Bank's bonus shares pursuant to the Bonus Issue on the basis of 4 bonus shares for every 1 existing PBB share held.

DIRECTORS' INTERESTS (CONTINUED)

Shares Held in a Subsidiary Company, Public Financial Holdings Limited

	Number of Ordinary Shares			
	Balance at 1.1.2021	Acquired	Disposed	Balance at 31.12.2021
Direct interests:				
Tan Sri Dato' Sri Tay Ah Lek	350,000	–	–	**350,000**

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest in shares in the Bank or its related corporations during the financial year.

Tan Sri Dato' Sri Dr. Teh Hong Piow, by virtue of his total direct and deemed interests of 4,544,531,265 shares in the Bank, and pursuant to Section 8(4)(c) of the Companies Act 2016, is deemed interested in the shares in all of the Bank's subsidiary and associated companies to the extent that the Bank has interests.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Bank or its subsidiary companies is a party with the object 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.

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the Directors or the fixed salary of a full time employee of the Bank as disclosed in Note 37 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has substantial financial interest except for those transactions arising in the ordinary course of business as disclosed in Note 43(a) to the financial statements.

NOMINATION AND REMUNERATION COMMITTEE

The Nomination and Remuneration Committee carries out the annual review of the overall remuneration policy for Directors, Chief Executive Officer, Deputy Chief Executive Officer and key Senior Management Officers whereupon recommendations are made to the Board of Directors for approval.

The members of the Nomination and Remuneration Committee comprising Non-Executive Directors of the Bank are:

Dato' Mohd Hanif bin Sher Mohamed (Independent)
Ms Cheah Kim Ling (Independent)
Mr Lee Chin Guan (Non-Independent)
Mr Lim Chao Li (Independent) (appointed on 5 April 2021)
Ms Tham Chai Fhong (Independent) (appointed on 1 July 2021)
Ms Gladys Leong (Independent) (appointed on 1 July 2021)
Mr Lai Wan (Non-Independent) (ceased to be a member on 1 July 2021)
Mr Tang Wing Chew (Non-Independent) (ceased to be a member on 29 May 2021)
Ms Lai Wai Keen (Independent) (ceased to be a member on 29 May 2021)

DIRECTORS' **REPORT**

For the Financial Year ended 31 December 2021

BUSINESS REVIEW 2021

The economic condition remained challenging in 2021 amid the prolonged COVID-19 pandemic owing to the reimposition of containment measures to prevent the spread of COVID-19 cases domestically. Despite that, businesses gradually adapted to the new normal operating environment while banks continued to cater to the needs of customers which paved the way for a gradual economic recovery.

The domestic banking sector remained stable, underpinned by healthy capitalisation and ample liquidity. Banks continued to support the initiatives by the Government to help mitigate the impact of the COVID-19 pandemic. These initiatives included loan moratorium and various repayment assistance programmes, such as the Economic Recovery Package ("PEMULIH") and the Financial Management and Resilience Programme ("URUS"). Banks were also actively participating in financing to the small and medium enterprises ("SME") through various special financing schemes initiated by the Government and Bank Negara Malaysia ("BNM").

Owing to the floods across Malaysia in December 2021, Bank Negara Malaysia announced the availability of financing for micro and small and medium enterprises who are affected under the Disaster Relief Facility 2022 ("DRF 2022"). The DRF 2022 assists SMEs through financing of up to seven years, including moratorium period of six months on both principal and interest/profit payments. The Public Bank Group is also offering repayment relief to customers who are affected by the flood. The repayment relief is applicable to loans and financing facilities, of which the monthly instalment for loans and financing could be deferred for up to six months.

Amid the low interest rate environment with the Overnight Policy Rate at 1.75% as at the end of 2021, both loans and deposits grew during the year. The Public Bank Group recorded loans growth of 3.6% supported by home mortgages, passenger vehicle hire purchase financing and retail commercial lending to SMEs. The Group remained a market leader in lending for residential property, commercial property and hire purchase financing with domestic market shares of 20.4%, 34.2% and 30.1% respectively.

The Public Bank Group's deposit-taking business grew by 4.0%, mainly supported by strong savings and demand deposits. In 2021, the Group's savings deposits and demand deposits grew by 12.9% and 10.9% respectively, whilst fixed deposits grew by 1.6%.

The Public Bank Group's non-interest income posted a decline of 7.3% in 2021, due to the reduction in investment income in tandem with market movement. However, the Group's unit trust business, along with fee and commission continued to generate growth during the year. The Group's unit trust management business which is conducted by Public Mutual, a wholly-owned subsidiary of Public Bank, remained a market leader in the private unit trust business with total retail market share of 34.6% in Malaysia. The Group's bancassurance business through its strategic partnership with AIA Berhad yielded favourable results despite the COVID-19 pandemic.

The Public Bank Group continued to maintain healthy capital and liquidity positions. The Group's Common Equity Tier I, Tier I and total capital ratios stood at 14.5%, 14.6% and 17.7% respectively as at the end of 2021, which remained well above the minimum regulatory requirements. The Group's liquidity coverage ratio stood at 127.3% as at the end of 2021, higher than the minimum regulatory requirement of 100%.

The Public Bank Group remained prudent in its lending while ensuring stable asset quality and prudent loan loss reserves, backed by strong risk management practices. Gross impaired loans ratio remained low at 0.3% as at the end of 2021. The Group's loan loss coverage ratio stood at 360.7% as at the end of 2021, which was well above the banking industry's loan loss coverage ratio of 129.0%. With the inclusion of regulatory reserves, the Group's loan loss coverage ratio was higher at 383.2%. The Group's resilient asset quality and prudent loan loss reserves provide strong buffers against any potential increase in credit loss.

The Public Bank Group remained highly efficient in its cost management. Cost to income ratio was 31.6% in 2021, which was well below the banking industry's average of 42.8%.

The Public Bank Group's network across Malaysia comprises of 293 branches, with self service terminals of more than 2,000 units and more than 19,000 employees. The Group strengthened further its digital channels of PBe internet banking and PB engage mobile banking application.

BUSINESS REVIEW 2021 (CONTINUED)

The Public Bank Group continued to maintain its strategic presence across the region. As at the end of 2021, the Group has a regional network of 78 branches in Hong Kong, 5 in China, 31 in Cambodia, 29 in Vietnam, 4 in Laos and 3 in Sri Lanka.

The Public Bank Group enhanced further its information and communication technology infrastructure for improved operational efficiency and resilience while providing better customer experience through its digital banking solutions under the new normal business environment. The Group has introduced digital applications for several products and services including credit card, housing loan and PBe registration. The Group will continue to ensure relevant products are made available digitally with greater accessibility through various digital channels.

ECONOMIC OUTLOOK AND PROSPECTS FOR 2022

The global economy continues to adapt and adjust to the new normal macro environment, while the pace of economic recovery varies across sectors and countries. Accommodative fiscal and monetary policies are expected to provide ongoing support to the global recovery.

Advanced economies, including the United States of America, Europe and Japan are expected to grow in 2022. Asia's economic growth is also expected to improve in tandem with the global economic recovery, subject to the developments related to the pandemic.

For Malaysia, growth is dependent on the adaptability of businesses operating in the new normal business environment. In addition, fiscal and financial measures will provide continued policy support which helps cushion the pandemic impact on businesses and households as well as provide the much needed financial and fiscal support to the economy.

Notwithstanding the challenging economic environment, the Malaysian banking system remains stable, underpinned by ample liquidity and healthy capital buffers. Credit quality is expected to remain resilient, despite the macro uncertainties.

Overall, the macro outlook hinges on the developments related to the pandemic. However, global demand is expected to grow supported by improvement in economic activities.

BUSINESS OUTLOOK FOR 2022

The overall business outlook is highly dependent on the macro developments. The Malaysian economy is expected to improve in 2022 supported by both domestic and global demand.

The banking sector is expected to remain stable, underpinned by ample liquidity and healthy capital buffers. Monetary and financial conditions are expected to remain accommodative in support of key economic activities.

The Public Bank Group continues to pursue its long term strategy of organic growth, which focuses on core retail banking and financing business. In the lending sphere, the Group continues to emphasise on home mortgages, hire purchase financing for passenger vehicles and retail commercial loans for SMEs. Within the residential property financing segment, the Group will remain focused on home mortgages for owner occupation and the affluent middle class. The Group will also continue to provide lending to SMEs while it expands its market base and cater to the needs of businesses through its multi-delivery channels.

The Public Bank Group remains committed to sustainability and has continued to proactively enhance its environmental, social and governance practices across its business operations. The Group's pursuit of sustainability encompasses a wide array of initiatives focusing on responsible business, conduct and compliance, employee well-being as well as contribution to the community, delivering long term value to its key stakeholders. Addressing climate change risk, the Group continues to promote the transition to a low carbon economy through encouraging sustainable consumption in its daily operation and embedding climate consideration into its business strategies.

In terms of funding, the Public Bank Group will continue to source and attract new deposits, with emphasis on growing its savings and demand deposits.

DIRECTORS' **REPORT**

For the Financial Year ended 31 December 2021

BUSINESS OUTLOOK FOR 2022 (CONTINUED)

The Public Bank Group will broaden further its sources of income by growing its non-interest income segments of unit trust, bancassurance, credit cards, foreign exchange related transaction and transactional banking services while pursuing cross-selling initiatives.

The Public Bank Group remains committed to strengthen its regional presence as it continues to leverage on its strong branding and prudent management practices.

Amid heightened market uncertainties, the Public Bank Group's treasury operations will remain vigilant in its business approach and continue to maintain a prudent risk profile, while upholding strong risk management practices. In addition, the Group will continue to explore ways to further enhance its operational efficiency and overall productivity while accelerating its digitalisation efforts in order to maintain cost efficiency.

The Public Bank Group continues to ensure that it remains well-capitalised and well-funded to support its business and safeguard the interests of its stakeholders. The Group will proactively manage any potential stress in asset quality. The Group's healthy capital position and ample liquidity buffer coupled with its stable asset quality and high loan loss reserves will enable the Group to navigate through the challenges.

The Public Bank Group remains committed to actively engage and assist customers in need of financial assistance through its various flexible repayment assistance packages.

The Public Bank Group embraces digitalisation as it continues to improve its digital features and user interface of its digital channels, while leveraging on the advancement of technology to provide a seamless banking experience to customers under the new normal environment.

AUDITORS

The retiring auditors, Messrs. Ernst & Young PLT, have indicated their willingness to accept re-appointment.

Auditors' remuneration is disclosed in Note 36 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

TAN SRI DATO' SRI DR. TEH HONG PIOW
Director

TAN SRI DATO' SRI TAY AH LEK
Director

Kuala Lumpur
Date: 25 February 2022

STATEMENT BY DIRECTORS

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

We, TAN SRI DATO' SRI DR. TEH HONG PIOW and TAN SRI DATO' SRI TAY AH LEK, being two of the Directors of PUBLIC BANK BERHAD, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 25 to 265 are properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2021 and of their financial performance and cash flows for the year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

TAN SRI DATO' SRI DR. TEH HONG PIOW
Director

TAN SRI DATO' SRI TAY AH LEK
Director

Kuala Lumpur
Date: 25 February 2022

STATUTORY DECLARATION

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

I, YIK SOOK LING, being the officer primarily responsible for the financial management of PUBLIC BANK BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 25 to 265, 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.

Subscribed and solemnly declared by the
abovenamed YIK SOOK LING at KUALA LUMPUR
in WILAYAH PERSEKUTUAN on 25 February 2022

YIK SOOK LING
MIA No.: CA 11419

BEFORE ME:

Commissioner for Oaths
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT

To the Members of Public Bank Berhad (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Public Bank Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and of the Bank, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 25 to 265.

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

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements of the Group and of the Bank. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Key audit matters (continued)

Risk area and rationale	Our response
Impairment of goodwill and investment in subsidiaries As at 31 December 2021, (i) the goodwill recognised in the financial statements of the Group and of the Bank are RM2,413 million and RM695 million respectively; and (ii) the carrying amount of investment in subsidiaries in the financial statements of the Bank stood at RM6,495 million. Goodwill impairment testing of cash generating units ("CGUs") relies on estimates of value-in-use ("VIU") based on estimated future cash flows. The Group and the Bank are required to annually test the amount of goodwill for impairment. Similarly, we focused on impairment assessment of investment in subsidiaries as the impairment testing relies on VIU estimates based on estimated future cash flows. These involve management judgment and are based on assumptions that are affected by expected future market and economic conditions. *Refer to summary of significant accounting policies in Note 2(iii)(l)(i) and Note 2(iii)(b)(i), significant accounting estimates and judgment in Note 2(iii)(a)(iii) and the disclosure of goodwill and investment in subsidiaries in Note 20 and Note 15 respectively to the financial statements.*	Our audit procedures included, among others, evaluating the assumptions and methodologies used by the Group and the Bank in performing the impairment assessment. We tested the basis of preparing the cash flow forecasts taking into account the back testing results on the accuracy of previous forecasts and the historical evidence supporting underlying assumptions. We also assessed the appropriateness of the other key assumptions, such as the growth rates used to extrapolate the cash flows and the discount rates applied, by comparing against internal information, and external economic and market data amid the prolonged COVID-19 pandemic environment. We also assessed the sensitivity analysis performed by management on the key inputs to the impairment models, to understand the impact that reasonable alternative assumptions would have on the overall carrying amounts. We also reviewed the adequacy of the Group's and the Bank's disclosures within the financial statements about those key assumptions to which the outcome of the impairment test is most sensitive.
Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss As at 31 December 2021, the loans, advances and financing represent 77% and 76% of the total assets of the Group and of the Bank respectively, and the investments carried at amortised cost and fair value through other comprehensive income represent 17% and 15% of the total assets of the Group and of the Bank respectively. MFRS 9 requires the Group and the Bank to account for impairment losses on loans, advances and financing, investments carried at amortised cost and fair value through other comprehensive income using forward-looking expected credit loss ("ECL") approach.	Our audit procedures included the assessment of key controls over the origination, segmentation, ongoing internal credit quality assessments, recording and monitoring of the loans, advances and financing and the investments. We also assessed the processes and effectiveness of key controls over the transfer criteria (for the three stages of credit exposures under MFRS 9 in accordance with credit quality), impairment measurement methodologies, governance for development, maintenance and validation of ECL models, inputs, basis and assumptions used by the Group and the Bank in staging the credit exposures and calculating the ECL.

Key audit matters (continued)

Risk area and rationale	Our response
Expected credit losses of loans, advances and financing and investments not carried at fair value through profit or loss (continued) The measurement of ECL requires the application of significant judgment and increased complexity which include the identification of on-balance sheet and off-balance sheet credit exposures with significant deterioration in credit quality, assumptions used in the ECL models (for exposures assessed individually or collectively) such as the expected future cash flows, forward-looking macroeconomic factors and probability-weighted multiple scenarios. *Refer to summary of significant accounting policies in Note 2(iii)(h), significant accounting judgments, estimates and assumptions in Note 2(iii)(a)(ii) and the disclosure of loans, advances and financing and investments in Notes 9, 7 and 8 to the financial statements.* COVID-19 continues to create new vulnerabilities, unprecedented challenges and future outlook remains highly uncertain. These changes in economic conditions have been reflected in the macroeconomic assumptions supporting the ECL models on a reasonable and supportable basis. In addition, as it is difficult at this time to incorporate the specific effects of COVID-19 including the various support measures into the ECL models, the Group and the Bank have applied management overlay adjustments as further detailed in Notes 2(i)(b) and 38 to the financial statements.	For staging and identification of credit exposures with significant deterioration in credit quality, we assessed and tested the reasonableness of the transfer criteria applied by the Group and the Bank for different types of credit exposures. We evaluated if the transfer criteria are consistent with the Group's and the Bank's credit risk management practices. For the measurement of ECL, we assessed and tested reasonableness of the Group's and the Bank's ECL models, including model input, model design, model performance and management overlays for significant portfolios. We challenged whether historic experience is representative of current circumstances amid the prolonged COVID-19 pandemic environment and of the recent losses incurred in the portfolios and assessed the reasonableness of forward-looking adjustments, macroeconomic factor analysis, probability-weighted multiple scenarios, and the use of management overlays which require substantial judgment. We evaluated if changes in modelling approaches, parameters and assumptions are needed and if any changes made were appropriate. We also assessed and tested and monitored the sensitivity of the credit loss provisions to changes in modelling assumptions. With respect to individually assessed ECL which are mainly in relation to the impaired assets in Stage 3, we reviewed and tested a sample of loans, advances and financing and investments to evaluate the timely identification by the Group and the Bank of exposures with significant deterioration in credit quality or which have been impaired. In response to the prolonged COVID-19 pandemic, we included borrowers/customers which are more vulnerable to the pandemic in our risk-based sampling approach to perform loan review procedures. For cases where impairment has been identified, we assessed the Group's and the Bank's assumptions on the expected future cash flows, including the value of realisable collaterals based on available market information and the multiple scenarios considered. We also challenged the assumptions and compared estimates to external evidence where available. We also assessed whether the financial statement disclosures appropriately reflect the Group's and the Bank's exposure to credit risk. We involved our credit modelling specialists and information technology specialists in the performance of these procedures where their specific expertise was required.

Information other than the financial statements and auditors' report thereon

The directors of the Bank are responsible for the other information. The other information comprises the information included in the Directors' Report and the Annual Report, but does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Conclude on the appropriateness of directors' use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

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

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

Dato' Megat Iskandar Shah bin Mohamad Nor
No. 03083/07/2023 J
Chartered Accountant

Kuala Lumpur, Malaysia
25 February 2022

STATEMENTS OF FINANCIAL POSITION

As At 31 December 2021

		Group		Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
ASSETS					
Cash and balances with banks	3	**17,530,611**	19,698,132	**13,861,672**	12,970,667
Reverse repurchase agreements	4(a)	**–**	202,833	**–**	202,833
Financial assets at fair value through profit or loss	5	**1,016,004**	1,583,506	**995,086**	1,556,110
Derivative financial assets	6	**140,434**	287,010	**240,330**	469,253
Financial investments at fair value through other comprehensive income	7	**53,269,292**	48,547,403	**37,100,411**	33,053,569
Financial investments at amortised cost	8	**26,146,102**	27,604,020	**15,990,961**	18,845,261
Loans, advances and financing	9	**354,052,463**	342,802,781	**272,015,541**	267,438,974
Other assets	10	**3,085,331**	3,408,304	**3,009,115**	3,167,793
Statutory deposits with Central Banks	12	**1,222,165**	1,134,924	**361,536**	298,089
Deferred tax assets	13	**519,009**	81,637	**273,782**	–
Collective investments	14	**–**	–	**6,086,854**	5,923,401
Investment in subsidiary companies	15	**–**	–	**6,494,716**	6,494,293
Investment in associated companies	16	**115,443**	78,421	**67,500**	45,000
Investment properties	17	**606,074**	712,885	**–**	–
Right-of-use assets	18(i)(a)	**1,252,386**	1,379,534	**1,076,066**	1,289,661
Property and equipment	19	**1,324,707**	1,317,750	**663,801**	770,206
Intangible assets	20	**2,459,434**	2,417,727	**695,393**	695,393
TOTAL ASSETS		**462,739,455**	451,256,867	**358,932,764**	353,220,503
LIABILITIES					
Deposits from customers	21	**380,394,214**	365,870,751	**288,511,592**	278,078,713
Deposits from banks and other financial institutions	22	**8,123,769**	10,742,228	**9,804,951**	13,176,335
Obligations on securities sold under repurchase agreements	4(b)	**1,001,831**	914,108	**1,001,831**	590,285
Bills and acceptances payable	23	**222,054**	209,347	**221,770**	208,866
Recourse obligations on loans and financing sold to Cagamas	24	**5,600,004**	4,500,003	**4,500,004**	4,500,003
Derivative financial liabilities	6	**254,458**	626,056	**241,575**	580,371
Debt securities issued and other borrowed funds	25	**10,863,742**	12,272,354	**9,275,548**	10,184,448
Lease liabilities	18(i)(b)	**916,653**	1,072,120	**1,096,781**	1,342,940
Other liabilities	26	**5,221,425**	5,628,779	**3,788,642**	3,898,526
Provision for tax expense and zakat	27	**644,903**	210,142	**451,806**	109,527
Deferred tax liabilities	13	**70,995**	784,349	**–**	610,701
TOTAL LIABILITIES		**413,314,048**	402,830,237	**318,894,500**	313,280,715

STATEMENTS OF
FINANCIAL POSITION
As At 31 December 2021

		Group		Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
EQUITY					
Share capital	28	**9,417,653**	9,417,653	**9,417,653**	9,417,653
Regulatory reserves	29	**248,231**	1,219,881	**211,063**	1,031,389
Other reserves	30	**1,435,886**	2,030,742	**605,282**	1,162,643
Retained profits		**37,060,892**	34,579,995	**29,804,266**	28,328,103
Equity attributable to equity holders of the Bank		**48,162,662**	47,248,271	**40,038,264**	39,939,788
Non-controlling interests		**1,262,745**	1,178,359	**–**	–
TOTAL EQUITY		**49,425,407**	48,426,630	**40,038,264**	39,939,788
TOTAL LIABILITIES AND EQUITY		**462,739,455**	451,256,867	**358,932,764**	353,220,503
COMMITMENTS AND CONTINGENCIES	49	**102,643,461**	106,934,447	**91,153,166**	95,936,229
Net assets per share attributable to equity holders of the Bank (RM)		**2.48**	2.43	**2.06**	2.06

The accompanying notes form an integral part of the financial statements

STATEMENTS OF PROFIT OR LOSS

For the year ended 31 December 2021

		Group		Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Operating revenue	2(iii)(v)	**19,622,502**	20,303,934	**13,468,801**	14,600,219
Interest income	31	**13,474,557**	14,184,238	**11,965,429**	12,558,519
Interest expense	32	**(5,159,516)**	(7,004,462)	**(4,927,243)**	(6,688,860)
Net interest income		**8,315,041**	7,179,776	**7,038,186**	5,869,659
Net income from Islamic banking business	56	**1,613,671**	1,311,393	**–**	–
		9,928,712	8,491,169	**7,038,186**	5,869,659
Fee and commission income	33(a)	**3,028,937**	2,712,956	**1,060,746**	980,662
Fee and commission expense	33(b)	**(882,138)**	(783,593)	**(284,927)**	(292,029)
Net fee and commission income	33	**2,146,799**	1,929,363	**775,819**	688,633
Net gains and losses on financial instruments	34	**60,173**	447,653	**60,431**	428,755
Other operating income	35	**408,793**	444,195	**1,283,772**	1,360,180
Net income		**12,544,477**	11,312,380	**9,158,208**	8,347,227
Other operating expenses	36	**(3,965,307)**	(3,909,465)	**(2,485,182)**	(2,463,630)
Operating profit before impairment losses		**8,579,170**	7,402,915	**6,673,026**	5,883,597
Allowance for impairment on loans, advances and financing	38	**(1,201,203)**	(1,106,296)	**(869,742)**	(718,507)
Allowance for impairment on other assets	39	**(5,935)**	(13,668)	**(5,169)**	(9,589)
		7,372,032	6,282,951	**5,798,115**	5,155,501
Share of (loss)/profit after tax of equity accounted associated companies		**(5,457)**	2,112	**–**	–
Profit before tax expense and zakat		**7,366,575**	6,285,063	**5,798,115**	5,155,501
Tax expense and zakat	40	**(1,636,698)**	(1,352,803)	**(1,163,210)**	(1,030,391)
Profit for the year		**5,729,877**	4,932,260	**4,634,905**	4,125,110
Attributable to:					
Equity holders of the Bank		**5,656,531**	4,871,702	**4,634,905**	4,125,110
Non-controlling interests		**73,346**	60,558	**–**	–
Profit for the year		**5,729,877**	4,932,260	**4,634,905**	4,125,110
Earnings per share:					
– basic/diluted (sen)	41	**29.14**	25.10		

The accompanying notes form an integral part of the financial statements

STATEMENTS OF
COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Profit for the year		**5,729,877**	4,932,260	**4,634,905**	4,125,110
Other comprehensive income/(loss):					
Items that will not be reclassified to profit or loss:					
Gain on remeasurements of defined benefit plans	11,30	**87,320**	28,002	**85,896**	27,373
Net change in revaluation of					
– Equity instruments		**13,206**	27,976	**12,911**	27,971
Gain on disposal of equity instruments		**319**	–	**319**	–
		100,845	55,978	**99,126**	55,344
Items that may be reclassified to profit or loss:					
Translation differences in respect of					
– Foreign operations		**298,337**	(141,329)	**(21,886)**	(16,555)
– Net investment hedge	6,30	**(139,926)**	58,762	**–**	–
Net change in revaluation of financial investments at fair value through other comprehensive income		**(1,355,309)**	547,856	**(830,504)**	329,633
Net change in cash flow hedges	30	**129,334**	(95,749)	**22,791**	8,450
		(1,067,564)	369,540	**(829,599)**	321,528
Income tax effect	13,30	**248,773**	(102,880)	**173,236**	(87,709)
Share of changes in associated companies' reserves	30	**(2,521)**	1,228	**–**	–
Other comprehensive (loss)/income for the year, net of tax		**(720,467)**	323,866	**(557,237)**	289,163
Total comprehensive income for the year		**5,009,410**	5,256,126	**4,077,668**	4,414,273
Total comprehensive income for the year attributable to:					
– Equity holders of the Bank		**4,893,583**	5,206,796	**4,077,668**	4,414,273
– Non-controlling interests		**115,827**	49,330	**–**	–
		5,009,410	5,256,126	**4,077,668**	4,414,273

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

2021 Group	Note	Attributable to Equity Holders of the Bank						
		Non-distributable			Distributable			
		Share Capital RM'000	Regulatory Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
At 1 January 2021		9,417,653	1,219,881	2,030,742	34,579,995	47,248,271	1,178,359	48,426,630
Profit for the year		–	–	–	5,656,531	5,656,531	73,346	5,729,877
Other comprehensive (loss)/income for the year		–	–	(763,267)	319	(762,948)	42,481*	(720,467)
Total comprehensive (loss)/ income for the year		–	–	(763,267)	5,656,850	4,893,583	115,827	5,009,410
Transactions with owners/ other equity movements:								
Transfer to statutory reserves		–	–	10,526	(10,526)	–	–	–
Transfer from regulatory reserves		–	(971,650)	–	971,650	–	–	–
Transfer to general reserves		–	–	157,885	(157,885)	–	–	–
Dividends paid	42	–	–	–	(3,979,192)	(3,979,192)	(31,441)	(4,010,633)
		–	(971,650)	168,411	(3,175,953)	(3,979,192)	(31,441)	(4,010,633)
At 31 December 2021		9,417,653	248,231	1,435,886	37,060,892	48,162,662	1,262,745	49,425,407
		Note 28	Note 29	Note 30				

* Represent non-controlling interests' share of currency translation differences in respect of foreign operations.

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
For the year ended 31 December 2021

		Attributable to Equity Holders of the Bank						
		Non-distributable			Distributable			
2020 Group	**Note**	**Share Capital RM'000**	**Regulatory Reserves RM'000**	**Other Reserves RM'000**	**Retained Profits RM'000**	**Total Shareholders' Equity RM'000**	**Non-controlling Interests RM'000**	**Total Equity RM'000**
At 1 January 2020		9,417,653	2,017,353	1,606,357	30,552,967	43,594,330	1,151,874	44,746,204
Profit for the year		–	–	–	4,871,702	4,871,702	60,558	4,932,260
Other comprehensive income/(loss) for the year		–	–	335,094	–	335,094	(11,228)*	323,866
Total comprehensive income for the year		–	–	335,094	4,871,702	5,206,796	49,330	5,256,126
Transactions with owners/ other equity movements:								
Transfer to statutory reserves		–	–	8,931	(8,931)	–	–	–
Transfer from regulatory reserves		–	(797,472)	–	797,472	–	–	–
Transfer to general reserves		–	–	80,360	(80,360)	–	–	–
Dividends paid	42	–	–	–	(1,552,855)	(1,552,855)	(22,845)	(1,575,700)
		–	(797,472)	89,291	(844,674)	(1,552,855)	(22,845)	(1,575,700)
At 31 December 2020		9,417,653	1,219,881	2,030,742	34,579,995	47,248,271	1,178,359	48,426,630
		Note 28	Note 29	Note 30				

* Represent non-controlling interests' share of currency translation differences in respect of foreign operations.

The accompanying notes form an integral part of the financial statements

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

		Attributable to Equity Holders of the Bank				
		Non-distributable			Distributable	
2021 Bank	**Note**	**Share Capital RM'000**	**Regulatory Reserves RM'000**	**Other Reserves RM'000**	**Retained Profits RM'000**	**Total Equity RM'000**
At 1 January 2021		**9,417,653**	**1,031,389**	**1,162,643**	**28,328,103**	**39,939,788**
Profit for the year		**–**	**–**	**–**	**4,634,905**	**4,634,905**
Other comprehensive (loss)/ income for the year		**–**	**–**	**(557,556)**	**319**	**(557,237)**
Total comprehensive (loss)/ income for the year		**–**	**–**	**(557,556)**	**4,635,224**	**4,077,668**
Transactions with owners/other equity movements:						
Transfer to statutory reserves		**–**	**–**	**195**	**(195)**	**–**
Transfer from regulatory reserves		**–**	**(820,326)**	**–**	**820,326**	**–**
Dividends paid	42	**–**	**–**	**–**	**(3,979,192)**	**(3,979,192)**
		–	**(820,326)**	**195**	**(3,159,061)**	**(3,979,192)**
At 31 December 2021		**9,417,653**	**211,063**	**605,282**	**29,804,266**	**40,038,264**
		Note 28	Note 29	Note 30		

		Attributable to Equity Holders of the Bank				
		Non-distributable			Distributable	
2020 Bank	**Note**	**Share Capital RM'000**	**Regulatory Reserves RM'000**	**Other Reserves RM'000**	**Retained Profits RM'000**	**Total Equity RM'000**
At 1 January 2020		9,417,653	1,619,452	873,228	25,168,037	37,078,370
Profit for the year		–	–	–	4,125,110	4,125,110
Other comprehensive income for the year		–	–	289,163	–	289,163
Total comprehensive income for the year		–	–	289,163	4,125,110	4,414,273
Transactions with owners/other equity movements:						
Transfer to statutory reserves		–	–	252	(252)	–
Transfer from regulatory reserves		–	(588,063)	–	588,063	–
Dividends paid	42	–	–	–	(1,552,855)	(1,552,855)
		–	(588,063)	252	(965,044)	(1,552,855)
At 31 December 2020		9,417,653	1,031,389	1,162,643	28,328,103	39,939,788
		Note 28	Note 29	Note 30		

The accompanying notes form an integral part of the financial statements

STATEMENTS OF **CASH FLOWS**

For the year ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Cash flows from operating activities					
Profit before tax expense and zakat		**7,366,575**	6,285,063	**5,798,115**	5,155,501
Adjustments for:					
Share of loss/(profit) after tax of equity accounted associated companies		**5,457**	(2,112)	**–**	–
Depreciation of right-of-use assets	18(i)(a),36	**104,899**	150,356	**80,761**	124,917
Depreciation of property and equipment	19,36	**258,415**	214,063	**194,840**	152,175
Amortisation of core deposits intangible	20,36	**4,638**	4,638	**–**	–
Net gain on disposal of property and equipment	35	**(1,036)**	(680)	**(387)**	(134)
Net gain on disposal of foreclosed properties	35	**(480)**	(1,691)	**(480)**	(1,691)
Allowance for impairment on loans, advances and financing	38	**1,394,537**	1,328,284	**967,597**	832,978
Net gain arising from disposal of financial investments at fair value through other comprehensive income	30,34	**(168,961)**	(384,402)	**(164,232)**	(368,368)
Net gain arising from disposal of financial investments at amortised cost	34	**(1,755)**	–	**(1,755)**	–
Amortisation of cost and accretion of discount relating to debt securities issued and other borrowed funds	25	**6,159**	6,080	**4,175**	4,269
Unrealised loss/(gain) on revaluation of financial assets at fair value through profit or loss	34	**113,620**	(29,076)	**107,142**	(27,261)
Unrealised gain on revaluation of trading derivatives	34	**(1)**	(80)	**(1)**	(80)
(Gain)/Loss representing ineffective portions of hedging derivatives	34	**(713)**	(1,277)	**31**	(829)
Dividends from financial investments at fair value through other comprehensive income	34	**(1,602)**	(2,287)	**(1,083)**	(1,600)
Net loss on liquidation of subsidiary company		**–**	–	**–**	1
Distributions from collective investments	35	**–**	–	**(161,805)**	(196,524)
Dividends from subsidiary companies	35	**–**	–	**(941,046)**	(674,846)
Gain on remeasurement of lease contracts		**(36,069)**	(8,754)	**(53,911)**	(8,866)
Property and equipment written off	19,36	**155**	1,325	**23**	76
(Gain)/Loss on revaluation of investment properties	17,35	**(4,772)**	18,124	**–**	–
Allowance for impairment on other assets	39	**5,935**	13,668	**5,169**	9,589
Operating profit before working capital changes		**9,045,001**	7,591,242	**5,833,153**	4,999,307

	Note	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Cash flows from operating activities (continued)					
(Increase)/Decrease in operating assets:					
Placements with banks with original maturity more than three months		**(1,112,351)**	(486,253)	**(1,833,122)**	(87,804)
Reverse repurchase agreements		**202,833**	(194,625)	**202,833**	(194,625)
Financial assets at fair value through profit or loss		**453,882**	2,655,835	**453,882**	2,339,534
Loans, advances and financing		**(12,675,737)**	(15,677,833)	**(5,572,217)**	(12,025,121)
Other assets		**378,311**	(1,177,986)	**70,199**	(860,182)
Statutory deposits with Central Banks		**(87,241)**	8,909,261	**(63,447)**	6,655,185
Increase/(Decrease) in operating liabilities:					
Deposits from customers		**14,523,463**	12,530,276	**10,432,879**	9,819,023
Deposits from banks and other financial institutions		**(2,618,459)**	2,248,155	**(3,371,384)**	1,380,933
Obligations on securities sold under repurchase agreements		**87,723**	(56,546)	**411,546**	(48,869)
Bills and acceptances payable		**12,707**	(25,439)	**12,904**	(25,543)
Recourse obligations on loans and financing sold to Cagamas		**1,100,001**	(1,000,001)	**1**	(1,000,001)
Other liabilities		**(586,813)**	450,632	**(130,127)**	117,908
Cash generated from operations		**8,723,320**	15,766,718	**6,447,100**	11,069,745
Income tax expense and zakat paid		**(2,061,768)**	(1,097,185)	**(1,532,178)**	(799,615)
Net cash generated from operating activities		**6,661,552**	14,669,533	**4,914,922**	10,270,130
Cash flows from investing activities					
Purchase of property and equipment	19	**(142,951)**	(373,063)	**(89,857)**	(304,749)
Addition to investment properties	17	**(14)**	(99)	**–**	–
Proceeds from disposal of property and equipment		**2,040**	865	**401**	267
Proceeds from disposal of foreclosed properties		**21,361**	20,237	**21,361**	19,804
Net purchase of financial investments		**(4,459,421)**	(7,374,002)	**(1,847,922)**	(4,553,522)
Additional investment in a subsidiary company		**–**	–	**(423)**	–
Additional investment in an associated company		**(45,000)**	–	**(22,500)**	–
Investment in collective investments		**–**	–	**(163,453)**	(199,966)
Distributions received from collective investments		**–**	–	**163,453**	199,966
Dividends received from subsidiary companies		**–**	–	**1,119,713**	601,494
Dividends received from financial investments at fair value through other comprehensive income		**1,602**	2,287	**1,083**	1,600
Net cash used in investing activities		**(4,622,383)**	(7,723,775)	**(818,144)**	(4,235,106)

STATEMENTS OF
CASH FLOWS
For the year ended 31 December 2021

	Note	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Cash flows from financing activities					
Dividends paid to equity holders of the Bank		**(3,979,192)**	(1,552,855)	**(3,979,192)**	(1,552,855)
Dividends paid to non-controlling interests		**(31,441)**	(22,845)	**–**	–
Repayment of lease liabilities	18(i)(d)	**(86,032)**	(113,747)	**(59,703)**	(84,591)
Redemption of debt securities	25	**(1,520,000)**	–	**(1,000,000)**	–
Net cash used in financing activities		**(5,616,665)**	(1,689,447)	**(5,038,895)**	(1,637,446)
Net (decrease)/increase in cash and cash equivalents		**(3,577,496)**	5,256,311	**(942,117)**	4,397,578
Cash and cash equivalents at beginning of year		**17,328,281**	12,191,838	**12,320,333**	7,922,755
Exchange differences on translation of opening balances		**297,420**	(119,868)	**–**	–
Cash and cash equivalents at end of year		**14,048,205**	17,328,281	**11,378,216**	12,320,333
Note:					
Cash and balances with banks	3	**17,530,611**	19,698,132	**13,861,672**	12,970,667
Less: Balances with banks with original maturity more than three months		**(3,482,406)**	(2,369,851)	**(2,483,456)**	(650,334)
Cash and cash equivalents at end of year		**14,048,205**	17,328,281	**11,378,216**	12,320,333
Non-cash changes:					
– Non-cash investing activities	18(i)(a)	**79,760**	156,677	**33,687**	145,876
– Effects of rent concessions received during the year	18(i)(c)	**161**	849	**78**	794

The accompanying notes form an integral part of the financial statements

NOTES TO THE FINANCIAL STATEMENTS
– 31 December 2021

1. PRINCIPAL ACTIVITIES AND GENERAL INFORMATION

The Group is principally engaged in all aspects of commercial banking, investment banking, financing and Islamic banking business, stock-broking, provision of related financial services, management of unit trust funds and sale of trust units, underwriting of general insurance, trustee services and investment holding.

The Bank is principally engaged in all aspects of commercial banking and the provision of related financial services.

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

The Bank is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Bank is located at 27th Floor, Menara Public Bank, 146, Jalan Ampang, 50450 Kuala Lumpur.

The financial statements were approved and authorised for issue by the Board of Directors on 25 February 2022.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The accounting policies adopted by the Group and the Bank are consistent with those adopted in the previous years except for the adoption of the following:

(i) (a) Amendments to Malaysian Financial Reporting Standards ("MFRSs") that were Adopted or Early Adopted by the Group and the Bank

The Group and the Bank have adopted the following in the current financial year:

<u>Effective for annual periods commencing on or after 1 January 2021</u>

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

<u>Effective for annual periods commencing on or after 1 April 2021</u>

– COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 Leases)

Interest Rate Benchmark Reform – Phase 2 (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16) – Amendments were made on some specific requirements of those standards with respect to issues affecting financial reporting during the reform of an interest rate benchmark. The amendments provide a practical expedient whereby an entity would not derecognise or adjust the carrying amount of financial instruments for modifications required by interest rate benchmark reform, but would instead update the effective interest rate to reflect the change in the interest rate benchmark. On hedging relationship, entities would be required to amend the formal designation of a hedging relationship to reflect the modifications and/or changes made to the hedged item and/or hedging instruments as a result of the reform. However, the modification does not constitute discontinuation of the hedging relationship nor the designation of a new hedging relationship.

The adoption of these amendments did not have any financial impact to the Group and the Bank. Further details on the progress of transition to alternative benchmark rates are as disclosed in Note 2(iii)(f).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

The accounting policies adopted by the Group and the Bank are consistent with those adopted in the previous years except for the adoption of the following (continued):

(i) (a) Amendments to MFRSs that were Adopted or Early Adopted by the Group and the Bank (continued)

COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to MFRS 16 Leases) – The original amendment issued in 2020 allows lessees not to account for rent concessions as lease modifications if they are a direct consequence of COVID-19 and meet certain conditions. It applies to rent concessions that reduce the lease payments due on or before 30 June 2021. This amendment extends the availability of the practical expedient for another 12 months, i.e. permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022.

The Group and the Bank have applied practical expedient not to account for rent concessions to all of its property leases that meet the above mentioned conditions.

The Group and the Bank accounted for the allocated portion of a contractually forgiven payment as a negative variable lease payment in the period in which the event or condition that triggers the reduced payment occurred. These amounts are recognised in the profit or loss within establishment costs as disclosed in Note 18(i)(c).

(b) Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Pandemic

Following Bank Negara Malaysia ("BNM")'s letters dated 24 March 2020, 24 July 2020 and 17 August 2020 on measures to assist borrowers/customers affected by the COVID-19 pandemic, BNM had on 31 May 2021 extended the eligibility period of various repayment assistance from 30 June 2021 to on or before 31 December 2021.

i) Definition of defaulted exposures under the policy documents on Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks

In applying the definition of defaulted exposures under the above policies to loans/financing for which repayment assistance is extended:

a) The determination of "days past due" should be based on the new repayment terms of a loan/financing that has been rescheduled and restructured. Where the repayment terms include a repayment deferral, the determination of days past due should exclude the deferred repayment period;

b) For loans/financing to individuals or SMEs, a borrower/customer should not be considered to be in default based on "unlikeliness to repay" at the time the repayment assistance is granted, except where the loan/financing is sold by the banking institution at a material loss or the borrower/customer is subjected to bankruptcy actions. Banking institutions are also expected to consider whether the financial difficulties faced by the borrowers/customers are unlikely to be temporary; and

c) For loans/financing to corporates, the assessment of "unlikeliness to repay" should not be based solely on the borrower/customer taking up an offer of repayment assistance extended by the banking institution but based on a more holistic assessment of all relevant indicators and information available on the corporate borrower/customer.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(i) (b) Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Pandemic (continued)

i) Definition of defaulted exposures under the policy documents on Capital Adequacy Framework and Capital Adequacy Framework for Islamic Banks (continued)

Regulatory Capital Treatment

The regulatory capital treatment above shall apply to loans/financing denominated in Malaysian Ringgit or foreign currency that meet the following criteria:

a) The principal or interest/profit, or both, is not in arrears exceeding 90 days as at the date of application for repayment assistance; and

b) The application for repayment assistance by a borrower/customer is received on or before 31 December 2021.

The regulatory capital treatment would also be applicable to rescheduled and restructured loans/financing that are facilitated by Agensi Kaunseling dan Pengurusan Kredit, the Small Debt Resolution Scheme and the Corporate Debt Restructuring Committee.

The Group and the Bank have applied the above regulatory capital treatment to the applicable loans/financing.

ii) Classification in the Central Credit Reference Information System ("CCRIS")

For rescheduled and restructured ("R&R") individual, SME and corporate loans/financing with arrears not exceeding 90 days as at the date of application for repayment assistance and where application for repayment assistance is received on or before 31 December 2021, including a loan/financing that is restructured and rescheduled more than once, the loan/financing need not be reported as R&R in CCRIS.

The Group and the Bank have complied with the above requirements from BNM.

iii) Drawdown of prudential buffers

Banking institutions were allowed to:

a) Drawdown the capital conservation buffer of 2.5%;

b) Operate below the minimum Liquidity Coverage Ratio ("LCR") of 100%;

c) Reduce the regulatory reserves held against expected losses to 0%; and

d) Minimum Net Stable Funding Ratio ("NSFR") is lowered to 80% from 100%.

However, banking institutions are required to rebuild the said buffers and restore them to the minimum regulatory requirements by 30 September 2021.

The Group and the Bank have not drawn down any of the prudential buffers.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(i) (b) Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Pandemic (continued)

iv) Transitional Arrangements for Regulatory Capital Treatment of Accounting Provisions

The transitional arrangements for regulatory capital treatment of accounting provisions were introduced as part of the BNM's additional measures to further support efforts to help affected individuals and businesses to recover from the impact of the COVID-19 pandemic while continue to preserve the safety and soundness of the banks.

Under these requirements, financial institutions that elect to apply the said transitional arrangements are allowed to add back a portion of Stage 1 and Stage 2 provisions for expected credit losses to Common Equity Tier I capital over a four-year period from financial year beginning 2020, or a three-year period from financial year beginning 2021, based on the add-back factor prescribed in the frameworks.

The Group and the Bank have not applied the said transitional arrangements provided in the frameworks as at the reporting date.

Pakej Perlindungan Rakyat dan Pemulihan Ekonomi ("PEMULIH package")

In line with the announcement made by the Prime Minister of Malaysia on the PEMULIH package, the Association of Banks in Malaysia and Association of Islamic Banking and Financial Institutions Malaysia had on 29 June 2021 announced that from 7 July 2021, banks will be offering a 6-month moratorium on the instalment of all credit facilities (excluding credit cards) for the following borrowers/customers on an opt in basis:

i) All individuals (including all B40, M40 and T20 borrowers/customers);

ii) All microenterprises; and

iii) All small and medium enterprises ("SMEs") that have been affected by the COVID-19 pandemic.

For credit card facilities, banks will offer conversion of a borrower's/customer's outstanding balances into a 3-year term loan/financing with reduced interest/profit rates.

The Group and the Bank have offered this moratorium accordingly to loans/financing approved before 1 July 2021 and are not in arrears for more than 90 days on the date the request is submitted. In addition, CCRIS records will be unaffected by opting in this moratorium.

Financial Management and Resilience Programme (Program Pengurusan & Ketahanan Kewangan, "URUS")

The Association of Banks in Malaysia, Association of Islamic Banking and Financial Institutions Malaysia and Association of Development Finance Institutions of Malaysia had on 14 October 2021 announced that from 15 November 2021, banks alongside Agensi Kaunseling dan Pengurusan Kredit ("AKPK") will be offering the URUS to individual customers, on application, who are under existing repayment assistance programme as at 30 September 2021 and meet the following criteria:

i) Customers/Borrowers are from the B50 income segment;

ii) Customers/Borrowers who have experienced either:
   a) Loss of employment; or
   b) Reduction of income of at least 50%; and

iii) Loan/Financing of the customer/borrower is still performing (no in arrears exceeding 90 days) as at the date of application.

Under URUS, the Group and the Bank alongside AKPK will be providing customers/borrowers with a personalised financial plan until 31 March 2022 which encompass the following options:

i) Interest/profit waiver for a period of 3 months; or

ii) A 3-month interest/profit waiver together with reduced instalments for a period of up to 24 months.

For eligible customers/borrowers who have enrolled for flood relief assistance programme, the Group and the Bank will also be offering URUS, if required, until 31 July 2022 or upon the expiry of the flood relief assistance programme, whichever is earlier.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(i) (b) Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Pandemic (continued)

MFRS 9 Financial Instruments and financial reporting requirements

The Group and the Bank had incorporated management overlays to cater for the impact of the COVID-19 pandemic and the associated relief measures in the measurement of expected credit losses ("ECL").

These management overlays are made to reflect the macroeconomic outlook and potential deterioration in credit risk of loans/financing that could potentially be affected by the COVID-19 pandemic. The management overlays involved significant level of judgment and reflect management's views of possible severities of the pandemic and paths of recovery in the forward looking assessment for ECL estimation purposes.

i) Forward looking macro-economic information and assumptions

The Group and Bank have updated the assumptions in the forward looking models to reflect the evolving situation with respect to COVID-19 arising from the following uncertainties:

– The extent and duration of measures due to recent resurgence of COVID-19 cases globally;

– The expected impact on the economy, including the timing and speed of the economic response; and

– The effects of various government relief and support measures, in particular their impact on the extent and duration of economic recovery.

The economic outlook from various research houses and forward looking information have also been considered.

The following are the values of the key domestic macro-economic variables and latest available statistics/projections for the respective years, as published by the government and related agencies which have been considered by the Group and the Bank:

	2021	2020
Gross domestic product %	**3.0-4.0**	5.5-6.5
Consumer price index %	**2.4**	2.1
Housing price index	**198.6***	–
Unemployment rate %	**4.6-4.8**	4.0

* *Latest available statistic.*

The Group and the Bank modified the above macro-economic projections considered the continued uncertainties in the economic environment for the purpose of ECL estimation.

ii) Assessment for significant increase in credit risk for stage transfer purposes

The borrowers or customers who had received relief assistance remain in their existing stages unless they have been individually identified as not viable or with subsequent indicators of significant increase in credit risk from each of their pre-COVID-19 status. Hence, in the absence of other factors relevant to the assessment of whether there has been a significant increase in credit risk, the relief assistance provided does not automatically result in migration from Stage 1 (12-month ECL) to Stage 2 (lifetime ECL).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(i) (b) Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Pandemic (continued)

MFRS 9 Financial Instruments and financial reporting requirements (continued)

iii) Management overlay for loans/financing under relief assistance

The Group and the Bank exercised judgment, adapted and estimated based on the information on-hand in the provision of management overlays.

a) Large corporate borrowers/customers
Management overlay is provided for certain large corporate borrowers/customers who were and continue to be affected by the economic environment and have applied for rescheduling and restructuring arrangements.

b) Retail and SME borrowers/customers
Borrowers/customers who came forward for various relief assistances were identified and assessed. Based on assessment of available data, management overlay is provided to cater for potential deterioration in credit risk of this group of borrowers/customers.

The Group and the Bank will continue to review and monitor closely the abovementioned assumptions and management overlay if current expectations change materially.

(ii) MFRS and Amendments to MFRSs that have been Issued but are Not Yet Effective to the Group and the Bank

The following MFRS and Amendments to MFRSs have been issued by Malaysian Accounting Standards Board ("MASB") but are not yet effective to the Group and the Bank:

Effective for annual periods commencing on or after 1 January 2022

- Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018-2020"
- Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations)
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets)

Effective for annual periods commencing on or after 1 January 2023

- MFRS 17 Insurance Contracts
- Amendments to MFRS 17 Insurance Contracts
- Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts)
- Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 Presentation of Financial Statements)
- Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements)
- Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes)
- Initial Application of MFRS 17 and MFRS 9 – Comparative Information (Amendments to MFRS 17 Insurance Contracts)

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(ii) MFRS and Amendments to MFRSs that have been Issued but are Not Yet Effective to the Group and the Bank (continued)

The following MFRS and Amendments to MFRSs have been issued by Malaysian Accounting Standards Board ("MASB") but are not yet effective to the Group and the Bank (continued):

Amendments to MFRSs contained in the document entitled "Annual Improvements to MFRS Standards 2018-2020" – The Annual Improvements cover the following amendments that are applicable to the Group and the Bank:

i) **MFRS 9 Financial Instruments** – It clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

ii) **Illustrative Examples accompanying MFRS 16 Leases** – It deletes the Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.

Reference to the Conceptual Framework (Amendments to MFRS 3 Business Combinations) – The amendments update MFRS 3 by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version which was issued by MASB in April 2018.

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to MFRS 116 Property, Plant and Equipment) – The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company shall recognise such sales proceeds and related cost in profit or loss.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets) – The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

MFRS 17 Insurance Contracts – MFRS 17 introduces consistent accounting for all insurance contracts based on a current measurement model. Under MFRS 17, the general model requires entities to recognise and measure a group of insurance contracts at: (i) a risk-adjusted present value of future cash flows that incorporates information that is consistent with observable market information; plus (ii) an amount representing the unearned profit in the group of contracts.

Amendments to MFRS 17 Insurance Contracts – The amendments are designed to minimise the risk of disruption to implementation already underway and do not change the fundamental principles of the standard or reduce the usefulness of information for investors. In addition, the amendments also defer the effective date of MFRS 17 by two years to annual reporting periods beginning on or after 1 January 2023.

Extension of the Temporary Exemption from Applying MFRS 9 (Amendments to MFRS 4 Insurance Contracts) – The amendments extend the expiry date for the temporary exemption from applying MFRS 9 Financial Instruments by two years to annual periods beginning on or after 1 January 2023, to be aligned with the effective date of MFRS 17, which replaces MFRS 4.

Classification of Liabilities as Current or Non-current (Amendments to MFRS 101 Presentation of Financial Statements) – The amendments provide clarification on the requirements for classifying liabilities as current or non-current, and specifically on the following:

– The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.

– Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.

– The amendments clarify the situations that are considered settlement of a liability.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(ii) MFRS and Amendments to MFRSs that have been Issued but are Not Yet Effective to the Group and the Bank (continued)

The following MFRS and Amendments to MFRSs have been issued by Malaysian Accounting Standards Board ("MASB") but are not yet effective to the Group and the Bank (continued):

Disclosure of Accounting Policies (Amendments to MFRS 101 Presentation of Financial Statements) – The amendments require entities to disclose their material accounting policy information rather than significant accounting policies and include examples of what is considered to be material to their financial statements. To support the amendments, MFRS Practice Statement 2 Making Materiality Judgments was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosure.

Definition of Accounting Estimates (Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors) – The amendments revise the definition of accounting estimates to clarify how companies should distinguish changes in accounting policies from changes in accounting estimates.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to MFRS 112 Income Taxes) – The amendments clarifies how companies should account for deferred tax on transactions such as leases and decommissioning obligation. The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

Initial Application of MFRS 17 and MFRS 9 – Comparative Information (Amendment to MFRS 17 Insurance Contracts) – In order to avoid the temporary accounting mismatches between financial assets and insurance contract liabilities in the comparative information presented on initial application of MFRS 17 and MFRS 9, the amendment provides an option for the presentation of comparative information about financial assets as if the classification and measurement requirements of MFRS 9 had been applied to that financial asset.

The adoption of MFRS 17 Insurance Contracts and its related Amendments are not expected to have any material financial impact on the financial statements of the Group as the Group's insurance business is immaterial.

The adoption of other amendments to MFRSs is not expected to have any financial impact on the financial statements of the Group and of the Bank.

(iii) Significant Accounting Policies

(a) Basis of Accounting

The financial statements of the Group and of the Bank have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The financial statements of the Group and of the Bank have been prepared on a historical cost basis unless otherwise indicated in the notes to the financial statements.

The financial statements incorporate all activities relating to the Islamic banking business which have been undertaken by the Group. Islamic banking business refers generally to the acceptance of deposits and granting of financing under the principles of Shariah.

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

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(a) Basis of Accounting (continued)

In the preparation of the financial statements, management is required to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial statements in the period in which the estimate is revised and in any future periods affected.

Significant areas of estimation, uncertainty and critical judgments used in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

(i) *Fair value estimation of financial instruments (Note 46)* – For financial instruments measured at fair value, where the fair values cannot be derived from active markets, these fair values are determined using a variety of valuation techniques, including the use of mathematical models. Whilst the Group and the Bank generally use widely recognised valuation models with market observable inputs, judgment is required where market observable data are not available. Such judgment normally incorporate assumptions that other market participants would use in their valuations, including assumptions about interest/profit rate yield curves, exchange rates, volatilities and prepayment and default rates.

(ii) *Impairment losses on loans, advances and financing (Note 2(i)(b), 9, 38)* – The measurement of impairment losses on loans, advances and financing requires judgment. In particular, the estimation of the amount and timing of future cash flows, the assessment of a significant increase in credit risk and incorporation of forward-looking information in the measurement of impairment losses. These estimates are driven by a number of factors, changes in which can result in different levels of impairment losses.

The impairment losses computed based on the expected credit losses ("ECL") models are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. A number of significant judgments are also required in applying the accounting requirements for measuring impairment losses, such as determining criteria for significant increase in credit risk, choosing appropriate models and assumptions for the measurement of impairment losses, establishing the segmentation of loans for purposes of measuring impairment losses on a collective basis, determining the number of economic inputs (e.g. gross domestic product growth rates, consumer price index, housing price index, etc.) as well as the effects on default rates and recovery rates, and selecting forward-looking macroeconomic scenarios and determining its probability-weightings.

For credit-impaired loans, advances and financing ("loan(s)") which are individually assessed, judgment by management is required in the estimation of the amount and timing of future cash flows in the determination of impairment losses. In estimating these cash flows, judgments are made about the realisable value of collateral pledged and the borrower's financial position. These estimations are based on assumptions and the actual results may differ, hence resulting in changes to impairment losses recognised.

(iii) *Impairment of goodwill and intangible assets (Note 20)* – The Group and the Bank perform an annual assessment of the carrying value of its goodwill and intangible assets against the recoverable amount of the cash-generating units ("CGU") to which the goodwill and intangible assets have been allocated. The measurement of the recoverable amount of CGUs are determined based on the value-in-use method, incorporating the present value of estimated future cash flows expected to arise from the respective CGU's ongoing operations. Management judgment is used in the determination of the assumptions made, particularly the cash flow projections, discount rates and the growth rates used. The estimation of pre-tax cash flows is sensitive to the periods for which the forecasts are available and to assumptions regarding the long-term sustainable cash flows, and reflect management's view of future performance.

(iv) *Impairment of other assets* – The assessment of impairment of properties held under property and equipment (Note 19) requires management judgment in the assessment of whether negative fluctuations in values of similar properties in the same location represent an indication of impairment in the value of the individual properties.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(a) Basis of Accounting (continued)

Significant areas of estimation, uncertainty and critical judgments used in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following (continued):

(v) *Valuation of investment properties (Note 17)* – The measurement of the fair values for investment properties performed by management are determined with reference to quotations of market value provided by independent professional valuers.

(vi) *Income taxes (Note 40)* – The Group and the Bank are subject to income taxes in many jurisdictions. Significant management judgment is required in estimating the provision for income taxes, as there may be differing interpretations of tax law for which the final outcome will not be established until a later date. Liabilities for taxation are recognised based on estimates of whether taxes will be payable. The estimation process may involve seeking the advice of experts, where appropriate. Where the final liability for taxation assessed by the tax authority is different from the amounts that were initially recorded, these differences will affect the income tax expense and deferred tax provisions in the period in which the estimate is revised or when the final tax liability is established.

(vii) *Deferred tax assets (Note 13)* – Deferred tax assets are recognised for all unutilised tax losses to the extent that it is probable that future taxable profit will be available against which the tax losses can be utilised. Management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

(viii) *Defined Benefit Plan (Note 11)* – The defined benefit obligation is determined based on an actuarial valuation. The actuarial valuation involves making assumptions regarding the discount rate, future salary increases and attrition rates. Due to the long term nature of the defined benefit plan, such estimates are subject to significant uncertainty. The amount of defined benefit asset recognised in the statement of financial position is limited to the present value of economic benefits in the form of refunds or reductions in future contributions to the fund. The levels of future contributions to the plan which are used to assess this limit is subject to some uncertainties due to other assumptions made regarding fund membership levels and future salary increases.

(ix) *Leases (Note 18)* – The measurement of leases requires management to make certain judgments and estimations. Critical judgments required include establishing whether or not it is reasonably certain that an extension option will be exercised or termination option will not be exercised and calculating the appropriate discount rate to use.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Bank, its subsidiary companies and its controlled entities made up to the end of the financial year.

(i) Subsidiary Companies

Control is achieved when the Group:

– has power over the investee;

– is exposed, or has rights, to variable returns from the involvement with the investee; and

– has the ability to affect those returns through its power over investee.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of these elements of control listed above.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(b) Basis of Consolidation (continued)

(i) Subsidiary Companies (continued)

When the Group has less than a majority of the voting rights but has rights that are sufficient to give it the practical ability to direct the relevant activities unilaterally, the Group considers all facts and circumstances in assessing whether or not the voting rights give it power, including:

– the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

– potential voting rights held by the Group, other vote holders or other parties;

– rights arising from other contractual arrangements; and

– any additional facts and circumstances that indicate the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Subsidiary companies are consolidated from the date on which the Group controls, and ceases from the date that control ceases. The financial results of the subsidiary companies are included in the consolidated financial statements from the date that control is obtained until the date that the Group loses control.

The acquisition method of accounting is used to account for the purchase of subsidiary companies. The consideration transferred for the acquisition of a subsidiary company is measured at the fair value of the assets given, the equity instruments issued and liabilities incurred or assumed at the date of exchange, as well as any contingent consideration given. Acquisition-related costs are expensed off in profit or loss as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed are initially measured at fair value as at acquisition date.

Goodwill is measured as the excess of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest in the subsidiary company over the fair value of the Group's share of the identifiable net assets acquired. The accounting policy on goodwill is set out in Note 2(iii)(l)(i). In the event that the fair value of the Group's share of the identifiable net assets acquired exceeds the amount of consideration transferred, any non-controlling interest and the acquisition-date fair value of any previously-held equity interest (i.e. a bargain purchase), the entire resulting gain is recognised in profit or loss of the Group. Non-controlling interests represent the portion of profit or loss and net assets of subsidiary companies not attributable, directly or indirectly, to the Group. Non-controlling interests are presented separately in the consolidated statement of profit or loss and consolidated statement of comprehensive income, and within equity in the consolidated statement of financial position, separately from equity holders of the Bank. For each business combination, the Group will elect to measure the amount of non-controlling interests either at fair value or at the non-controlling interest's proportionate share of the subsidiary company's identifiable net assets.

In a business combination achieved in stages, the previously-held equity interest is remeasured at the acquisition-date fair value with the resulting gain or loss recognised in profit or loss. Changes in the Group's ownership interest in a subsidiary company which does not result in a loss of control are treated as transactions between equity holders and are reported in equity.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(b) Basis of Consolidation (continued)

(i) Subsidiary Companies (continued)

In preparing the consolidated financial statements, intragroup transactions and balances and intragroup gains on transactions between companies are eliminated in full. Intragroup losses are also eliminated unless the transaction provides evidence of impairment of the relevant asset. Consistent accounting policies are applied by the subsidiary companies for transactions and events in similar circumstances. The non-controlling interests' portion of total comprehensive income is attributed to non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in the consolidated statement of profit or loss.

In the Bank's separate financial statements, investment in subsidiary companies is stated at cost less impairment losses, if any. On disposal of such investment, the difference between the net disposal proceeds and the net carrying value of the investment is recognised in profit or loss.

(ii) Collective Investments

Collective investments are those investments in unit trust funds which the Group is deemed to have control, and hence consolidates the financial results of the funds. The basis of consolidating the collective investments is similar to that used in the consolidation of the subsidiary companies.

In the Bank's separate financial statements, collective investments are stated at cost less impairment losses, if any. On disposal of such investments, the difference between the net disposal proceeds and the net carrying value of the investment is recognised in profit or loss.

(iii) Associated Companies

Associated companies are those entities in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the associated companies but not control or joint control of those policies.

Investment in associated companies is accounted for in the consolidated financial statements using the equity method. The Group's investment in associated companies is initially recognised in the consolidated statement of financial position at cost. This initial carrying amount is increased or decreased to recognise the Group's share of post-acquisition net results and other changes to comprehensive income of the associated company less impairment loss, if any, determined on an individual basis. The Group's share of results of the associated company is recognised in profit or loss from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses in an associated company equals or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associated company. Consistent accounting policies are applied for transactions and events in similar circumstances.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(b) Basis of Consolidation (continued)

(iii) Associated Companies (continued)

Goodwill, if any, relating to an associated company is included in the carrying amount of the investment. Any excess of the Group's share of the fair value of the associated company's net identifiable assets and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of the results of the associated company in the period in which the investment is acquired.

The gain or loss on disposal of an associated company is the difference between the net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the associated company being disposed. All gains or losses on disposal of associated companies are recognised in profit or loss.

In the Bank's separate financial statements, the investment in associated companies is stated at cost less impairment losses, if any, determined on an individual basis. On disposal of such investment, the difference between the net disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

(c) Foreign Currency

(i) Functional and Presentation Currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates, i.e. the functional currency. The financial statements of the Group and of the Bank are presented in RM, which is also the Bank's functional currency.

(ii) Foreign Currency Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than each entity's functional currency, i.e. foreign currencies, are translated into the functional currency at exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the closing exchange rates ruling at the reporting date. Exchange differences arising on the settlement of monetary items or on translating monetary items at reporting date are recognised in profit or loss. Non-monetary items that are measured at historical cost in a foreign currency are translated at the exchange rate prevailing at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated at exchange rates at the date when the fair value is determined. Any exchange component of a gain or loss on a non-monetary item is recognised directly in other comprehensive income if the gain or loss on the fair value of the non-monetary item is recognised directly in other comprehensive income. Any exchange component of a gain or loss on a non-monetary item is recognised directly in profit or loss if the gain or loss on the fair value of the non-monetary item is recognised in profit or loss.

(iii) Net Investment in Foreign Operations

In the Bank's separate financial statements, exchange differences arising from monetary items that form part of the Bank's net investment in foreign operations and that are denominated in the functional currency of the Bank or the foreign operations are recognised in profit or loss. In the consolidated financial statements, such exchange differences are recognised initially in other comprehensive income and will be reclassified to profit or loss only upon disposal of the net investment.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(c) Foreign Currency (continued)

(iv) Consolidation of Financial Statements of Foreign Operations

The results and financial position of the Group's foreign operations and its subsidiary companies incorporated in the Federal Territory of Labuan, whose functional currencies are not the presentation currency or the currency of a hyperinflationary economy, are translated into the presentation currency at average exchange rates for the year and at the closing exchange rates as at reporting date respectively. All resulting exchange differences are recognised in other comprehensive income as a foreign currency translation reserve and are subsequently reclassified to profit or loss upon disposal of the foreign operation. Exchange differences arising from foreign currency borrowings and foreign currency forwards designated as hedges of a net investment in a foreign operation are recognised in the foreign currency translation reserve via other comprehensive income until the disposal of the net investment, at which time the accumulated translation differences are taken to profit or loss.

(d) Cash and Cash Equivalents

Cash and cash equivalents consist of cash and bank balances with banks and other financial institutions, and short-term deposits with original maturity of less than three (3) months but excluding monies held-in-trust.

(e) Financial Assets and Liabilities

(i) Initial Recognition

Financial assets and financial liabilities are recognised when the Group and the Bank become a party to the contractual provisions of the instrument. At initial recognition, the Group and the Bank measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset or financial liability. Management also determines the classification of a financial asset and a financial liability at initial recognition.

Regular way purchases and sales of financial assets are recognised using settlement date accounting. The method used is applied consistently for all purchases and sales of financial assets that belong to the same category of financial assets.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(e) Financial Assets and Liabilities (continued)

(ii) Classification and Subsequent Measurement

(a) Financial Assets

The Group and the Bank classify financial assets in the following measurement categories – amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL").

The classification requirements for debt and equity instruments are described below:

(1) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective. Classification and subsequent measurement of debt instruments depend on the Group's and the Bank's business model for managing the asset and the cash flow characteristics of the asset. Based on these factors, the Group and the Bank classify its debt instruments into one of the following three measurement categories:

Amortised cost
Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest/profit ("SPPI/SPPP"), and that are not designated at FVTPL, are measured at amortised cost using the effective interest method. The carrying amount of these assets is adjusted by impairment losses recognised and measured using the ECL models described in Note 2(iii)(h)(ii). Interest income on financial assets measured at amortised cost is recognised in "interest income" in the statement of profit or loss. The losses arising from impairment on loans, advances and financing are recognised in the statement of profit or loss as "Allowance for impairment on loans, advances and financing". The losses arising from impairment on financial assets other than loans, advances and financing are recognised in the statement of profit or loss as "Allowance for impairment on other assets".

FVOCI
Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent SPPI/SPPP, and that are not designated at FVTPL, are measured at FVOCI. The changes in the fair value are recognised through other comprehensive income, except for the recognition of impairment losses measured using the ECL models as described in Note 2(iii)(h)(ii), interest income and foreign exchange gains or losses on the financial assets' amortised cost which are recognised in profit or loss. Interest earned whilst holding the assets are reported as "Interest income" using the effective interest method. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss and recognised in "Net gains and losses on financial instruments".

FVTPL
Financial assets that do not meet the criteria for amortised cost or FVOCI, including financial assets held for trading and derivatives, are measured at FVTPL. Upon derecognition, the gain or loss on a financial asset that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in "Net gains and losses on financial instruments". Interest earned whilst holding the assets are reported as "Interest income" using the effective interest method.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(e) Financial Assets and Liabilities (continued)

(ii) Classification and Subsequent Measurement (continued)

(a) Financial Assets (continued)

(1) Debt instruments (continued)

Business model assessment

The Group and the Bank make an assessment of the objective of a business model in which an asset is held at a portfolio level which best reflects the way the business is managed and information is provided to management. The factors considered include policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets. Other factors considered also include the frequency, volume and timing of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel, and how risks are assessed and managed.

Assessment whether contractual cash flows are solely payments of principal and interest/profit (the SPPI/SPPP test)

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

Reclassification of debt investments

The Group and the Bank reclassify debt instruments when and only when its business model for managing those assets changes. The Group and the Bank do not change the classification of the remaining financial assets held in that business model, but consider the circumstances leading to the model change when assessing newly originated or newly purchased financial assets going forward.

(2) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

Upon initial recognition, the Group and the Bank may occasionally elect to classify irrevocably an equity investment that is not held for trading at FVOCI. Such classification is determined on an instrument-by-instrument basis. When this election is used, fair value gains and losses are recognised in other comprehensive income and are not subsequently reclassified to profit or loss, including on disposal. Dividends earned whilst holding the equity investment are recognised in "Net gains and losses on financial instruments" in the statement of profit or loss when the right to the payment has been established.

Upon derecognition, the gains and losses on equity investments at FVTPL, including dividends earned, are recognised in "Net gains and losses on financial instruments" in the statement of profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(e) Financial Assets and Liabilities (continued)

(ii) Classification and Subsequent Measurement (continued)

(b) Derecognition other than a modification of loan

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group and the Bank transfer substantially all the risks and rewards of ownership, or (ii) the Group and the Bank neither transfer nor retain substantially all the risks and rewards of ownership and the Group and the Bank have not retained control.

Collateral furnished by the Group and the Bank under repurchase agreements are not derecognised as the Group and the Bank retain substantially all risks and rewards on the basis of the pre-determined repurchase price, and hence the criteria for derecognition are not met.

(c) Financial Liabilities

The Group and the Bank classify financial liabilities in the following measurement categories – amortised cost or FVTPL. Financial liabilities are classified and subsequently measured at amortised cost, except for:

(i) financial liabilities at FVTPL; and

(ii) financial guarantee contracts and loan commitments.

Amortised cost
Financial liabilities issued by the Group and the Bank are classified as financial liabilities at amortised cost, where the substance of the contractual arrangement results in the Group and the Bank having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

Non-derivative financial liabilities are initially recognised at the fair value of consideration received less directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial liabilities are measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Financial liabilities measured at amortised cost include deposits from customers, deposits from banks and other financial institutions, repurchase agreements, lease liabilities and debt securities issued and other borrowed funds.

FVTPL
The classification and measurement of financial liabilities at FVTPL is applied to derivative financial instruments as described in Note 2(iii)(f). The Group and the Bank do not have any non-derivative financial liabilities designated at FVTPL. Certain debt securities issued by the Group and the Bank have been designated in effective hedges of interest rate risk, and the carrying value of these financial liabilities have been adjusted for changes in fair value related to the hedged exposure.

Derecognition of financial liabilities
A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(e) Financial Assets and Liabilities (continued)

(iii) Determination of Fair Value

All financial instruments are recognised initially at fair value. At initial recognition, the fair value of a financial instrument is generally the transaction price, i.e. the fair value of the consideration given or received. Subsequent to initial recognition, the fair value of financial instruments measured at fair value are measured in accordance with the valuation methodologies as set out in Note 46.

(iv) Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and to settle the liability simultaneously. This is not generally the case for financial instruments with master netting agreements and therefore, the related assets and liabilities are presented on a gross basis in the statement of financial position.

(f) Derivative Financial Instruments and Hedge Accounting

The Group and the Bank had elected an accounting policy choice under MFRS 9 Financial Instruments to continue to apply the hedge accounting requirements under MFRS 139 Financial Instruments: Recognition and Measurement.

Derivative financial instruments are initially recognised at fair value and are subsequently remeasured at fair value. Derivatives are classified as financial assets when their fair values are positive and as financial liabilities when their fair values are negative.

Derivatives which are not designated in an effective hedge transaction are classified as FVTPL, with changes in fair value recognised in "Net gains and losses on financial instruments" in the statement of profit or loss. For derivative transactions which meet the specific criteria for hedge accounting, the Group and the Bank apply either fair value, cash flow or net investment hedge accounting.

At inception of the hedge relationship, the Group and the Bank formally document the relationship between the hedged item and the hedging instruments, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedge relationship. Hedges are expected to be highly effective in offsetting the designated risk in the hedged item, and are assessed at inception of the hedge relationship and on an ongoing basis to ensure that they remain highly effective throughout the hedge period. A hedge is deemed as highly effective if the cumulative changes in the fair value or cash flows attributable to the hedged risk are expected to offset in a range of 80% to 125% during the period for which the hedge is designated.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(f) Derivative Financial Instruments and Hedge Accounting (continued)

The Group and the Bank will discontinue hedge accounting if the hedging instrument expires, is sold, terminated or exercised or if the hedge no longer meets the criteria for hedge accounting or is revoked.

(i) Fair Value Hedge

Fair value hedges are hedges against exposure to changes in the fair value of a recognised asset or liability, or an unrecognised firm commitment that is attributable to a particular risk, and could affect profit or loss. For designated and qualifying fair value hedges, changes in the fair value of the hedging instrument are recognised in profit or loss, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The net result is reported as hedge ineffectiveness under "Net gains and losses on financial instruments" in the statement of profit or loss.

If the hedging instrument is sold, terminated or exercised or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised to profit or loss over the remaining period to maturity using the effective interest rate.

(ii) Cash Flow Hedge

Cash flow hedges are hedges of the exposure to variability in future cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss. For designated and qualifying cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in other comprehensive income are recycled to profit or loss in the periods when the hedged forecast cash flows affect the profit or loss. If the hedged forecast transaction results in the recognition of a non-financial asset or liability, the gain or loss previously recognised in other comprehensive income is adjusted to the initial cost of the asset or liability.

When a hedging instrument expires or is sold, terminated, exercised or where the hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to profit or loss as hedge ineffectiveness.

(iii) Net Investment Hedge

Net investment hedges are hedges against the exposure to exchange rate fluctuations on the net assets of the Group's foreign operations and are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in the foreign currency translation reserve in equity via other comprehensive income while any gain or loss relating to the ineffective portion is recognised directly in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recognised in other comprehensive income is transferred to profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(f) Derivative Financial Instruments and Hedge Accounting (continued)

Interest Rate Benchmark Reform

The discontinuation of Interbank Offered Rates ("IBORs") in particular London Interbank Offered Rate ("LIBOR") and the transition to alternative Risk Free Rates ("RFRs") is expected to bring about legal, valuation, regulatory and system implications to the Group and the Bank.

The Group and the Bank have comprehensively assessed and managed the impacts of IBOR reform, including the smooth transition to RFRs and ensure that the signposts or deadlines set by BNM and other global regulators/administrators are met. These include engagement and renegotiation with customers and banking counterparties, incorporation of fallback provisions in loans and derivative contracts, risk assessment and operational readiness. The latest development of IBOR reform and the progress of the transition activities are periodically reported to Assets and Liabilities Management Committee and Risk Management Committee.

The Group's and the Bank's exposures subject to IBOR reform are not significant (i.e. mainly USD LIBOR and GBP LIBOR) through their lending to customers, borrowings from banks and interest rate swaps derivative contracts held for hedging purpose. New agreements are referenced to eligible RFRs, where applicable. For those financial instruments with contractual maturity dates fall beyond the planned IBOR cessation date, additional supplementary agreement with fallback provisions has been executed.

(g) Embedded Derivatives

Some hybrid financial instruments contain both an embedded derivative and a non-derivative component. Where the economic characteristics and risks of the embedded derivatives are not closely related to those of the host contract, and the host contract itself is not carried at fair value through profit or loss, the embedded derivative is bifurcated and separately accounted for at fair value, with changes in fair value recognised in profit or loss.

(h) Impairment of Financial Assets

(i) Definition of Credit-impaired and Default

At each reporting date, the Group and the Bank assess whether financial assets are impaired. In general, a financial asset is impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Loans, advances and financing ("loan(s)") of the Group and of the Bank are classified as credit-impaired when they fulfil any of the following criteria:

(1) principal or interest/profit or both are past due for ninety (90) days or more; or

(2) outstanding amount is in excess of approved limit for ninety (90) days or more in the case of revolving facilities; or

(3) where a loan is in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the loan exhibits indications of significant credit weaknesses; or

(4) where a credit-impaired loan is rescheduled and restructured ("R&R"), the loan will remain as credit-impaired until repayments based on the revised and/or restructured terms have been continuously paid for a period of at least six (6) months and the account is less than ninety (90) days past due upon compliance of the required nursing period; or

(5) for repayments scheduled on intervals of ninety (90) days or more including bullet repayment, as soon as default occurs.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(h) Impairment of Financial Assets (continued)

(i) Definition of Credit-impaired and Default (continued)

In making an assessment whether an investment in debt or sovereign debt is impaired, the Group and the Bank consider factors such as, but not limited to, market's assessment of creditworthiness as reflected in the bond yields, rating agencies' assessment of creditworthiness and country's ability to access the capital markets for new debt issuance.

As part of the assessment of impairment for financial assets under the ECL model, the default definition has been applied to model Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD"). The definition of default largely aligns with the definition of impaired for regulatory reporting purposes except for immaterial exposures which are not considered defaulted as such defaults are not attributed to the credit risk of the exposures and certain exposures which are considered defaulted based on qualitative assessment.

(ii) Measurement of Impairment – Expected Credit Losses ("ECL")

The Group and the Bank assess on a forward-looking basis the ECL associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Group and the Bank recognise a loss allowance for such losses at each reporting date. The measurement of ECL reflects an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes, the time value of money and reasonable as well as supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions. No impairment loss is recognised on equity investments.

The Group and the Bank assess whether the credit risk on an exposure has increased significantly on an individual or collective basis. The Group and the Bank first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Bank determine that objective evidence of impairment exists, i.e. credit-impaired, for an individually assessed financial asset, a lifetime ECL will be recognised for impairment loss which has been incurred. Financial assets which are collectively assessed are grouped on the basis of similar credit risk characteristics such as instrument type, credit risk ratings, credit utilisation, level of collateralisation, collateral type, remaining term to maturity and other relevant factors. Collectively, the individual assessment allowance and collective assessment allowance form the total allowance for impairment on loans, advances and financing.

Allowance for impairment will be made based on the following three-stage approach which reflects the change in credit quality of the financial instrument since initial recognition:

(i) Stage 1: 12-month ECL – not credit-impaired
For exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination, the ECL associated with the probability of default events occurring within next 12 months will be recognised.

(ii) Stage 2: Lifetime ECL – not credit-impaired
For exposures where there has been a significant increase in credit risk since initial recognition but that are not credit-impaired, a lifetime ECL will be recognised.

(iii) Stage 3: Lifetime ECL – credit-impaired
Financial assets are assessed as credit-impaired when one or more events that have detrimental impact on the estimated future cash flows of that asset have occurred. For financial assets that are credit-impaired, a lifetime ECL will be recognised.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(h) Impairment of Financial Assets (continued)

(ii) Measurement of Impairment – Expected Credit Losses ("ECL") (continued)

Significant increase in credit risk

At each reporting date, the Group and the Bank assess whether there has been a significant increase in credit risk for exposures since initial recognition to determine whether the exposure is subject to 12-month ECL or lifetime ECL. This is performed by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. When determining whether the risk of default has increased significantly since initial recognition, the Group and the Bank consider both quantitative and qualitative information and analysis based on the Group's and the Bank's historical experience and expert credit risk assessment, including forward-looking information.

The criteria for determining whether credit risk has increased significantly vary by portfolio and include quantitative factors such as delinquency, historical delinquency trend, changes in credit ratings and qualitative factors as well as a backstop based on delinquency. For retail portfolio, a combination of delinquency, historical delinquency trend and qualitative factors are used to determine significant increase in credit risk. For non-retail portfolio, internally derived credit ratings have been identified as representing the best available determinant of credit risk whilst for debt securities, external ratings attributed by external agencies are used. The Group and the Bank assign each counterparty, debt securities and financial instrument, credit rating at initial recognition based on available information about the counterparty, debt securities and financial instrument. Credit risk is deemed to have increased significantly if the credit rating has significantly deteriorated at the reporting date relative to the credit rating at the date of initial recognition. Nevertheless, regardless of the change in credit rating, a backstop is applied and a financial asset is considered to have experienced a significant increase in credit risk if the financial asset is more than 30 days past due on its contractual payments. In addition, the Group and the Bank may determine that an exposure has demonstrated a significant increase in credit risk based on certain qualitative factors using its expert credit judgment and, where possible, relevant historical experience that are considered to be indicative of such increase and whose effect may not otherwise be fully reflected in its quantitative factors.

The Group and the Bank have not used the low credit risk exemption for any financial assets in the current financial year.

Measurement of ECL

ECL are measured using three components, i.e. a PD, a LGD and an EAD. These parameters are derived from internally developed statistical models and adjusted to reflect forward-looking information as described below.

The 12-month and lifetime PD represent the expected point-in-time probability of default over the next 12 months and remaining lifetime of the financial instrument respectively, based on conditions existing at the reporting date and future economic conditions that affect credit risk. The LGD represents the expected loss if a default event occurs at a given time, taking into account the mitigating effect of collateral, its expected value when realised and the time value of money. The EAD represents the expected exposure at default, taking into account the repayment of principal and interest from the reporting date to the default event together with any expected drawdown of a facility. The 12-month ECL is equal to the discounted sum over the next 12 months of monthly PD multiplied by LGD and EAD. Lifetime ECL is calculated using the discounted sum of monthly PD over the remaining life multiplied by LGD and EAD. The discount rate used in the ECL measurement is the original effective interest rate or an approximation thereof.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(h) Impairment of Financial Assets (continued)

(ii) Measurement of Impairment – Expected Credit Losses ("ECL") (continued)

Forward looking information

The Group and the Bank have developed methodologies for the application of forward macro-economic variables ("MEV") which comprise economic indicators and industry statistics in the measurement of ECL. This involves the incorporation of MEVs into the estimation of the PD and LGD via an application of a scale. The process of formulating a scale involves developing the correlation of MEVs to default rates and recovery rates for various portfolios of financial assets based on analysis of historical data. This correlation is then used to form the predicted effect (reflected via a scalar) between the MEVs and PD as well as LGD, taking into account the projections of MEVs.

The MEVs taken into consideration include, but are not limited to, gross domestic product growth rates, consumer price index as well as housing price index, and require an evaluation of both the current and forecast of the economic environment. The projections of the MEVs are made based on a most-likely outcome (the "base economic scenario") and a more favourable ("upside") as well as a more unfavourable outcome ("downside") as compared to the base economic scenario. The base economic scenario represents a most-likely outcome and is aligned with information used by the Group and the Bank for other purposes such as budgeting. The projections based on the respective economic scenarios are approved by the Bank's Assets and Liabilities Management Committee and are provided once a year. However, the projections will be reviewed and updated if economic conditions have changed significantly. Scenario weightings for each economic scenario are also determined via a statistical analysis with reference to external forecasts. The scenario weightings will be used to derive a single probability-weighted scalar for each portfolio which will be used to adjust for the PD and LGD of the respective portfolio.

The carrying amount of the asset (other than debt instrument measured at FVOCI) is reduced through the use of an allowance account and the loss is recognised in profit or loss. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. The impairment loss for a debt instrument measured at FVOCI does not reduce the carrying amount of the financial asset which remains at fair value. Instead, an amount equal to the allowance that would arise if the asset was measured at amortised cost is recognised in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss. The accumulated loss recognised in other comprehensive income is recycled to the profit or loss upon the derecognition of the financial asset.

For loan commitments and financial guarantee contracts, the loss allowance is recognised as allowance for impairment on loan commitments and financial guarantees which is reported under "Other liabilities" in the statement of financial position.

(iii) Write-off

Where a loan is uncollectible, it is written off against the related allowance for loan impairment. Such loans are written off after the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of the amounts previously written off are recognised in profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(h) Impairment of Financial Assets (continued)

(iv) Modification of Loans

Where a loan shows evidence of significant credit weaknesses, the Group and the Bank sometimes renegotiate or otherwise modify the contractual cash flows of the loans rather than take possession of the collateral. When this happens, the Group and the Bank assess whether the new terms are substantially different from the original terms. The Group and the Bank consider, among others, the following factors:

(a) If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay;

(b) Whether any substantial new terms are introduced that substantially affects the risk profile of the loan;

(c) Significant extension of the loan term;

(d) Significant change in the interest rate; and

(e) Insertion of collateral, other security or credit enhancements that significantly affect the credit risk associated with the loan.

The Group and the Bank derecognise a loan when the terms and conditions have been renegotiated to the extent that, substantially, it becomes a new loan and recalculates a new effective interest rate for the loan. 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 assess whether the new loan 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.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition and impairment continues to be assessed for significant increase in credit risk compared to the credit risk at initial origination.

(i) Investment Properties

Investment properties are properties which are held to earn rental income or for capital appreciation or both. Properties that are occupied by companies in the Group for conduct of business operations are accounted for as owner-occupied rather than as investment properties upon consolidation.

The Group has adopted the fair value method in measuring investment properties. Investment properties are measured initially at cost, including transaction cost. Subsequent to initial recognition, all properties are measured at fair value, with any changes recognised in profit or loss.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm’s length transaction. Fair values of investment properties are determined with reference to quotations of market value provided by independent professional valuers.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(i) Investment Properties (continued)

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner-occupied property to investment property, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in other comprehensive income as a property revaluation reserve. If a fair value gain reverses a previously recognised impairment loss, the gain is recognised in profit or loss. Upon disposal of the investment property, any surplus previously recorded in revaluation reserve is transferred to retained profits.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss.

(j) Leases

(i) Recognition of Leases as a Lessee

The Group and the Bank consider whether a contract is, or contains a lease. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. To apply this definition, the Group and the Bank assess whether:

– the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group and the Bank;

– the Group and the Bank have the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

– the Group and the Bank have the right to direct the use of the identified asset throughout the period of use. The Group and the Bank assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

(ii) Measurement of Leases as a Lessee

At lease commencement date, the Group and the Bank recognise a right-of-use asset (other than leasehold land) and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group and the Bank, an estimate of any costs to dismantle and remove the asset or to restore the asset or the site on which it is located at the end of the lease, and any lease payments made in advance of the lease commencement date, less any lease incentives received.

The right-of-use asset (other than leasehold land) is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, and adjusted for certain remeasurements of the lease liability, if any.

The lease liability is measured at amortised cost using effective interest method, and is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the incremental borrowing rates of the Bank and of the respective entities within the Group.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) and payments arising from options reasonably certain to be exercised.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(j) Leases (continued)

(ii) Measurement of Leases as a Lessee (continued)

The Group and the Bank exclude variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

Subsequent to initial measurement, the lease liability will be reduced for payments made and increased for interest accrued. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group and the Bank have applied the practical expedient under the COVID-19-Related Rent Concessions (Amendment to MFRS 16 Leases) of not to account for rent concessions as lease modifications when certain conditions are met.

The Group and the Bank present right-of-use assets that do not meet the definition of investment property and lease liabilities separately in the statement of financial position.

The Group and the Bank have elected not to recognise right-of-use assets and lease liabilities for leases with lease term of less than 12 months and leases of low value assets. The lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

Leasehold land is recognised at cost on initial measurement. Subsequent to initial recognition, leasehold land is stated at cost less accumulated depreciation and accumulated impairment loss, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(iii)(n).

Leasehold land is depreciated over the remaining leasehold period. When the use of leasehold land changes from owner-ocupied to investment property, the leasehold land is remeasured to fair value and reclassified as investment property.

(iii) Recognition and Measurement of Leases as a Lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Rental income from operating leases is recognised on a straight-line basis over the lease term.

(k) Property and Equipment and Depreciation

All items of property and equipment are initially recorded at cost. 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 replaced parts are derecognised. All other repairs and maintenance are charged to profit or loss when they are incurred.

When significant parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(k) Property and Equipment and Depreciation (continued)

Subsequent to initial recognition, property and equipment other than freehold land are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Freehold land is stated at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(iii)(n).

Freehold land with an indefinite useful life and work-in-progress which are not yet available for use are not depreciated. Depreciation of other property and equipment is provided on a straight-line basis calculated to write off the cost of each asset to its residual value over the term of its estimated useful lives, summarised as follows:

Buildings	50 years
Renovations	Over the term of the leases ranging from 2-10 years
Office equipment, furniture and fittings	3-10 years
Computer equipment and software	2-6 years
Motor vehicles	5-6 years

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property and equipment.

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

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property.

(l) Intangible Assets

(i) Goodwill

Goodwill is measured as the excess of consideration transferred, any non-controlling interests and the acquisition-date fair value of any previously-held equity interest over the fair value of the Group’s share of the identifiable net assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. For the purpose of impairment assessment, goodwill is allocated to cash-generating units (“CGU”) which are expected to benefit from the synergies of the business combination. Each CGU represents the lowest level at which the goodwill is monitored for internal management purposes and is not larger than an operating segment in accordance with MFRS 8 Operating Segments. The carrying amount of goodwill is assessed annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, by comparing the recoverable amount from the CGU against the carrying amount of its net assets, including attributable goodwill. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Where the fair value of the Group’s share of the identifiable net assets acquired exceeds the amount of consideration transferred, any non-controlling interests and the acquisition-date fair value of any previously-held equity interest, the entire resulting gain is recognised immediately in profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(l) Intangible Assets (continued)

(ii) Intangible Assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is their fair values as at the date of acquisition. Intangible assets are recognised only when the identifiability and economic benefit probability criterion are met.

Intangible assets with an indefinite useful life are not amortised but are reviewed annually for impairment or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Intangible assets with an indefinite useful life are reviewed annually to determine whether the indefinite useful life assumption continues to be supportable.

Intangible assets with a finite useful life will be amortised on a straight-line basis over the estimated useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

(m) Foreclosed Properties

Foreclosed properties are those acquired in full or partial satisfaction of debts and are stated at the lower of cost and fair value.

(n) Impairment of Non-Financial Assets

Non-financial assets other than goodwill, such as right-of-use assets, property and equipment, investments in subsidiary and associated companies and foreclosed properties, are assessed for impairment annually, or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Where such indications exist, the carrying amount of the asset is written down to its recoverable amount, which is the higher of the fair value less costs to sell and the value-in-use.

The impairment loss is recognised in profit or loss, and is reversed only if there is a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying value that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised for the asset in prior years.

Impairment of goodwill is discussed under the accounting policy on goodwill in Note 2(iii)(l)(i).

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(o) Repurchase and Reverse Repurchase Agreements

Securities purchased under resale agreements (i.e. reverse repurchase agreements) at a specified future date are not recognised in the statement of financial position. The consideration paid, including accrued interest, is recognised in 'reverse repurchase agreements' in the statement of financial position, reflecting the transaction's economic substance as a collateralised loan by the Group and the Bank. The difference between the purchase and resale prices is recognised in 'Interest income' in the statement of profit or loss and is accrued over the life of the agreement using the effective interest method.

Securities sold under repurchase agreements (i.e. repurchase agreements) at a specified future date are not derecognised from the statement of financial position as the Group and the Bank retain substantially all the risks and rewards of ownership. The consideration received is recognised as an asset with the corresponding obligation, including accrued interest as a liability, reflecting the transaction's economic substance as a collateralised loan given to the Group and the Bank. The difference between the sale and the repurchase prices is recognised in 'Interest expense' in the statement of profit or loss and is accrued over the life of the agreement using the effective interest method.

(p) Bills and Acceptances Payable

Bills and acceptances payable represent the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market.

(q) General Insurance

General insurance underwriting results are determined after taking into account reinsurances, unearned premium reserves, net commissions and net claims incurred.

Unearned premium reserves ("UPR") represent the unexpired risks at the end of the financial year. A fixed percentage method or time apportionment method is used in determining the UPR at reporting date.

Provision is made for outstanding claims based on the estimated costs of all claims together with related expenses less reinsurance recoveries in respect of claims notified but not settled at reporting date. Provision is also made for the cost of claims together with related expenses incurred but not reported at reporting date using a mathematical method of estimation determined by the management on a case by case basis.

(r) Provisions

A provision is recognised when there is a present legal or constructive obligation where as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation and the amount can be reliably estimated.

Provisions are reviewed at each reporting date and if it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision is reversed.

Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(s) Debt Securities Issued

Debt securities issued are classified as financial liabilities or equity in accordance with the substance of the contractual terms of the instruments. The Group's debt securities issued consist mainly of senior medium term notes, senior sukuk murabahah, subordinated notes, subordinated sukuk murabahah and borrowings. These debt securities are classified as liabilities in the statement of financial position as there is a contractual obligation by the Group to make cash payments of either principal or interest/profit or both to holders of the debt securities and that the Group is contractually obliged to settle the debt securities in cash or another financial instrument.

The Group has also issued Additional Tier I capital securities which are perpetual debt instruments. These debt securities are classified as a liability in the statement of financial position as there are contractual obligation to deliver cash or other financial instruments to the holders in the form of regular interest payments, potentially extending into the indefinite future.

Subsequent to initial recognition, debt securities issued are recognised at amortised cost. Generally, it is the Group's policy to hedge the fixed interest rate risk on these debt securities, and apply fair value hedge accounting. When hedge accounting is applied to fixed-rate debt instruments, the carrying values of the debt securities are adjusted for changes in fair value related to the hedged exposure, instead of being carried at amortised cost.

(t) Share Capital

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

(u) Contingent Liabilities and Contingent Assets

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities, unless the probability of outflow of economic benefits is remote.

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

(v) Operating Revenue

Operating revenue of the Group comprises all types of revenue derived from commercial banking, investment banking, financing and other Islamic banking activities, stock-broking, general insurance, trustee services, management of unit trust funds and sale of trust units but excluding all related company transactions.

Operating revenue of the Bank comprises gross interest income, commissions earned and other income derived from commercial banking operations.

(w) Interest and Financing Income and Expense

For all financial instruments measured at amortised cost and interest/profit-bearing financial assets classified as FVTPL and FVOCI, interest and financing income and expense are recognised under "Interest income", "Interest expense" and "Net income from Islamic banking business" respectively in the statement of profit or loss using the effective interest/profit method.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(w) Interest and Financing Income and Expense (continued)

The effective interest/profit method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest/financing income or expense over the relevant period. The effective interest/profit rate is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. Significant fees and transaction costs integral to the effective interest/profit rate, as well as premiums or discounts are also considered.

For impaired financial assets where the value of the financial asset has been written down as a result of an impairment loss, interest/financing income continues to be recognised using the rate of interest/profit used to discount the future cash flows for the purpose of measuring the impairment loss.

(x) Fee and Commission Income

The Group and the Bank earn fee and commission income from a diverse range of services provided to its customers. Such income are generally recognised on an accrual basis based on performance obligations satisfied.

Fees earned for the provision of services over a period of time, such as asset management and loan arrangement and management, are accrued over the period. Fee income from the provision of transaction services, such as funds remittances and stock-broking, are recognised upon completion of the underlying transaction. Fees that are linked to the performance of a certain activity or service, such as corporate advisory services, are recognised upon completion of the performance criteria.

(y) Dividend Income

Dividend income is recognised when the right to receive payment is established.

(z) Employee Benefits

(i) Short Term Employee Benefits

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

(ii) Defined Contribution Plan

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees' Provident Fund ("EPF"). Overseas subsidiary companies make contributions to their respective countries' statutory pension schemes. Such contributions are recognised as an expense in profit or loss as incurred.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(z) Employee Benefits (continued)

(iii) Defined Benefit Plan

The Bank and certain subsidiary companies contribute to a fully-funded defined benefit plan approved by the Inland Revenue Board known as the Public Bank Group Officers' Retirement Benefits Fund (the "Fund") for its eligible employees. The obligations under the Fund are determined based on actuarial valuation where the amount of benefit that employees have earned in return for their service in the current and prior years are estimated. The benefit is calculated using the Projected Unit Credit Method in order to determine its present value. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on plan assets (excluding interest), are recognised immediately in defined benefit reserve via other comprehensive income and are not subsequently recycled to profit or loss. Past service costs, whether unvested or already vested, are recognised immediately in profit or loss as incurred. Net interest income or cost is calculated by applying the discount rate to the net defined benefit asset or liability. The Group recognises the changes in the net defined benefit obligation which includes current service costs, past service costs and net interest expense or income under "Personnel costs" in the statement of profit or loss.

The amount recognised in the statements of financial position represents the actual deficit or surplus in the Fund. Any surplus resulting from this calculation is limited to the present value of any economic benefits available in the form of refunds from or reductions in future contributions to the Fund.

(iv) Share-based Compensation Benefits

Where the Group pays for services of its employees using share options, the fair value of the transaction is recognised as an expense in profit or loss over the vesting periods of the grants, with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share option at the date of the grant and the number of share options to be vested by the vesting date taking into account, if any, the market vesting conditions upon which the options were granted but excluding the impact of any non-market vesting conditions. The Group could revise its estimate of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in profit or loss and a corresponding adjustment to equity over the remaining vesting period.

(aa) Tax Expense

Tax expense comprises current and deferred tax. Tax expense is calculated on the basis of the applicable tax law in the respective jurisdictions and is recognised as an expense in profit or loss except to the extent that it relates to items that are charged or credited in other comprehensive income or directly to equity. In such cases, tax expense is charged or credited to other comprehensive income or to equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of prior years.

Deferred tax is recognised using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unutilised tax losses can be utilised. Deferred tax is not provided for goodwill which is not deductible for tax purposes and the initial recognition of assets and liabilities that at the time of transaction, affects neither accounting nor taxable profit. Deferred tax relating to fair value remeasurement of financial investments at FVOCI and cash flow hedges, which are recognised in other comprehensive income, is also charged or credited directly to other comprehensive income, and is subsequently recognised in profit or loss when the deferred fair value gain or loss is recognised in profit or loss.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES (CONTINUED)

(iii) Significant Accounting Policies (continued)

(aa) Tax Expense (continued)

For investment properties which are carried at fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. In all other cases, the amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to set-off under the same taxable entity and taxation authority. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

(ab) Dividends

Dividends declared on ordinary shares are accounted for as an appropriation of retained profits in the period in which they are approved.

(ac) Earnings Per Share

The Group presents basic and diluted (where applicable) earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the period, net of treasury shares. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. No adjustment is made for anti-dilutive potential ordinary shares.

(ad) Segment Reporting

Segment reporting in the financial statements are presented on the same basis as it is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to operating segments. Operating segments are distinguishable components of the Group that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance, and for which discrete financial information is available.

All transactions between operating segments are conducted based on mutually agreed allocation bases, with intra-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

(ae) Government Financing Scheme and Government Financing Facility

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

The benefit of a financing or a facility under a government scheme that addresses identified costs or expenses incurred by the Group and the Bank is recognised in the profit or loss in the same financial period when the costs or expenses are recognised, when the required conditions are fulfilled.

3. CASH AND BALANCES WITH BANKS

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Cash and bank balances	**5,469,189**	4,554,370	**3,420,929**	2,779,601
Money market deposit placements:				
– maturing within one month	**7,441,026**	12,327,482	**6,315,079**	8,519,977
– maturing after one month	**4,620,396**	2,816,280	**4,125,664**	1,671,089
	12,061,422	15,143,762	**10,440,743**	10,191,066
	17,530,611	19,698,132	**13,861,672**	12,970,667

The monies held-in-trust for clients for the Group as at reporting date are approximately RM142,283,000 (2020: RM179,442,000). These amounts are excluded from the cash and balances with banks of the Group in accordance with FRSIC 18.

4. REVERSE REPURCHASE AGREEMENTS AND OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

a) Reverse Repurchase Agreements:

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
At amortised cost				
Malaysian Government Securities	**–**	102,300	**–**	102,300
Malaysian Government Investment Issues	**–**	97,845	**–**	97,845
Foreign government treasury bills	**–**	2,688	**–**	2,688
	–	202,833	**–**	202,833

The fair value of securities accepted as collateral under reverse repurchase agreements that the Group and the Bank are permitted to sell or repledge in the absence of default by their owners in the previous year was RM210,695,000, of which none has been resold.

b) Obligations on Securities Sold under Repurchase Agreements:

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
At amortised cost				
Financial investments at:				
– fair value through other comprehensive income	**1,000,744**	588,812	**1,000,744**	588,812
– amortised cost	**1,087**	325,296	**1,087**	1,473
	1,001,831	914,108	**1,001,831**	590,285

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ("FVTPL")

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	**99,208**	109,517	**99,208**	109,517
Malaysian Government Securities	**246,265**	464,553	**246,265**	464,553
Malaysian Government Investment Issues	**304,963**	330,325	**304,963**	330,325
	650,436	904,395	**650,436**	904,395
Non-money market instruments:				
Equity securities				
– Unquoted shares in Malaysia	**365,568**	478,772	**344,650**	451,376
Debt securities				
– Cagamas bonds	**–**	200,339	**–**	200,339
	365,568	679,111	**344,650**	651,715
	1,016,004	1,583,506	**995,086**	1,556,110

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest/profit rates and equity prices) of the underlying instruments. These instruments further allow the Group and the Bank to transfer, modify or reduce its foreign exchange and interest/profit rate risks via designated hedge relationships. Derivative financial instruments that are entered into for hedging purposes but which do not meet the hedge effectiveness criteria or which relate to customers' transactions are classified as trading derivatives. The Group and the Bank may also take conservative positions, within certain pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates via its trading derivatives.

The following tables show the Group's and the Bank's derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts as at the reporting date. The notional amounts of these derivative financial instruments refer to the underlying contract value on which changes in the value of the derivatives are measured. The notional amounts indicate the volume of transactions outstanding at the year end but are not indicative of either the market risk or credit risk inherent in the derivative contracts. The risks associated with the use of derivative financial instruments, as well as management's policy for controlling these risks are set out in Note 45 to the financial statements.

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

	2021			2020		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
Group	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
At fair value						
Trading derivatives:						
Foreign exchange contracts						
– Currency forwards	**1,200,481**	**2,923**	**3,818**	1,570,341	7,995	9,149
– Currency swaps	**23,493,002**	**73,618**	**133,255**	26,020,528	221,548	409,212
– Currency options	**153,375**	**–**	**–**	31,773	–	–
Precious metal contracts						
– Forwards	**453**	**3**	**–**	606	3	–
	24,847,311	**76,544**	**137,073**	27,623,248	229,546	418,361
Hedging derivatives:						
Fair value hedge						
Interest rate related contracts						
– Interest rate swaps	**649,562**	**–**	**25,580**	714,214	–	51,288
Cash flow hedge						
Foreign exchange contracts						
– Cross currency interest rate swaps	**1,042,625**	**17,012**	**–**	1,406,300	37,784	13,172
Interest/profit rate related contracts						
– Interest/profit rate swaps	**5,652,185**	**39,042**	**22,846**	6,392,060	2,428	96,996
Net investment hedge						
Foreign exchange contracts						
– Forwards	**3,012,565**	**7,836**	**68,959**	1,970,192	17,252	46,239
	10,356,937	**63,890**	**117,385**	10,482,766	57,464	207,695
Total	**35,204,248**	**140,434**	**254,458**	38,106,014	287,010	626,056

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Bank	2021 Contract/ Notional Amount RM'000	2021 Fair Value Assets RM'000	2021 Fair Value Liabilities RM'000	2020 Contract/ Notional Amount RM'000	2020 Fair Value Assets RM'000	2020 Fair Value Liabilities RM'000
At fair value						
Trading derivatives:						
Foreign exchange contracts						
– Currency forwards	**1,140,907**	**2,871**	**3,773**	1,517,501	7,939	9,112
– Currency swaps	**22,445,833**	**69,990**	**129,581**	24,955,206	207,812	407,859
– Currency options	**153,375**	**–**	**–**	31,773	–	–
Precious metal contracts						
– Forwards	**453**	**3**	**–**	606	3	–
	23,740,568	**72,864**	**133,354**	26,505,086	215,754	416,971
Hedging derivatives:						
Fair value hedge						
Interest rate related contracts						
– Interest rate swaps	**220,000**	**–**	**1,829**	220,000	–	5,676
Cash flow hedge						
Foreign exchange contracts						
– Cross currency interest rate swaps	**1,042,625**	**17,012**	**–**	1,406,300	37,784	13,172
Interest rate related contracts						
– Interest rate swaps	**9,352,185**	**142,618**	**37,433**	9,092,060	198,463	98,313
Net investment hedge at Group level						
Foreign exchange contracts						
– Forwards	**3,012,565**	**7,836**	**68,959**	1,970,192	17,252	46,239
	13,627,375	**167,466**	**108,221**	12,688,552	253,499	163,400
Total	**37,367,943**	**240,330**	**241,575**	39,193,638	469,253	580,371

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

With the exception of options contracts, the fair values of derivative financial instruments are normally zero or negligible at inception. The subsequent change in fair value is either favourable or unfavourable as a result of fluctuations in the underlying market interest/profit rates and/or foreign exchange rates relative to the terms of the respective contracts.

The fair value at inception of options contracts purchased represents the consideration paid for these contracts, with subsequent changes in the fair value dependent on the movements in the value of the underlying asset and/or index.

As at 31 December 2021, the Group and the Bank have positions in the following types of derivative financial instruments:

Forwards

Forwards are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market.

Swaps

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest/profit rates.

Options

Options are contractual agreements under which the seller grants the purchaser the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date during a set period, a specific amount of an underlying asset at a pre-determined price. The seller receives a premium from the purchaser in consideration of risk. Options may be either exchange-traded or negotiated between the purchaser and the seller in the over-the-counter market.

Over-the-counter derivatives may expose the Group and the Bank to the risks associated with the absence of an exchange to close out an open position. This credit risk represents the potential cost to replace the derivative contracts if counterparties fail to fulfil their obligation. To control the level of credit risk, the Group and the Bank continually monitor and assess the credit standing of these counterparties.

Hedge Accounting

Where derivatives of the Group and of the Bank have been designated for the purpose of hedging and meet the hedge effectiveness criteria, the accounting treatment of these derivatives will depend on the nature of the instrument hedged and the type of hedge transaction, as described in Note 2(iii)(f). The Group and the Bank apply hedge accounting in three separate hedging strategies, namely fair value hedge, cash flow hedge and net investment hedge.

Fair Value Hedge

The Group and the Bank use fair value hedges to protect against changes in the fair value of fixed-rate long-term financial instruments due to movements in market interest rates. The financial instruments hedged for interest rate risk include the Bank's debt securities issued and financial investments at fair value through other comprehensive income ("FVOCI"). The Group and the Bank primarily use interest rate swaps as hedges of interest rate risk.

The Group and the Bank only hedge the interest rate risk element and other risks such as credit risk, are managed but not hedged by the Group and the Bank. The interest rate risk component is determined as the change in fair value of the long-term fixed rate debt securities (liabilities) and the bonds (assets), i.e. the hedged items, arising solely from changes in 3-month Kuala Lumpur Inter-bank Offer Rate ("KLIBOR") and United States Dollar 3-month London Inter-bank Offer Rate ("LIBOR") (the benchmark rates of interest). Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed by comparing changes in the fair value of the hedged items attributable to the changes in benchmark KLIBOR and LIBOR with changes in the fair value of the interest rate swaps (hedging instruments).

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Fair Value Hedge (continued)

The accounting policies for fair value hedge are as disclosed in Note 2(iii)(f).

The Group and the Bank establish the hedging ratio by matching the notional of the derivatives with the principal of the hedged items. The main potential sources of hedge ineffectiveness are as follows:

(i) Counterparty credit risk which impacts the fair value of the interest rate swaps but not the hedged items; and

(ii) Mismatches in the terms of hedged items and hedging instruments such as the frequency and the timing of when the interest rates are reset.

The following tables show the notional amount of derivatives designated in fair value hedge relationships in time bands based on the maturity of the derivatives:

Interest rate swaps	2021 Up to 3 Months RM'000	2021 3-12 Months RM'000	2021 1-5 Years RM'000	2021 > 5 Years RM'000	2021 Total RM'000	2020 Up to 3 Months RM'000	2020 3-12 Months RM'000	2020 1-5 Years RM'000	2020 > 5 Years RM'000	2020 Total RM'000
Group										
Hedge of RM bonds (Pay fixed)	**–**	**220,000**	**–**	**–**	**220,000**	–	–	220,000	–	220,000
Average fixed interest rate (%)	**–**	**3.59**	**–**	**–**		–	–	3.59	–	
Hedge of USD bonds (Pay fixed)	**–**	**–**	**304,447**	**125,115**	**429,562**	–	–	313,404	180,810	494,214
Average fixed interest rate (%)	**–**	**–**	**3.39**	**4.85**		–	–	3.33	4.30	
Bank										
Hedge of RM bonds (Pay fixed)	**–**	**220,000**	**–**	**–**	**220,000**	–	–	220,000	–	220,000
Average fixed interest rate (%)	**–**	**3.59**	**–**	**–**		–	–	3.59	–	

The carrying amount of hedged items in fair value hedge relationships, and the accumulated amount of fair value hedge adjustments included in these carrying amounts are as follows:

	Group				Bank			
	2021		2020		2021		2020	
	Carrying Amount RM'000	Fair Value Hedge Adjustments* RM'000	Carrying Amount RM'000	Fair Value Hedge Adjustments* RM'000	Carrying Amount RM'000	Fair Value Hedge Adjustments* RM'000	Carrying Amount RM'000	Fair Value Hedge Adjustments* RM'000
Financial investments at FVOCI	**649,562**	**(25,580)**	714,214	(51,288)	**220,000**	**(1,829)**	220,000	(5,676)

* The carrying amount of financial investments at FVOCI does not include a fair value adjustment as the hedged item is measured at fair value. The accounting for the hedge relationships results in a transfer from other comprehensive income to the profit or loss.

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Fair Value Hedge (continued)

Fair value hedge relationships resulted in the following changes in value used as the basis for recognising hedge ineffectiveness during the year:

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Gain/(Loss) on hedging instruments	**25,708**	(29,539)	**3,847**	(3,875)
(Loss)/Gain on hedged items attributable to the hedged risk	**(24,965)**	29,960	**(3,847)**	3,853
Exchange differences	**1**	5	**–**	–
Ineffectiveness charged to profit or loss (Note 34)	**744**	426	**–**	(22)

The gains and losses on the ineffective portions of the Group's and of the Bank's fair value hedges are recognised immediately in the statement of profit or loss under "Net gains and losses on financial instruments".

Cash Flow Hedge

The Group and the Bank principally use interest/profit rate and cross currency interest rate swaps to protect against exposures to variability in future cash flows on non-trading financial assets and liabilities which bear interest/profit at variable rates. The derivatives are entered into after taking into consideration of the interest rate risk from a portfolio of exposures, such as portfolio of assets or portfolio of liabilities.

To qualify for hedge accounting purpose, derivatives are designated in a cash flow hedge relationships to manage the profit and loss volatility associated with the derivatives which would otherwise measured at fair value through profit or loss. This requires identification of eligible assets and liabilities, and designation of derivatives to obtain hedge accounting, which involves designating derivatives as hedges of the variability in highly probable forecast future cash flows attributable to interest/profit rate risk from the benchmark interest rate on variable rate assets and liabilities. The accounting policies for cash flow hedge are as disclosed in Note 2(iii)(f).

To test hedge effectiveness, a comparison is performed to ensure the expected interest/profit cash flows from the portfolio exceed those of the hedging instruments. The main potential source of hedge ineffectiveness from cash flow hedges is the mismatches in the terms of hedged items and hedging instruments such as the frequency and the timing of when the interest rates are reset.

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Cash Flow Hedge (continued)

The following tables show the notional amount of derivatives designated in cash flow hedge relationships in time bands based on the maturity of the derivatives:

	2021					2020				
	Up to 3 Months RM'000	3-12 Months RM'000	1-5 Years RM'000	> 5 Years RM'000	Total RM'000	Up to 3 Months RM'000	3-12 Months RM'000	1-5 Years RM'000	> 5 Years RM'000	Total RM'000
Group										
Interest/profit rate swaps										
– Pay fixed	**1,593,085**	**1,234,100**	**2,175,000**	**650,000**	**5,652,185**	625,000	801,800	4,265,260	700,000	6,392,060
Cross currency interest rate swaps										
– Pay fixed	**–**	**1,042,625**	**–**	**–**	**1,042,625**	–	–	1,004,500	–	1,004,500
– Pay LIBOR/ Receive KLIBOR	**–**	**–**	**–**	**–**	**–**	–	401,800	–	–	401,800
	1,593,085	**2,276,725**	**2,175,000**	**650,000**	**6,694,810**	625,000	1,203,600	5,269,760	700,000	7,798,360
Bank										
Interest rate swaps										
– Pay fixed	**1,593,085**	**1,234,100**	**2,175,000**	**650,000**	**5,652,185**	625,000	801,800	4,265,260	700,000	6,392,060
– Receive fixed	**–**	**500,000**	**2,600,000**	**600,000**	**3,700,000**	–	–	1,700,000	1,000,000	2,700,000
Cross currency interest rate swaps										
– Pay fixed	**–**	**1,042,625**	**–**	**–**	**1,042,625**	–	–	1,004,500	–	1,004,500
– Pay LIBOR/ Receive KLIBOR	**–**	**–**	**–**	**–**	**–**	–	401,800	–	–	401,800
	1,593,085	**2,776,725**	**4,775,000**	**1,250,000**	**10,394,810**	625,000	1,203,600	6,969,760	1,700,000	10,498,360

There were no cash flow hedges that were discontinued as a result of the hedged cash flows no longer expected to occur.

The net gains or losses on cash flow hedges reclassified from other comprehensive income to profit or loss is recognised in "Net gains and losses on financial instruments". During the financial year, a loss of RM4,363,000 (2020 - loss of RM1,057,000) was recognised by the Group and the Bank in the statement of profit or loss.

The gains and losses on the ineffective portions of such derivatives are recognised immediately in the statement of profit or loss under "Net gains and losses on financial instruments". During the financial year, a loss of RM31,000 (2020 - gain of RM851,000) (Note 34) was recognised by the Group and the Bank.

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Net Investment Hedge

The Group's statement of financial position is affected by gains and losses as a result of the translation of net assets of its subsidiary companies denominated in currencies other than its functional currency. The Group hedges its exposures to foreign exchange risk via the designation of liabilities (certain short-term interbank borrowing funding pools) and forward foreign exchange contracts.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. The accounting policies for net investment hedge are as disclosed in Note 2(iii)(f).

For hedging instruments which are liabilities, effectiveness is assessed by comparing changes in the carrying amount of the liabilities with changes in the investment in foreign operations which is due to movement in the spot exchange rate.

For hedging instruments which are forward foreign exchange contracts, the Group only designates the spot element of the derivatives as hedging instruments. Changes in the fair value of the hedging instruments attributable to changes in forward points are recognised directly in profit or loss under "Other operating income - foreign exchange profit" and these amounts are not included in the assessment of hedge effectiveness.

Ineffectiveness may also arise if there are significant losses recorded in the net assets of the foreign operations.

The following table shows the notional amount of financial instruments designated as net investment hedge relationships in time bands based on the maturity of the financial instruments:

Group	2021					2020			
	Foreign Currency FCY'000	Up to 3 Months RM'000	1-3 Years RM'000	3-5 Years RM'000	Total RM'000	Foreign Currency FCY'000	Up to 3 Months RM'000	3-5 Years RM'000	Total RM'000
USD Short-term interbank borrowings	**589,000**	**2,456,425**	**–**	**–**	**2,456,425**	815,000	3,274,670	–	3,274,670
HKD:MYR Forward foreign exchange contracts	**5,632,016**	**–**	**2,033,684**	**978,881**	**3,012,565**	3,801,990	–	1,970,192	1,970,192
		2,456,426	**2,033,684**	**978,881**	**5,468,990**		3,274,670	1,970,192	5,244,862

6. DERIVATIVE FINANCIAL ASSETS/LIABILITIES (CONTINUED)

Net Investment Hedge (continued)

The amounts relating to items designated as hedging instruments are as follows:

	Notional Amount RM'000	Carrying Amount Liabilities RM'000	Change in Fair Value Used for Calculating Hedge Ineffectiveness RM'000	Change in the Value of the Hedging Instruments Recognised in Other Comprehensive Income RM'000	Hedge Ineffectiveness Recognised in Profit or Loss RM'000
2021					
USD Short-term interbank borrowings	**–**	**2,456,425**	**(90,164)**	**(89,644)**	**(520)**
HKD:MYR Forward foreign exchange contracts	**3,012,565**	**–**	**(50,282)**	**(50,282)**	**–**
	3,012,565	**2,456,425**	**(140,446)**	**(139,926)**	**(520)**
2020					
USD Short-term interbank borrowings	–	3,274,670	39,600	37,235	2,365
HKD:MYR Forward foreign exchange contracts	1,970,192	–	21,527	21,527	–
	1,970,192	3,274,670	61,127	58,762	2,365

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

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At fair value				
Government securities and treasury bills:				
Malaysian Government Treasury Bills	**15,967**	700,094	**15,967**	700,094
Malaysian Government Securities	**19,456,980**	17,302,295	**18,883,691**	16,966,318
Malaysian Government Investment Issues	**24,918,120**	23,398,381	**13,770,466**	12,865,030
Other government treasury bills	**156,579**	156,877	**–**	–
	44,547,646	41,557,647	**32,670,124**	30,531,442
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	**2,952,186**	938,442	**2,952,186**	938,442
Non-money market instruments:				
Equity securities				
– Quoted shares and convertible loan stocks outside Malaysia	**1,614**	1,382	**–**	–
– Unquoted shares	**392,801**	379,025	**386,070**	372,474
Debt securities				
– Cagamas bonds	**421,730**	503,931	**300,177**	400,484
– Unquoted corporate bonds/sukuk	**4,953,315**	5,166,976	**791,854**	810,727
	5,769,460	6,051,314	**1,478,101**	1,583,685
	53,269,292	48,547,403	**37,100,411**	33,053,569

Included in financial investments at FVOCI are the following securities sold under repurchase agreements (Note 4(b)):

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysian Government Securities	**530,597**	602,268	**530,597**	602,268
Malaysian Government Investment Issues	**493,420**	–	**493,420**	–
	1,024,017	602,268	**1,024,017**	602,268

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

The following expected credit losses ("ECL") for debt instruments are not recognised in the statement of financial position as the carrying amount of debt instruments at fair value through other comprehensive income is equivalent to their fair value:

Group	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not Credit-Impaired (Stage 2) RM'000	Lifetime ECL Credit-Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2020	7,616	796	–	8,412
Net allowance made (Note 39)	3,498	1,183	–	4,681
New financial investments purchased	7,962	1,183	–	9,145
Allowance made	2,692	–	–	2,692
Amount derecognised	(7,219)	–	–	(7,219)
Change in models/risk parameters	63	–	–	63
Exchange differences	(3)	(60)	–	(63)
At 31 December 2020	11,111	1,919	–	13,030
Net allowance made/(written back) (Note 39)	**2,463**	**(1,973)**	**–**	**490**
New financial investments purchased	**5,193**	**652**	**–**	**5,845**
Allowance made	**1,305**	**–**	**–**	**1,305**
Amount derecognised	**(4,174)**	**(2,625)**	**–**	**(6,799)**
Change in models/risk parameters	**139**	**–**	**–**	**139**
Exchange differences	**11**	**54**	**–**	**65**
At 31 December 2021	**13,585**	**–**	**–**	**13,585**

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
At 1 January 2020	4,352	–	–	4,352
Net allowance made (Note 39)	1,132	–	–	1,132
New financial investments purchased	6,770	–	–	6,770
Allowance made	255	–	–	255
Amount derecognised	(5,859)	–	–	(5,859)
Change in models/risk parameters	(34)	–	–	(34)
At 31 December 2020	5,484	–	–	5,484
Net allowance made (Note 39)	**820**	**–**	**–**	**820**
New financial investments purchased	**4,303**	**–**	**–**	**4,303**
Allowance written back	**(5)**	**–**	**–**	**(5)**
Amount derecognised	**(3,478)**	**–**	**–**	**(3,478)**
At 31 December 2021	**6,304**	**–**	**–**	**6,304**

8. FINANCIAL INVESTMENTS AT AMORTISED COST

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
At amortised cost				
Government securities and treasury bills:				
Malaysian Government Securities	**1,094,953**	1,071,562	**1,094,953**	1,071,562
Malaysian Government Investment Issues	**6,691,261**	7,750,118	**2,599,010**	3,870,625
Foreign government treasury bills	**1,004,495**	1,039,673	**95,098**	60,911
Other foreign government securities	**1,120,547**	1,528,131	**4,411**	5,762
	9,911,256	11,389,484	**3,793,472**	5,008,860
Money market instruments:				
Negotiable instruments of deposit and negotiable Islamic debt certificates	**1,810,225**	1,832,725	**–**	1,060,142
Non-money market instruments:				
Debt securities				
– Cagamas bonds	**5,884,194**	4,780,804	**4,780,804**	4,780,804
– Unquoted corporate bonds/sukuk	**8,544,782**	9,606,182	**7,419,712**	7,999,629
	14,428,976	14,386,986	**12,200,516**	12,780,433
Allowance for impairment	**(4,355)**	(5,175)	**(3,027)**	(4,174)
	26,146,102	27,604,020	**15,990,961**	18,845,261

Movements in allowances for impairment on debt instruments which reflect the ECL model on impairment are as follows:

		Lifetime ECL		
Group	**12-Month ECL (Stage 1) RM'000**	**Not Credit-Impaired (Stage 2) RM'000**	**Credit-Impaired (Stage 3) RM'000**	**Total RM'000**
At 1 January 2020	4,527	–	19	4,546
Net allowance made (Note 39)	146	–	–	146
New financial investments purchased	622	–	–	622
Allowance made	278	–	–	278
Amount derecognised	(754)	–	–	(754)
Exchange differences	483	–	–	483
At 31 December 2020	5,156	–	19	5,175
Net allowance written back (Note 39)	**(256)**	**–**	**–**	**(256)**
New financial investments purchased	**581**	**–**	**–**	**581**
Allowance made	**84**	**–**	**–**	**84**
Amount derecognised	**(921)**	**–**	**–**	**(921)**
Exchange differences	**(564)**	**–**	**–**	**(564)**
At 31 December 2021	**4,336**	**–**	**19**	**4,355**

8. FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

Movements in allowances for impairment on debt instruments which reflect the ECL model on impairment are as follows (continued):

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
At 1 January 2020	3,726	–	19	3,745
Net allowance written back (Note 39)	(61)	–	–	(61)
New financial investments purchased	65	–	–	65
Allowance made	236	–	–	236
Amount derecognised	(362)	–	–	(362)
Exchange differences	490	–	–	490
At 31 December 2020	4,155	–	19	4,174
Net allowance written back (Note 39)	**(572)**	**–**	**–**	**(572)**
Allowance written back	**(92)**	**–**	**–**	**(92)**
Amount derecognised	**(480)**	**–**	**–**	**(480)**
Exchange differences	**(575)**	**–**	**–**	**(575)**
At 31 December 2021	**3,008**	**–**	**19**	**3,027**

Included in financial investments at amortised cost are the following securities sold under repurchase agreements (Note 4(b)):

	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Foreign government treasury bills	**1,107**	1,720	**1,107**	1,720
Other foreign government securities	**–**	337,914	**–**	–
	1,107	339,634	**1,107**	1,720

9. LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At amortised cost				
Overdrafts	**9,225,460**	9,464,586	**6,385,509**	6,667,586
Term loans/financing				
– Housing loans/financing	**142,034,597**	131,511,581	**108,261,391**	101,898,138
– Syndicated term loans/financing	**3,869,514**	3,842,179	**991,217**	1,160,411
– Hire purchase receivables	**55,974,697**	54,760,909	**43,626,036**	43,331,042
– Other term loans/financing	**129,367,856**	128,504,129	**101,103,727**	101,330,530
Credit card receivables	**2,182,299**	1,996,528	**2,121,023**	1,954,379
Bills receivables	**54,070**	64,900	**43,933**	51,758
Trust receipts	**206,751**	194,102	**112,737**	103,974
Claims on customers under acceptance credits#	**2,680,262**	2,691,792	**2,498,779**	2,517,347
Revolving credits	**10,246,755**	10,499,096	**7,905,034**	8,651,661
Staff loans*	**2,184,491**	2,121,425	**1,877,076**	1,845,539
Gross loans, advances and financing	**358,026,752**	345,651,227	**274,926,462**	269,512,365
Less: Allowance for impairment on loans and financing				
– Expected credit losses	**(3,974,289)**	(2,848,446)	**(2,910,921)**	(2,073,391)
– Stage 1: 12-Month ECL	**(2,110,401)**	(1,528,896)	**(1,472,405)**	(1,054,961)
– Stage 2: Lifetime ECL not credit-impaired	**(1,621,549)**	(1,046,834)	**(1,302,102)**	(845,848)
– Stage 3: Lifetime ECL credit-impaired	**(242,339)**	(272,716)	**(136,414)**	(172,582)
Net loans, advances and financing	**354,052,463**	342,802,781	**272,015,541**	267,438,974

Included in claims on customers under acceptance credits of the Group and of the Bank in the previous year were bankers' acceptance rediscounted of RM3,000,000.

* Included in staff loans of the Group and of the Bank are loans to directors of subsidiary companies amounting to RM6,550,000 (2020 – RM7,232,000) and RM6,550,000 (2020 – RM7,050,000) respectively.

Gross loans, advances and financing presented by class of financial instruments are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Retail loans/financing*				
– Housing loans/financing	**142,034,607**	131,511,594	**108,261,391**	101,898,138
– Hire purchase	**55,715,898**	54,512,804	**43,626,036**	43,331,042
– Credit cards	**2,182,299**	1,996,528	**2,121,023**	1,954,379
– Other loans/financing^	**112,791,860**	111,116,862	**84,173,836**	84,296,422
	312,724,664	299,137,788	**238,182,286**	231,479,981
Corporate loans/financing	**45,302,088**	46,513,439	**36,744,176**	38,032,384
	358,026,752	345,651,227	**274,926,462**	269,512,365

* Included in retail loans/financing are loans/financing granted to individual borrowers and mid-market commercial enterprises.

^ Included in other loans/financing are term loans, trade financing, overdrafts and revolving credits.

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

The maturity structure of gross loans, advances and financing by residual contractual maturity is as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Maturity within one year	**29,747,301**	29,828,393	**20,434,390**	21,712,839
More than one year to three years	**25,422,156**	27,587,328	**20,136,300**	22,453,205
More than three years to five years	**34,016,248**	31,575,192	**27,450,211**	24,315,669
More than five years	**268,841,047**	256,660,314	**206,905,561**	201,030,652
	358,026,752	345,651,227	**274,926,462**	269,512,365

Gross loans, advances and financing analysed by type of customer are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Non-bank financial institutions				
– Stock-broking companies	**5,441**	969	**5,441**	969
– Others	**14,223,581**	13,973,772	**12,935,958**	12,685,217
Business enterprises				
– Small and medium enterprises	**72,254,303**	70,742,571	**57,996,258**	57,359,814
– Others	**25,895,727**	27,969,048	**19,614,335**	22,017,281
Government and statutory bodies	**1,015,030**	1,018,079	**13,123**	15,843
Individuals	**241,140,263**	228,442,845	**182,404,189**	175,512,155
Other entities	**24,227**	29,121	**19,087**	22,698
Foreign entities	**3,468,180**	3,474,822	**1,938,071**	1,898,388
	358,026,752	345,651,227	**274,926,462**	269,512,365

Gross loans, advances and financing analysed by geographical distribution are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysia	**334,646,103**	323,728,119	**274,278,617**	268,793,402
Hong Kong SAR and the People's Republic of China	**14,041,917**	13,607,461	**–**	–
Cambodia	**4,919,034**	4,606,971	**–**	–
Other countries	**4,419,698**	3,708,676	**647,845**	718,963
	358,026,752	345,651,227	**274,926,462**	269,512,365

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Gross loans, advances and financing analysed by interest rate/rate of return sensitivity are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fixed rate				
– Housing loans/financing	**1,152,729**	786,457	**20,695**	23,381
– Hire purchase receivables	**53,286,598**	52,260,020	**43,479,967**	43,163,759
– Other fixed rate loans/financing	**22,308,184**	22,659,120	**12,193,511**	11,910,692
Variable rate				
– Base rate/Base lending rate plus	**231,103,480**	219,697,158	**187,819,085**	181,127,943
– Cost plus	**36,552,011**	37,001,413	**31,154,587**	32,966,166
– Other variable rates	**13,623,750**	13,247,059	**258,617**	320,424
	358,026,752	345,651,227	**274,926,462**	269,512,365

Gross loans, advances and financing analysed by economic purpose are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Purchase of securities	**3,806,514**	4,359,446	**3,327,555**	3,937,183
Purchase of transport vehicles	**56,213,822**	54,982,651	**43,869,123**	43,552,949
Purchase of landed properties	**229,411,687**	218,890,201	**180,363,257**	174,208,388
(of which: – residential	**147,679,774**	135,970,426	**113,056,177**	105,640,480
– non-residential)	**81,731,913**	82,919,775	**67,307,080**	68,567,908
Purchase of fixed assets (excluding landed properties)	**456,272**	443,942	**85,372**	87,120
Personal use	**13,217,789**	13,742,077	**6,860,947**	7,653,250
Credit card	**2,182,299**	1,996,528	**2,121,023**	1,954,379
Purchase of consumer durables	**704**	798	**224**	103
Construction	**7,662,697**	7,396,048	**5,646,964**	5,718,835
Working capital	**40,836,823**	38,874,027	**29,065,321**	27,605,664
Other purpose	**4,238,145**	4,965,509	**3,586,676**	4,794,494
	358,026,752	345,651,227	**274,926,462**	269,512,365

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Gross loans, advances and financing analysed by sector are as follows:

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Agriculture, hunting, forestry and fishing	**3,133,239**	3,280,896	**2,554,332**	2,282,306
Mining and quarrying	**287,562**	314,277	**160,816**	164,594
Manufacturing	**11,537,292**	11,111,565	**8,357,965**	8,407,467
Electricity, gas and water	**110,646**	129,803	**43,919**	55,895
Construction	**17,824,705**	16,032,004	**13,982,146**	12,702,933
Wholesale & retail trade and restaurants & hotels	**30,844,960**	28,914,864	**25,290,319**	23,847,726
Transport, storage and communication	**4,591,415**	4,450,488	**2,760,483**	3,236,937
Finance, insurance and business services	**18,641,707**	19,724,670	**16,425,969**	17,314,287
Real estate	**25,459,704**	28,710,902	**19,518,194**	22,360,371
Community, social and personal services	**3,344,574**	3,495,524	**1,973,317**	2,140,910
Households	**240,947,103**	228,317,274	**183,796,836**	176,945,619
Others	**1,303,845**	1,168,960	**62,166**	53,320
	358,026,752	345,651,227	**274,926,462**	269,512,365

Movements in credit-impaired loans, advances and financing ("impaired loans/financing") are as follows:

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
At 1 January	**1,251,218**	1,604,919	**885,514**	1,144,133
Impaired during the year	**1,078,629**	1,223,521	**664,046**	735,365
Reclassified as non-impaired	**(705,966)**	(814,904)	**(498,447)**	(571,151)
Recoveries	**(222,202)**	(272,687)	**(150,719)**	(202,723)
Amount written off	**(267,038)**	(443,016)	**(123,633)**	(181,090)
Loans/financing converted to foreclosed properties	**(36,091)**	(40,569)	**(31,742)**	(35,885)
Exchange differences	**3,373**	(6,046)	**(3,351)**	(3,135)
At 31 December	**1,101,923**	1,251,218	**741,668**	885,514
Gross impaired loans/financing as percentage of gross loans, advances and financing	**0.31%**	0.36%	**0.27%**	0.33%

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Impaired loans/financing analysed by geographical distribution are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Malaysia	**827,687**	995,962	**691,988**	824,162
Hong Kong SAR and the People's Republic of China	**132,655**	120,136	**–**	–
Cambodia	**28,751**	28,801	**–**	–
Other countries	**112,830**	106,319	**49,680**	61,352
	1,101,923	1,251,218	**741,668**	885,514

Impaired loans/financing analysed by economic purpose are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Purchase of securities	**33,996**	–	**33,996**	–
Purchase of transport vehicles	**151,752**	175,309	**102,397**	122,349
Purchase of landed properties	**514,620**	647,802	**373,283**	505,315
(of which: – residential	**336,453**	440,544	**232,257**	327,157
– non-residential)	**178,167**	207,258	**141,026**	178,158
Purchase of fixed assets (excluding landed properties)	**10,655**	12,779	**642**	660
Personal use	**87,462**	106,756	**23,128**	40,292
Credit card	**8,048**	13,812	**7,669**	13,221
Purchase of consumer durables	**1**	1	**1**	1
Construction	**14,835**	15,077	**10,235**	10,484
Working capital	**275,638**	274,330	**185,428**	187,869
Other purpose	**4,916**	5,352	**4,889**	5,323
	1,101,923	1,251,218	**741,668**	885,514

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Impaired loans/financing analysed by sector are as follows:

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Agriculture, hunting, forestry and fishing	**19,744**	19,093	**18,867**	19,038
Mining and quarrying	**11,641**	11,398	**11,399**	11,167
Manufacturing	**75,764**	70,438	**47,273**	43,123
Electricity, gas and water	**5,306**	5,041	**–**	–
Construction	**94,853**	101,758	**86,408**	88,572
Wholesale & retail trade and restaurants & hotels	**159,428**	143,872	**129,580**	111,171
Transport, storage and communication	**14,081**	16,723	**9,299**	12,391
Finance, insurance and business services	**65,828**	58,637	**28,036**	38,587
Real estate	**8,805**	19,658	**7,051**	15,012
Community, social and personal services	**5,696**	7,363	**4,467**	5,808
Households	**620,479**	777,078	**397,911**	539,288
Others	**20,298**	20,159	**1,377**	1,357
	1,101,923	1,251,218	**741,668**	885,514

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the expected credit losses ("ECL") model on impairment are as follows:

Group 2021	Retail Loans/Financing					
	Housing Loans/ Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans/ Financing RM'000	Corporate Loans/ Financing RM'000	Total RM'000
Stage 1: 12-Month ECL						
At 1 January 2021	124,642	355,435	22,057	638,331	388,431	1,528,896
Changes due to loans, advances and financing recognised as at 1 January 2021	37,640	73,962	2,574	53,259	(8,178)	159,257
– Transfer to Stage 1: 12-Month ECL	39,818	84,253	3,327	65,568	784	193,750
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(2,161)	(9,700)	(699)	(10,418)	(8,933)	(31,911)
– Transfer to Stage 3: Lifetime ECL credit-impaired	(17)	(591)	(54)	(1,891)	(29)	(2,582)
New loans, advances and financing originated	6,025	24,971	2,157	43,731	23,593	100,477
Net remeasurement due to changes in credit risk	(31,916)	511,805	2,428	(9,143)	61,786	534,960
Loans, advances and financing derecognised (other than write-off)	(1,382)	(9,755)	(253)	(31,788)	(13,587)	(56,765)
Modifications to contractual cash flows of loans, advances and financing	(5,108)	(511)	(39)	(4,757)	4,123	(6,292)
Changes in models/risk parameters	(64,625)	(108,524)	(4,553)	(2,532)	30,447	(149,787)
Amount written off	–	(3,667)	–	–	–	(3,667)
Exchange differences	283	206	6	2,764	63	3,322
At 31 December 2021	65,559	843,922	24,377	689,865	486,678	2,110,401

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

	Retail Loans/Financing					
Group 2021	**Housing Loans/ Financing RM'000**	**Hire Purchase RM'000**	**Credit Cards RM'000**	**Other Loans/ Financing RM'000**	**Corporate Loans/ Financing RM'000**	**Total RM'000**
Stage 2: Lifetime ECL not credit-impaired						
At 1 January 2021	**130,817**	**156,133**	**2,879**	**468,311**	**288,694**	**1,046,834**
Changes due to loans, advances and financing recognised as at 1 January 2021	**(22,500)**	**(65,579)**	**989**	**(55,530)**	**3,627**	**(138,993)**
– Transfer to Stage 1: 12-Month ECL	**(35,621)**	**(77,046)**	**(1,210)**	**(62,023)**	**(784)**	**(176,684)**
– Transfer to Stage 2: Lifetime ECL not credit-impaired	**14,278**	**15,273**	**2,305**	**15,669**	**8,933**	**56,458**
– Transfer to Stage 3: Lifetime ECL credit-impaired	**(1,157)**	**(3,806)**	**(106)**	**(9,176)**	**(4,522)**	**(18,767)**
New loans, advances and financing originated	**3,931**	**8,537**	**577**	**33,473**	**3,790**	**50,308**
Net remeasurement due to changes in credit risk	**(69,582)**	**90,580**	**4,740**	**109,530**	**35,000**	**170,268**
Loans, advances and financing derecognised (other than write-off)	**(8,360)**	**(7,927)**	**(870)**	**(38,684)**	**(54,027)**	**(109,868)**
Modifications to contractual cash flows of loans, advances and financing	**117,530**	**29,244**	**1,330**	**80,235**	**52,090**	**280,429**
Changes in models/risk parameters	**70,761**	**110,135**	**6,635**	**77,537**	**56,527**	**321,595**
Exchange differences	**21**	**45**	**–**	**907**	**3**	**976**
At 31 December 2021	**222,618**	**321,168**	**16,280**	**675,779**	**385,704**	**1,621,549**

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

Group 2021	Retail Loans/Financing: Housing Loans/ Financing RM'000	Retail Loans/Financing: Hire Purchase RM'000	Retail Loans/Financing: Credit Cards RM'000	Retail Loans/Financing: Other Loans/ Financing RM'000	Corporate Loans/ Financing RM'000	Total RM'000
Stage 3: Lifetime ECL credit-impaired						
At 1 January 2021	55,939	109,716	11,241	91,947	3,873	272,716
Changes due to loans, advances and financing recognised as at 1 January 2021	(15,140)	(8,383)	(3,563)	2,271	4,551	(20,264)
– Transfer to Stage 1: 12-Month ECL	(4,197)	(7,207)	(2,117)	(3,545)	–	(17,066)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(12,117)	(5,573)	(1,606)	(5,251)	–	(24,547)
– Transfer to Stage 3: Lifetime ECL credit-impaired	1,174	4,397	160	11,067	4,551	21,349
New loans, advances and financing originated*	173	1,817	13	34,530	119	36,652
Net remeasurement due to changes in credit risk	22,620	84,293	9,472	105,852	1,303	223,540
Loans, advances and financing derecognised (other than write-off)	(2,540)	(19,183)	(970)	(3,986)	–	(26,679)
Modifications to contractual cash flows of loans, advances and financing	1,802	6,456	5,614	2,705	4,533	21,110
Changes in models/risk parameters	–	–	–	16	–	16
Amount written off	(31,963)	(70,448)	(15,451)	(149,126)	(50)	(267,038)
Exchange differences	52	257	20	1,919	131	2,379
Amount transferred to allowance for impairment loss on foreclosed properties	–	–	–	(93)	–	(93)
At 31 December 2021	30,943	104,525	6,376	86,035	14,460	242,339
Total ECL as at 31 December 2021	319,120	1,269,615	47,033	1,451,679	886,842	3,974,289

* New loans, advances and financing originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

Group 2020	Retail Loans/Financing Housing Loans/ Financing RM'000	Retail Loans/Financing Hire Purchase RM'000	Retail Loans/Financing Credit Cards RM'000	Retail Loans/Financing Other Loans/ Financing RM'000	Corporate Loans/ Financing RM'000	Total RM'000
Stage 1: 12-Month ECL						
At 1 January 2020	104,083	185,571	23,187	388,121	269,972	970,934
Changes due to loans, advances and financing recognised as at 1 January 2020	39,076	38,843	2,148	42,017	29,851	151,935
– Transfer to Stage 1: 12-Month ECL	40,783	46,139	3,352	55,172	31,854	177,300
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(1,673)	(7,025)	(1,108)	(9,929)	(2,001)	(21,736)
– Transfer to Stage 3: Lifetime ECL credit-impaired	(34)	(271)	(96)	(3,226)	(2)	(3,629)
New loans, advances and financing originated	9,979	38,107	2,007	47,627	13,161	110,881
Net remeasurement due to changes in credit risk	(31,180)	10,261	(4,664)	174,055	55,995	204,467
Loans, advances and financing derecognised (other than write-off)	(2,100)	(11,359)	(5,681)	(35,762)	(4,655)	(59,557)
Modifications to contractual cash flows of loans, advances and financing	(7,900)	(102)	(1,214)	(11,422)	(3,563)	(24,201)
Changes in models/risk parameters	12,827	94,255	6,269	35,054	27,707	176,112
Exchange differences	(143)	(141)	5	(1,359)	(37)	(1,675)
At 31 December 2020	124,642	355,435	22,057	638,331	388,431	1,528,896

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

	Retail Loans/Financing					
Group 2020	**Housing Loans/ Financing RM'000**	**Hire Purchase RM'000**	**Credit Cards RM'000**	**Other Loans/ Financing RM'000**	**Corporate Loans/ Financing RM'000**	**Total RM'000**
Stage 2: Lifetime ECL not credit-impaired						
At 1 January 2020	86,378	85,735	2,230	238,683	236,886	649,912
Changes due to loans, advances and financing recognised as at 1 January 2020	(5,958)	(29,476)	1,936	(46,440)	(32,313)	(112,251)
– Transfer to Stage 1: 12-Month ECL	(35,843)	(39,143)	(948)	(48,825)	(31,854)	(156,613)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	31,345	13,089	2,982	19,087	2,415	68,918
– Transfer to Stage 3: Lifetime ECL credit-impaired	(1,460)	(3,422)	(98)	(16,702)	(2,874)	(24,556)
New loans, advances and financing originated	2,266	8,803	139	21,120	2,334	34,662
Net remeasurement due to changes in credit risk	(3,121)	88,935	(892)	29,415	(19,372)	94,965
Loans, advances and financing derecognised (other than write-off)	(2,908)	(4,780)	(538)	(11,956)	(27,828)	(48,010)
Modifications to contractual cash flows of loans, advances and financing	48,270	331	(773)	156,066	37,590	241,484
Changes in models/risk parameters	5,908	6,589	778	82,431	91,399	187,105
Exchange differences	(18)	(4)	(1)	(1,008)	(2)	(1,033)
At 31 December 2020	130,817	156,133	2,879	468,311	288,694	1,046,834

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

Group 2020	Retail Loans/Financing Housing Loans/ Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Loans/ Financing RM'000	Corporate Loans/ Financing RM'000	Total RM'000
Stage 3: Lifetime ECL credit-impaired						
At 1 January 2020	81,539	141,236	14,465	118,428	15,433	371,101
Changes due to loans, advances and financing recognised as at 1 January 2020	(33,118)	(9,367)	(4,084)	4,423	2,462	(39,684)
– Transfer to Stage 1: 12-Month ECL	(4,940)	(6,996)	(2,404)	(6,347)	–	(20,687)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(29,672)	(6,064)	(1,874)	(9,158)	(414)	(47,182)
– Transfer to Stage 3: Lifetime ECL credit-impaired	1,494	3,693	194	19,928	2,876	28,185
New loans, advances and financing originated*	368	2,016	20	39,632	69	42,105
Net remeasurement due to changes in credit risk	53,549	100,820	16,757	195,046	8,561	374,733
Loans, advances and financing derecognised (other than write-off)	(3,370)	(13,814)	(1,493)	(5,687)	–	(24,364)
Modifications to contractual cash flows of loans, advances and financing	3,025	953	2,875	1,016	(8,177)	(308)
Changes in models/risk parameters	58	677	4	164	–	903
Amount written off	(46,079)	(112,642)	(17,294)	(252,687)	(14,314)	(443,016)
Exchange differences	(33)	(163)	(9)	(8,147)	(161)	(8,513)
Amount transferred to allowance for impairment loss on foreclosed properties	–	–	–	(241)	–	(241)
At 31 December 2020	55,939	109,716	11,241	91,947	3,873	272,716
Total ECL as at 31 December 2020	311,398	621,284	36,177	1,198,589	680,998	2,848,446

* New loans, advances and financing originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

Bank 2021	Retail Loans Housing Loans RM'000	Retail Loans Hire Purchase RM'000	Retail Loans Credit Cards RM'000	Retail Loans Other Loans RM'000	Corporate Loans RM'000	Total RM'000
Stage 1: 12-Month ECL						
At 1 January 2021	**94,792**	**275,529**	**21,419**	**323,771**	**339,450**	**1,054,961**
Changes due to loans and advances recognised as at 1 January 2021	**29,073**	**54,342**	**2,564**	**44,343**	**(8,141)**	**122,181**
– Transfer to Stage 1: 12-Month ECL	**30,727**	**61,581**	**3,274**	**52,492**	**775**	**148,849**
– Transfer to Stage 2: Lifetime ECL not credit-impaired	**(1,642)**	**(6,931)**	**(676)**	**(8,126)**	**(8,887)**	**(26,262)**
– Transfer to Stage 3: Lifetime ECL credit-impaired	**(12)**	**(308)**	**(34)**	**(23)**	**(29)**	**(406)**
New loans and advances originated	**4,055**	**19,390**	**1,959**	**9,493**	**21,144**	**56,041**
Net remeasurement due to changes in credit risk	**(25,283)**	**392,211**	**2,360**	**(34,524)**	**51,914**	**386,678**
Loans and advances derecognised (other than write-off)	**(1,021)**	**(7,473)**	**(244)**	**(5,688)**	**(11,639)**	**(26,065)**
Modifications to contractual cash flows of loans and advances	**(4,094)**	**(330)**	**(38)**	**(3,347)**	**2,855**	**(4,954)**
Changes in models/risk parameters	**(52,206)**	**(86,070)**	**(4,455)**	**1,492**	**27,454**	**(113,785)**
Amount written off	**–**	**(2,896)**	**–**	**–**	**–**	**(2,896)**
Exchange differences	**–**	**–**	**–**	**244**	**–**	**244**
At 31 December 2021	**45,316**	**644,703**	**23,565**	**335,784**	**423,037**	**1,472,405**

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

Bank 2021	Retail Loans Housing Loans RM'000	Retail Loans Hire Purchase RM'000	Retail Loans Credit Cards RM'000	Retail Loans Other Loans RM'000	Corporate Loans RM'000	Total RM'000
Stage 2: Lifetime ECL not credit-impaired						
At 1 January 2021	109,603	114,608	2,763	347,762	271,112	845,848
Changes due to loans and advances recognised as at 1 January 2021	(17,894)	(47,629)	990	(39,987)	3,590	(100,930)
– Transfer to Stage 1: 12-Month ECL	(27,903)	(55,900)	(1,179)	(51,212)	(775)	(136,969)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	10,904	11,257	2,270	11,875	8,887	45,193
– Transfer to Stage 3: Lifetime ECL credit-impaired	(895)	(2,986)	(101)	(650)	(4,522)	(9,154)
New loans and advances originated	1,885	6,006	522	8,349	3,619	20,381
Net remeasurement due to changes in credit risk	(61,759)	63,824	4,632	86,524	34,783	128,004
Loans and advances derecognised (other than write-off)	(6,843)	(6,021)	(804)	(27,370)	(36,673)	(77,711)
Modifications to contractual cash flows of loans and advances	94,194	22,351	1,279	64,403	47,673	229,900
Changes in models/risk parameters	59,997	82,476	6,433	52,924	54,780	256,610
At 31 December 2021	179,183	235,615	15,815	492,605	378,884	1,302,102

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

Bank 2021	Retail Loans Housing Loans RM'000	Retail Loans Hire Purchase RM'000	Retail Loans Credit Cards RM'000	Retail Loans Other Loans RM'000	Corporate Loans RM'000	Total RM'000
Stage 3: Lifetime ECL credit-impaired						
At 1 January 2021	44,246	76,732	10,626	40,928	50	172,582
Changes due to loans and advances recognised as at 1 January 2021	(11,179)	(6,713)	(3,554)	(4,356)	4,551	(21,251)
– Transfer to Stage 1: 12-Month ECL	(2,824)	(5,681)	(2,095)	(1,280)	–	(11,880)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(9,262)	(4,326)	(1,594)	(3,749)	–	(18,931)
– Transfer to Stage 3: Lifetime ECL credit-impaired	907	3,294	135	673	4,551	9,560
New loans and advances originated*	138	1,559	10	–	–	1,707
Net remeasurement due to changes in credit risk	16,259	61,441	9,295	20,706	480	108,181
Loans and advances derecognised (other than write-off)	(1,606)	(14,553)	(942)	(1,120)	–	(18,221)
Modifications to contractual cash flows of loans and advances	1,292	4,848	5,477	980	4,533	17,130
Changes in models/risk parameters	–	–	–	12	–	12
Amount written off	(26,141)	(53,088)	(14,844)	(29,510)	(50)	(123,633)
Amount transferred to allowance for impairment loss on foreclosed properties	–	–	–	(93)	–	(93)
At 31 December 2021	23,009	70,226	6,068	27,547	9,564	136,414
Total ECL as at 31 December 2021	247,508	950,544	45,448	855,936	811,485	2,910,921

* New loans and advances originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

Bank 2020	Retail Loans Housing Loans RM'000	Retail Loans Hire Purchase RM'000	Retail Loans Credit Cards RM'000	Retail Loans Other Loans RM'000	Corporate Loans RM'000	Total RM'000
Stage 1: 12-Month ECL						
At 1 January 2020	78,326	140,368	22,425	177,815	251,983	670,917
Changes due to loans and advances recognised as at 1 January 2020	29,545	26,451	2,125	32,089	30,349	120,559
– Transfer to Stage 1: 12-Month ECL	30,867	31,655	3,288	39,468	31,854	137,132
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(1,297)	(4,994)	(1,094)	(7,305)	(1,505)	(16,195)
– Transfer to Stage 3: Lifetime ECL credit-impaired	(25)	(210)	(69)	(74)	–	(378)
New loans and advances originated	6,863	31,586	1,874	14,558	11,746	66,627
Net remeasurement due to changes in credit risk	(22,952)	11,659	(4,385)	84,481	26,927	95,730
Loans and advances derecognised (other than write-off)	(1,662)	(8,343)	(5,581)	(8,109)	(2,888)	(26,583)
Modifications to contractual cash flows of loans and advances	(5,734)	(39)	(1,196)	(6,198)	(3,635)	(16,802)
Changes in models/risk parameters	10,406	73,847	6,157	29,423	24,968	144,801
Exchange differences	–	–	–	(288)	–	(288)
At 31 December 2020	94,792	275,529	21,419	323,771	339,450	1,054,961

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

Bank 2020	Retail Loans Housing Loans RM'000	Retail Loans Hire Purchase RM'000	Retail Loans Credit Cards RM'000	Retail Loans Other Loans RM'000	Corporate Loans RM'000	Total RM'000
Stage 2: Lifetime ECL not credit-impaired						
At 1 January 2020	73,069	58,720	2,165	168,365	232,867	535,186
Changes due to loans and advances recognised as at 1 January 2020	(5,340)	(20,887)	1,910	(26,182)	(32,964)	(83,463)
– Transfer to Stage 1: 12-Month ECL	(28,134)	(26,976)	(930)	(37,229)	(31,854)	(125,123)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	24,021	8,949	2,937	12,709	1,505	50,121
– Transfer to Stage 3: Lifetime ECL credit-impaired	(1,227)	(2,860)	(97)	(1,662)	(2,615)	(8,461)
New loans and advances originated	1,383	6,179	117	7,729	2,306	17,714
Net remeasurement due to changes in credit risk	(3,582)	67,847	(917)	19,877	(29,505)	53,720
Loans and advances derecognised (other than write-off)	(2,547)	(2,100)	(499)	(7,697)	(26,021)	(38,864)
Modifications to contractual cash flows of loans and advances	41,291	248	(771)	123,110	37,590	201,468
Changes in models/risk parameters	5,329	4,601	758	62,560	86,839	160,087
At 31 December 2020	109,603	114,608	2,763	347,762	271,112	845,848

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Movements in loss allowance for loans/financing by class which reflect the ECL model on impairment are as follows (continued):

Bank 2020	Retail Loans Housing Loans RM'000	 Hire Purchase RM'000	 Credit Cards RM'000	 Other Loans RM'000	Corporate Loans RM'000	Total RM'000
Stage 3: Lifetime ECL credit-impaired						
At 1 January 2020	60,364	94,487	13,698	45,046	14,976	228,571
Changes due to loans and advances recognised as at 1 January 2020	(24,205)	(5,564)	(4,035)	(5,907)	2,615	(37,096)
– Transfer to Stage 1: 12-Month ECL	(2,733)	(4,679)	(2,358)	(2,239)	–	(12,009)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(22,724)	(3,955)	(1,843)	(5,404)	–	(33,926)
– Transfer to Stage 3: Lifetime ECL credit-impaired	1,252	3,070	166	1,736	2,615	8,839
New loans and advances originated*	289	581	17	2	–	889
Net remeasurement due to changes in credit risk	42,729	74,882	16,560	39,449	4,950	178,570
Loans and advances derecognised (other than write-off)	(2,721)	(10,157)	(1,404)	(2,042)	–	(16,324)
Modifications to contractual cash flows of loans and advances	2,487	580	2,839	892	(8,177)	(1,379)
Changes in models/risk parameters	46	489	4	143	–	682
Amount written off	(34,743)	(78,566)	(17,053)	(36,414)	(14,314)	(181,090)
Amount transferred to allowance for impairment loss on foreclosed properties	–	–	–	(241)	–	(241)
At 31 December 2020	44,246	76,732	10,626	40,928	50	172,582
Total ECL as at 31 December 2020	248,641	466,869	34,808	712,461	610,612	2,073,391

* New loans and advances originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Financial assets that are purchased or originated and credit-impaired

The Group and the Bank do not purchase or originate credit-impaired loans, advances and financing.

Write-off of loans, advances and financing which are still under enforcement activity

The contractual amount outstanding on loans, advances and financing that were written off during the year and that are still subject to enforcement activity for the Group and the Bank are RM270,705,000 (2020 – RM443,016,000) and RM126,529,000 (2020 – RM181,090,000) respectively.

Information about the nature and effect of modification on the measurement of allowance for impairment on loans/ financing

The amortised costs prior to modification of loans, advances and financing of the Group and of the Bank that were modified but not derecognised during the year for which allowance for impairment was measured at an amount equal to lifetime ECL are RM3,639,201,000 (2020 – RM2,912,651,000) and RM2,868,202,000 (2020 – RM2,383,893,000) respectively.

Gross carrying amount of previously modified loans, advances and financing for which loss allowance has changed to 12-Month ECL measurement during the year for the Group and the Bank are RM1,143,669,000 (2020 – RM236,906,000) and RM879,543,000 (2020 – RM155,234,000) respectively as at the end of the year.

Collateral and other credit enhancements

The Group's and the Bank's policies regarding obtaining collateral have not significantly changed during the year and there has been no significant change in the overall quality of the collateral held by the Group and the Bank since the end of the previous financial year.

In line with the Group's and the Bank's ECL model, no loss allowance was recognised for certain loans, advances and financing which were individually assessed where the expected realisable value of the underlying collateral were higher than the exposure at default at the reporting date. The carrying amount of such financial assets for the Group and the Bank are RM156,595,000 (2020 – RM144,689,000) and RM113,469,000 (2020 – RM116,301,000) respectively as at the end of the year.

Impact of movements in gross carrying amount of loans, advances and financing on allowance for loans, advances and financing

The following explains the key changes in the allowance for impairment of loans, advances and financing as well as how significant changes in the gross carrying amount of loans, advances and financing during the financial year have contributed to the changes in the allowance for impairment on loans, advances and financing for the Group and the Bank.

Overall, the total allowance for impairment on loans, advances and financing for the Group and the Bank increased by RM1,125.8 million and RM837.5 million respectively, due to the following:

a) 12-month ECL (Stage 1) – increase of RM581.5 million and RM417.4 million respectively for the Group and the Bank, mainly due to:

   – management overlay provided to cater for potential deterioration of credit risk for loans, advances and financing where relief assistance is provided; and

   – revision of forward looking macro-economic scenarios to reflect the impact of COVID-19 pandemic.

9. LOANS, ADVANCES AND FINANCING (CONTINUED)

Impact of movements in gross carrying amount of loans, advances and financing on allowance for loans, advances and financing (continued)

b) Lifetime ECL Not Credit-Impaired (Stage 2) – increase of RM574.7 million and RM456.3 million respectively for the Group and the Bank, mainly due to:

- management overlay provided to cater for potential deterioration of credit risk for loans, advances and financing where relief assistance is provided; and
- revision of forward looking macro-economic scenarios to reflect the impact of COVID-19 pandemic.

c) Lifetime ECL Credit-Impaired (Stage 3) – decrease of RM30.4 million and RM36.2 million respectively for the Group and the Bank, mainly due to repayment received from financing and advances as well as financing and advances that were written off.

10. OTHER ASSETS

		Group		Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deferred handling fees	(i)	**228,164**	230,011	**182,031**	189,988
Interest/Income receivable		**28,406**	22,706	**4,613**	484
Other receivables, deposits and prepayments		**2,046,697**	2,003,908	**1,723,897**	1,518,677
Collateral pledged for derivative transactions		**125,591**	386,994	**125,591**	386,994
Employee benefits	11	**79,906**	2,748	**78,604**	2,703
Amount due from trust funds	(ii)	**231,513**	259,116	**–**	–
Foreclosed properties#		**200,494**	191,162	**176,268**	170,327
Outstanding contracts on clients' accounts	(iii)	**144,560**	311,659	**–**	–
Amount due from subsidiary companies	(iv)	**–**	–	**46,773**	46,967
Distribution receivable from collective investments	43(b)	**–**	–	**26,528**	28,176
Dividend receivable from subsidiary companies	43(b)	**–**	–	**644,810**	823,477
		3,085,331	3,408,304	**3,009,115**	3,167,793
# Stated net of accumulated allowance for impairment loss		**59,279**	50,157	**55,916**	48,016

(i) This represents the unamortised balance of handling fees paid to motor vehicle dealers for hire purchase loans/financing.

(ii) This balance refers to amount due from trust funds managed by the fund management subsidiary company in respect of cancellation and creation of trust units. It also includes management fee receivable from trust funds.

(iii) This balance represents outstanding purchase contracts in respect of the stock-broking business of the subsidiary companies entered into on behalf of clients where settlements have yet to be made by clients.

(iv) These balances are unsecured, non-interest bearing and are repayable on demand.

11. EMPLOYEE BENEFITS

Defined Benefit Plan

The Bank and certain subsidiary companies contribute to a defined benefit plan known as the Public Bank Group Officers' Retirement Benefits Fund ("the Fund") for its eligible employees. Under the Fund, eligible employees are entitled to one month of the final or last drawn salary for each completed year of service with the Group upon attainment of retirement age. Effective from 1 July 2013, the normal retirement age was raised from 55 years to 60 years in accordance with Malaysia's Minimum Retirement Age Act 2012, and an optional retirement age, from 55 years to anytime prior to 60 years was introduced. For employees who leave before the attainment of the normal retirement age or the optional retirement age, the retirement benefit will be computed based on the scale rate stipulated in the rules of the Fund.

The defined benefit plan is a tax exempt fund, fully funded by the Bank and certain subsidiary companies which are participating companies of the plan. Employees are not required to contribute to the plan. The funding requirements are based on a separate actuarial valuation for funding purposes for which the assumptions may differ from the assumptions as set out below. The latest actuarial valuation for funding purposes was made as at 31 December 2020 with certain assumptions being updated to position as at 31 December 2021 by Actuarial Partners Consulting Sdn. Bhd ("Actuary").

As at 31 December 2021, the plan is in surplus of RM79,906,000 (31 December 2020: RM2,748,000). Cash contributions were made to the plan during the financial year by the Bank and the participating subsidiary companies. The Actuary has projected that the cash contributions are required to be made in the next two (2) years until the next actuarial valuation in 2023.

The assets of the Fund are held separately from the assets of the Group and of the Bank and are administered by a board of trustees. There are three (3) trustees currently, one (1) of whom is a member of the Board of Directors of the Bank and the remaining two (2) trustees are members of senior management of the Bank.

The defined benefit plan exposes the Group and the Bank to actuarial risks such as market (investment) risk, interest rate risk and salary risk. Market risk arises from investments delivering an inadequate return; changes in interest rate would affect the cost of borrowings as well as valuation of plan obligations; salary risk arises from higher than expected salary increase leading to higher plan obligations.

The investments of the plan comply with the requirement of the income tax ruling for tax exempt funds that 80% of the plan assets (gross) are invested in specified assets with at least 20% of plan assets (gross) in government issued securities. The strategic investment policy of the defined benefit plan can be summarised as plan asset mix based on 20% to 35% of investment properties, 20% to 25% of government securities and 40% to 60% in a combination of equities, unit trusts and cash.

Compliance with investment policies is reported quarterly to the Board of Trustees.

The amounts recognised in the statements of financial position are determined as follows:

		Group		Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Present value of funded obligations		**(1,233,344)**	(1,272,045)	**(1,213,241)**	(1,251,311)
Fair value of plan assets		**1,313,250**	1,274,793	**1,291,845**	1,254,014
Net assets	10	**79,906**	2,748	**78,604**	2,703

11. EMPLOYEE BENEFITS (CONTINUED)

Defined Benefit Plan (continued)

Movements in the present value of funded obligations are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Obligation at 1 January	**1,272,045**	1,197,152	**1,251,311**	1,178,144
Recognised in profit or loss				
– current service cost	**80,718**	75,864	**79,402**	74,628
– interest cost	**49,624**	52,524	**48,815**	51,668
– allocation adjustment	**–**	–	**–**	(506)
Benefits paid – the Fund	**(87,778)**	(53,364)	**(86,348)**	(52,494)
Remeasurements recognised in other comprehensive income				
– effects of changes in demographic assumptions	**–**	1,555	**–**	1,530
– effects of changes in financial assumptions	**(87,893)**	(63,497)	**(86,460)**	(62,462)
– effects of experience adjustments	**6,628**	61,811	**6,521**	60,803
Obligation at 31 December	**1,233,344**	1,272,045	**1,213,241**	1,251,311

Movements in the fair value of plan assets are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Fair value at 1 January	**1,274,793**	1,245,582	**1,254,014**	1,225,777
Recognised in profit or loss				
– interest income	**50,777**	54,704	**49,950**	53,812
– allocation adjustment	**–**	–	**(96)**	(325)
Contributions made	**69,403**	–	**68,368**	–
Benefits paid – the Fund	**(87,778)**	(53,364)	**(86,348)**	(52,494)
Remeasurements recognised in other comprehensive income				
– remeasurements on plan assets	**6,055**	27,871	**5,957**	27,417
– allocation adjustment	**–**	–	**–**	(173)
Fair value at 31 December	**1,313,250**	1,274,793	**1,291,845**	1,254,014

11. EMPLOYEE BENEFITS (CONTINUED)

Defined Benefit Plan (continued)

The fair value of plan assets constitutes the following:

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Deposit placements and cash	**9**	17	**9**	17
Government securities	**549,699**	574,045	**540,739**	564,689
Unquoted corporate bonds	**56,356**	84,202	**55,438**	82,829
Quoted equity securities[1]	**933,014**	928,771	**917,806**	913,632
Unit trust funds[2]	**117,093**	120,307	**115,184**	118,346
Properties[3]	**860,946**	852,267	**846,912**	838,375
Plan assets (gross)	**2,517,117**	2,559,609	**2,476,088**	2,517,888
Other liabilities (net)	**(11,379)**	(11,369)	**(11,193)**	(11,184)
Borrowings	**(1,192,488)**	(1,273,447)	**(1,173,050)**	(1,252,690)
	1,313,250	1,274,793	**1,291,845**	1,254,014

[1] Quoted equity securities analysed by sectors are as follows:

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Financial institutions*	**603,529**	597,663	**593,692**	587,921
Insurance companies	**263,843**	257,463	**259,542**	253,266
Property companies	**65,623**	73,626	**64,553**	72,426
Commercial/trading companies	**19**	19	**19**	19
	933,014	928,771	**917,806**	913,632

* Included in the fair value of equity securities of the Fund are ordinary shares of the Bank with a fair value of RM601,461,000 (2020 – RM595,677,000).

[2] Unit trust funds analysed by type of funds are as follows:

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Equity funds	**106,075**	110,021	**104,346**	108,228
Dividend funds	**11,018**	10,286	**10,838**	10,118
	117,093	120,307	**115,184**	118,346

11. EMPLOYEE BENEFITS (CONTINUED)

Defined Benefit Plan (continued)

[3] Properties* analysed by type of properties are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Terraced shop offices	**800,108**	794,496	**787,066**	781,545
Stratified office lots	**32,858**	29,814	**32,322**	29,328
Commercial buildings	**26,430**	26,407	**25,999**	25,977
Residential buildings	**1,550**	1,550	**1,525**	1,525
	860,946	852,267	**846,912**	838,375

* All the properties held as plan assets of the Group and of the Bank are occupied by the Bank and certain subsidiary companies of the Bank. Certain floors in the commercial buildings and terraced shop offices are tenanted by external parties of which they contributed about 1.5% (2020: 1.4%) of the total rental income from properties.

The amounts recognised under other operating expenses in the statement of profit or loss are as follows:

		Group		Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Current service cost		**80,718**	75,864	**79,402**	74,628
Interest cost		**49,624**	52,524	**48,815**	51,668
Interest income		**(50,777)**	(54,704)	**(49,950)**	(53,812)
Allocation adjustment		**–**	–	**96**	(181)
Amount included under "personnel costs – pension costs"	36	**79,565**	73,684	**78,363**	72,303

Remeasurements recognised in other comprehensive income are as follows:

		Group		Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Present value of funded obligations:					
– effects of changes in demographic assumptions		**–**	(1,555)	**–**	(1,530)
– effects of changes in financial assumptions		**87,893**	63,497	**86,460**	62,462
– effects of experience adjustments		**(6,628)**	(61,811)	**(6,521)**	(60,803)
Fair value of plan assets:					
– remeasurements on plan assets		**6,055**	27,871	**5,957**	27,417
– allocation adjustment		**–**	–	**–**	(173)
	30	**87,320**	28,002	**85,896**	27,373

11. EMPLOYEE BENEFITS (CONTINUED)

Defined Benefit Plan (continued)

Actual return on plan assets is as follows:

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Interest income on plan assets	**50,777**	54,704	**49,950**	53,812
Remeasurements on plan assets	**6,055**	27,871	**5,957**	27,417
Allocation adjustment	**–**	–	**(96)**	(498)
Actual return on plan assets	**56,832**	82,575	**55,811**	80,731

(i) Actuarial Assumptions

Principal actuarial assumptions used at the reporting date (expressed as weighted averages) are as follows:

	Group and Bank	
	2021	**2020**
Discount rate	**4.70%**	4.00%
Expected rate of salary increases	**6.00%**	6.00%

The discount rate used in the actuarial assumptions is based on a blend of yields of long term high quality corporate bonds. The expected rate of salary increases takes into account the increases in salaries from factors such as inflation, productivity and promotions.

As at 31 December 2021, the weighted average duration of the defined benefit obligation was 10.0 years.

11. EMPLOYEE BENEFITS (CONTINUED)

Defined Benefit Plan (continued)

(ii) Sensitivity Analysis

The effect of changes in the principal actuarial assumptions on the present value of funded obligations are as follows:

	2021 Sensitivity		2020 Sensitivity	
	+1% RM'000	–1% RM'000	+1% RM'000	–1% RM'000
Group				
(Decrease)/Increase in present value of funded obligations:				
– Discount rate	**(110,308)**	**128,627**	(119,613)	140,371
– Expected salary	**132,090**	**(115,014)**	134,323	(117,211)
Bank				
(Decrease)/Increase in present value of funded obligations:				
– Discount rate	**(108,510)**	**126,530**	(117,663)	138,083
– Expected salary	**129,937**	**(113,140)**	132,134	(115,300)

The sensitivity analysis presented above may not be representative of the actual change in the present value of funded obligations as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

12. STATUTORY DEPOSITS WITH CENTRAL BANKS

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Bank Negara Malaysia	**523,738**	436,044	**342,238**	267,844
Other central banks	**698,427**	698,880	**19,298**	30,245
	1,222,165	1,134,924	**361,536**	298,089

The non-interest bearing statutory deposits are maintained with Bank Negara Malaysia in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009. The amount of the Statutory Reserve Requirement ("SRR") is determined based on a set percentage of total eligible liabilities.

Banks in Malaysia are allowed to use Malaysian Government Securities and Malaysian Government Investment Issues to fully meet the SRR compliance. Such flexibility is available until 31 December 2022.

The statutory deposits of the overseas subsidiary companies and overseas branches are denominated in foreign currencies and are maintained with the central banks of the respective countries, in compliance with the applicable legislations in the respective countries.

13. DEFERRED TAX

	Group		Bank	
	2021 RM'000	2020 RM'000	**2021 RM'000**	2020 RM'000
At 1 January	**(702,712)**	26,491	**(610,701)**	11,307
Recognised in profit or loss (net) (Note 40)				
– relating to origination and reversal of temporary differences	**243,004**	(623,996)	**166,093**	(531,223)
– over provision of net deferred tax liability/(over) provision of net deferred tax assets	**658,114**	(2,874)	**545,154**	(2,894)
Recognised in equity (net) (Note 30)	**248,773**	(102,880)	**173,236**	(87,709)
Exchange differences	**835**	547	**–**	(182)
At 31 December	**448,014**	(702,712)	**273,782**	(610,701)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities in respect of each entity and when the deferred income taxes relate to the same tax authority. The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	**2021 RM'000**	2020 RM'000
Deferred tax assets, net	**519,009**	81,637	**273,782**	–
Deferred tax liabilities, net	**(70,995)**	(784,349)	**–**	(610,701)
	448,014	(702,712)	**273,782**	(610,701)

Deferred tax assets and liabilities prior to offsetting are summarised as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	**2021 RM'000**	2020 RM'000
Deferred tax assets	**735,351**	486,273	**498,598**	330,039
Deferred tax liabilities	**(287,337)**	(1,188,985)	**(224,816)**	(940,740)
	448,014	(702,712)	**273,782**	(610,701)

13. DEFERRED TAX (CONTINUED)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

Deferred tax assets of the Group	**Allowance for Losses on Loans and Financing RM'000**	**Other Temporary Differences* RM'000**	**Total RM'000**
At 1 January 2020	38,492	239,410	277,902
Recognised in profit or loss (Note 40)			
– relating to origination and reversal of temporary differences	174,037	37,403	211,440
– over provision	(7)	(3,212)	(3,219)
Exchange differences	423	(273)	150
At 31 December 2020	212,945	273,328	486,273
Recognised in profit or loss (Note 40)			
– relating to origination and reversal of temporary differences	**211,784**	**41,337**	**253,121**
– under/(over) provision	**36**	**(5,677)**	**(5,641)**
Exchange differences	**1,364**	**234**	**1,598**
At 31 December 2021	**426,129**	**309,222**	**735,351**

* Mainly consist of temporary differences in respect of provision for other operating expenses.

13. DEFERRED TAX (CONTINUED)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

Deferred tax liabilities of the Group	Defined Benefit Assets RM'000	Revaluation Reserves RM'000	Excess of Capital Allowances Over Depreciation RM'000	Hedging Reserves RM'000	Interest on Moratorium Account RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2020	11,398	111,993	89,075	(6,932)	–	45,877	251,411
Recognised in profit or loss (Note 40)							
– relating to origination and reversal of temporary differences	(17,620)	–	6,984	–	843,492	2,580	835,436
– over provision	–	–	(345)	–	–	–	(345)
Recognised in equity (Note 30)	6,697	119,163	–	(22,980)	–	–	102,880
Exchange differences	–	–	(397)	–	–	–	(397)
At 31 December 2020	475	231,156	95,317	(29,912)	843,492	48,457	1,188,985
Recognised in profit or loss (Note 40)							
– relating to origination and reversal of temporary differences	**(2,489)**	**–**	**15,456**	**–**	**–**	**(2,850)**	**10,117**
– under/(over) provision	**–**	**–**	**2,137**	**–**	**(843,492)**	**177,600**	**(663,755)**
Recognised in equity (Note 30)	**20,910**	**(300,723)**	**–**	**31,040**	**–**	**–**	**(248,773)**
Exchange differences	**–**	**–**	**763**	**–**	**–**	**–**	**763**
At 31 December 2021	**18,896**	**(69,567)**	**113,673**	**1,128**	**–**	**223,207**	**287,337**

13. DEFERRED TAX (CONTINUED)

The components and movements in deferred tax assets and liabilities during the financial year prior to offsetting are as follows (continued):

Deferred tax assets of the Bank	Allowance for Losses on Loans RM'000	Other Temporary Differences* RM'000	Total RM'000
At 1 January 2020	14,461	162,603	177,064
Recognised in profit or loss (Note 40)			
– relating to origination and reversal of temporary differences	132,601	23,784	156,385
– over provision	–	(3,228)	(3,228)
Exchange differences	–	(182)	(182)
At 31 December 2020	147,062	182,977	330,039
Recognised in profit or loss (Note 40)			
– relating to origination and reversal of temporary differences	**156,622**	**16,584**	**173,206**
– over provision	**–**	**(4,647)**	**(4,647)**
At 31 December 2021	**303,684**	**194,914**	**498,598**

* Mainly consist of temporary differences in respect of provision for other operating expenses.

Deferred tax liabilities of the Bank	Defined Benefit Assets RM'000	Revaluation Reserves RM'000	Excess of Capital Allowances Over Depreciation RM'000	Hedging Reserves RM'000	Interest on Moratorium Account RM'000	Other Temporary Differences RM'000	Total RM'000
At 1 January 2020	11,236	83,275	51,298	15,066	–	4,882	165,757
Recognised in profit or loss (Note 40)							
– relating to origination and reversal of temporary differences	(17,339)	–	2,172	–	703,126	(351)	687,608
– over provision	–	–	(334)	–	–	–	(334)
Recognised in equity (Note 30)	6,569	79,112	–	2,028	–	–	87,709
At 31 December 2020	466	162,387	53,136	17,094	703,126	4,531	940,740
Recognised in profit or loss (Note 40)							
– relating to origination and reversal of temporary differences	**(2,455)**	**–**	**9,788**	**–**	**–**	**(220)**	**7,113**
– under/(over) provision	**–**	**–**	**2,125**	**–**	**(703,126)**	**151,200**	**(549,801)**
Recognised in equity (Note 30)	**20,615**	**(199,321)**	**–**	**5,470**	**–**	**–**	**(173,236)**
At 31 December 2021	**18,626**	**(36,934)**	**65,049**	**22,564**	**–**	**155,511**	**224,816**

13. DEFERRED TAX (CONTINUED)

Deferred tax assets have not been recognised in respect of the following items as it is not probable that the respective subsidiary companies will generate sufficient future taxable profits available against which these can be utilised:

	Group	
	2021 RM'000	**2020 RM'000**
Unutilised tax losses	**5,187**	5,025
Unutilised capital allowances	**21,204**	22,963

Subject to the agreement by the relevant tax authorities, the Group has unabsorbed tax losses and unabsorbed capital allowances carried forward of RM5,187,000 (2020 – RM5,025,000) and RM21,204,000 (2020 – RM22,963,000) respectively which give rise to the recognised and unrecognised deferred tax assets in respect of the above unutilised tax losses and unutilised capital allowances.

14. COLLECTIVE INVESTMENTS

Details of the collective investments of the Bank are as follows:

			Effective Interest	
Name of Funds	**Principal Activities**	**Place of Incorporation**	**2021 %**	**2020 %**
Public Institutional Bond Fund	Bond fund	Malaysia	**100.0**	100.0
Public Wholesale Income Fund	Wholesale income fund	Malaysia	**100.0**	100.0
Public Islamic Wholesale Income Fund	Wholesale income fund	Malaysia	**100.0**	100.0

The collective investments have been consolidated in accordance with MFRS 10 Consolidated Financial Statements.

15. INVESTMENT IN SUBSIDIARY COMPANIES

	2021		2020	
Bank	**Cost RM'000**	**Market Value RM'000**	**Cost RM'000**	**Market Value RM'000**
At cost:				
Quoted shares outside Malaysia				
– Quoted shares in Hong Kong SAR	**1,672,194**	**1,118,180**	1,672,195	874,948
Unquoted shares				
– In Malaysia	**3,331,034**		3,330,610	
– Outside Malaysia	**1,491,918**		1,491,918	
	6,495,146		6,494,723	
Less: Accumulated impairment losses	**(430)**		(430)	
	6,494,716		6,494,293	

15. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows:

Name	Principal Activities	Effective Interest 2021 %	Effective Interest 2020 %
Local subsidiary companies			
Public Islamic Bank Berhad	Islamic banking	**100.0**	100.0
Public Investment Bank Berhad	Investment banking	**100.0**	100.0
Public Invest Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100.0**	100.0
Public Invest Nominees (Asing) Sdn. Bhd.	Nominee services	**100.0**	100.0
Public Consolidated Holdings Sdn. Bhd.	Investment holding	**100.0**	100.0
Public Mutual Berhad	Sale and management of unit trust funds and private retirement schemes	**100.0**	100.0
Public Holdings Sdn. Bhd.	Property holding	**100.0**	100.0
Public Nominees (Tempatan) Sdn. Bhd.	Nominee services	**100.0**	100.0
Public Nominees (Asing) Sdn. Bhd.	Nominee services	**100.0**	100.0
Public Bank (L) Ltd.	Offshore banking	**100.0**	100.0
PB Trust (L) Ltd.	Offshore trust company	**100.0**	100.0
PB Trustee Services Berhad	Trustee services	**100.0**	100.0
PB Venture Capital Sdn. Bhd.	Investment holding	**100.0**	100.0
Public Leasing & Factoring Sdn. Bhd.	Leasing and factoring	**100.0**	100.0
PB International Factors Sdn. Bhd.	Investment holding	**100.0**	100.0

15. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

Details of the subsidiary companies are as follows (continued):

Name	Principal Activities	Effective Interest 2021 %	Effective Interest 2020 %
Overseas subsidiary companies			
Cambodian Public Bank Plc[++]	Banking	**100.0**	100.0
Campu Securities Plc[++]	Securities dealing and underwriting	**100.0**	100.0
Campu Lonpac Insurance Plc[++]	General insurance	**55.0**	55.0
Public Financial Holdings Limited[++*]	Investment and property holding	**73.2**	73.2
Public Bank (Hong Kong) Limited[+]	Banking	**73.2**	73.2
Public Finance Limited[+]	Deposit-taking and finance	**73.2**	73.2
Public Financial Limited[+]	Investment holding	**73.2**	73.2
Public Securities Limited[+]	Stock and share broking	**73.2**	73.2
Public Securities (Nominees) Limited[+]	Nominee services	**73.2**	73.2
Public Financial Securities Limited[+]	Stock and share broking	**73.2**	73.2
Public Bank (Nominees) Limited[+]	Nominee services	**73.2**	73.2
Public Futures Limited[+]	Dormant	**73.2**	73.2
Winton (B.V.I.) Limited[+]	Investment holding	**73.2**	73.2
Winton Financial Limited[+]	Provision of financing	**73.2**	73.2
Winton Motors, Limited[+]	Trading of taxi cabs and taxi licences, and leasing of taxis	**73.2**	73.2
Public Bank Vietnam Limited[#]	Banking	**100.0**	100.0

* Shares quoted on The Stock Exchange of Hong Kong Limited.
[+] Subsidiary companies audited by Ernst & Young Hong Kong.
[++] Subsidiary companies audited by Ernst & Young Cambodia.
[#] Subsidiary company audited by KPMG Vietnam.

All the local subsidiary companies are incorporated in Malaysia. All the overseas subsidiary companies are incorporated in Hong Kong SAR except for Public Financial Holdings Limited which is incorporated in Bermuda, Cambodian Public Bank Plc, Campu Securities Plc and Campu Lonpac Insurance Plc which are incorporated in Cambodia, Winton (B.V.I.) Limited which is incorporated in the British Virgin Islands, and Public Bank Vietnam Limited which is incorporated in Socialist Republic of Vietnam.

15. INVESTMENT IN SUBSIDIARY COMPANIES (CONTINUED)

During the year, the Bank subscribed to shares issued by its wholly-owned subsidiary company, PB Trust (L) Ltd. for a total consideration of USD100,000 (RM423,000 equivalent).

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Bank, non-controlling shareholders hold protective rights restricting the Bank's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

The Bank's subsidiary companies which have non-controlling interests are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

16. INVESTMENT IN ASSOCIATED COMPANIES

	Group		Bank	
	2021 RM'000	2020 RM'000	**2021 RM'000**	2020 RM'000
Unquoted shares, at cost	**135,010**	90,010	**67,500**	45,000
Share of post-acquisition reserves	**(19,567)**	(11,589)	**–**	–
	115,443	78,421	**67,500**	45,000
Represented by:				
Group's share of net assets	**115,443**	78,421		

The summarised financial information of associated companies is as follows:

	Group	
	2021 RM'000	2020 RM'000
Total assets	**2,880,640**	2,188,530
Total liabilities	**2,533,403**	1,984,665
Operating revenue	**1,462,461**	1,280,627
Profit after tax	**186,817**	165,891
Total comprehensive income	**178,119**	169,943

16. INVESTMENT IN ASSOCIATED COMPANIES (CONTINUED)

Details of the associated companies, all of which are unquoted, are as follows:

Name	Principal Activities	Place of Incorporation	Effective Interest 2021 %	Effective Interest 2020 %
AIA PUBLIC Takaful Berhad	Family takaful	Malaysia	**30.0**	30.0
CPB Properties Co., Ltd.	Property holding	Cambodia	**49.0**	49.0

During the year, the Bank and its wholly-owned Islamic banking subsidiary company, Public Islamic Bank Berhad have each subscribed to 22,500,000 new shares issued by AIA PUBLIC Takaful Berhad ("AIA PUBLIC") at an issue price of RM1.00 per share for a total consideration of RM22,500,000. The new shares issued by AIA PUBLIC were in proportion to its existing shareholders' respective shareholding interest, hence the Group's and the Bank's effective interest in AIA PUBLIC remains unchanged.

There are no significant restrictions on the ability of the associated companies to transfer funds to the Group in the form of cash dividends.

The Group's associated companies are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

17. INVESTMENT PROPERTIES

	Note	Group 2021 RM'000	Group 2020 RM'000
At fair value			
At 1 January		**712,885**	753,095
Transfer to owner-occupied property			
– Property and equipment	19	**(117,600)**	(20,000)
Fair valuation gain/(loss) recognised in profit or loss	35	**4,772**	(18,124)
Addition		**14**	99
Exchange differences		**6,003**	(2,185)
At 31 December		**606,074**	712,885
Included in the above are:			
Freehold land and building		**408,850**	526,450
Short term leasehold land and building		**177,267**	176,432
Long term leasehold land and building		**19,957**	10,003
		606,074	712,885

17. INVESTMENT PROPERTIES (CONTINUED)

The Group's investment properties are stated at fair value and are situated in Malaysia and Hong Kong SAR. The investment properties in Malaysia amounting to RM409,800,000 (2020 – RM527,400,000) have been determined with reference to quotations of market value provided by an independent professional valuer, Raine & Horne International Zaki + Partners Sdn Bhd. The investment properties in Hong Kong SAR amounting to RM196,274,000 (2020 – RM185,485,000) have been revalued by CS Surveyors Limited, a firm of independent professionally qualified valuers, on an open market value based on their existing use. The Group has assessed that the highest and best use of its properties do not differ from their existing use. The increase in the fair values of RM4,772,000 (2020 – decrease in fair values of RM18,124,000) has been recognised in profit or loss during the year.

The investment properties held by the Group are let under operating leases to third parties, from which the Group earned rental income of RM15,510,000 (2020 – RM14,908,000) (Note 35) during the year.

No investment properties were pledged as security for banking facilities at the reporting date.

18. LEASES

(i) As a Lessee

The Group and the Bank lease various assets including leasehold land, land and buildings and computer equipment and software. Information about leases for which the Group and the Bank are the lessees is presented below:

(a) Right-of-use assets

Group	Short term leasehold land RM'000	Long term leasehold land RM'000	Land and Buildings RM'000	Computer Equipment & Software RM'000	Total RM'000
At 1 January 2020	102,643	249,237	1,036,500	38,780	1,427,160
Additions	–	–	156,677	–	156,677
Depreciation charge for the year (Note 36)	(3,688)	(696)	(113,066)	(32,906)	(150,356)
Remeasurements	–	–	(43,739)	(5,874)	(49,613)
Exchange differences	(1,305)	(3,404)	375	–	(4,334)
At 31 December 2020	97,650	245,137	1,036,747	–	1,379,534
Additions	**–**	**–**	**79,760**	**–**	**79,760**
Depreciation charge for the year (Note 36)	**(3,634)**	**(682)**	**(100,583)**	**–**	**(104,899)**
Remeasurements	**–**	**–**	**(115,872)**	**–**	**(115,872)**
Exchange differences	**3,128**	**7,660**	**3,075**	**–**	**13,863**
At 31 December 2021	**97,144**	**252,115**	**903,127**	**–**	**1,252,386**

18. LEASES (CONTINUED)

(i) As a Lessee (continued)

The Group and the Bank lease various assets including leasehold land, land and buildings and computer equipment and software. Information about leases for which the Group and the Bank are the lessees is presented below (continued):

(a) Right-of-use assets (continued)

Bank	Long term leasehold land RM'000	Land and Buildings RM'000	Computer Equipment & Software RM'000	Total RM'000
At 1 January 2020	114	1,283,627	38,780	1,322,521
Additions	–	145,876	–	145,876
Depreciation charge for the year (Note 36)	(2)	(92,009)	(32,906)	(124,917)
Remeasurements	–	(47,919)	(5,874)	(53,793)
Exchange differences	–	(26)	–	(26)
At 31 December 2020	112	1,289,549	–	1,289,661
Additions	**–**	**33,687**	**–**	**33,687**
Depreciation charge for the year (Note 36)	**(1)**	**(80,760)**	**–**	**(80,761)**
Remeasurements	**–**	**(166,563)**	**–**	**(166,563)**
Exchange differences	**–**	**42**	**–**	**42**
At 31 December 2021	**111**	**1,075,955**	**–**	**1,076,066**

(b) Lease liabilities

The following table sets out a maturity analysis of lease liabilities, showing contractual undiscounted cash flows:

	Group		Bank	
	2021 RM'000	2020 RM'000	**2021 RM'000**	2020 RM'000
Within one year	**115,590**	115,970	**107,174**	109,093
Between one and five years	**387,797**	406,962	**425,387**	461,726
More than five years	**697,932**	963,571	**946,176**	1,343,992
	1,201,319	1,486,503	**1,478,737**	1,914,811
Lease liabilities included in the statement of financial position	**916,653**	1,072,120	**1,096,781**	1,342,940

18. LEASES (CONTINUED)

(i) As a Lessee (continued)

The Group and the Bank lease various assets including leasehold land, land and buildings and computer equipment and software. Information about leases for which the Group and the Bank are the lessees is presented below (continued):

(c) Amount recognised in the profit or loss

	Note	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Depreciation charge of right-of-use assets					
– Leasehold land		**4,316**	4,384	**1**	2
– Land and buildings		**100,583**	113,066	**80,760**	92,009
– Computer equipment & software		**–**	32,906	**–**	32,906
	18(i)(a)	**104,899**	150,356	**80,761**	124,917
Interest expense		**35,777**	47,099	**47,127**	60,466
Financing expense		**470**	568	**–**	–
		36,247	47,667	**47,127**	60,466
Variable lease payments not included in the measurement of lease liabilities (included in marketing expenses)		**1,586**	2,377	**1,586**	2,377
Negative variable lease payments arising from COVID-19-related rent concessions (included in establishment costs)		**161**	849	**78**	794

(d) Amount recognised in the statements of cash flows

	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Total cash outflow for leases	**(86,032)**	(113,747)	**(59,703)**	(84,591)

18. LEASES (CONTINUED)

(i) As a Lessee (continued)

The Group and the Bank lease various assets including leasehold land, land and buildings and computer equipment and software. Information about leases for which the Group and the Bank are the lessees is presented below (continued):

(e) Leasing activities

Real estate leases

The Group and the Bank lease various premises from which it conducts business. Rental contracts are typically made for fixed periods of 3 years. Most leases include an option to renew the lease for an additional period of the same duration after the end of the contract term as described in Note 18(i)(f) below.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements generally do not impose any covenants other than to keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Leases are either non-cancellable or may only be cancelled by giving 2 or 3 months notice before the termination date.

The lease payments are adjusted upon renewal of the lease contract, based on the current market rentals. Rental incremental rate was capped at between 5% and 10% for most of the lease contracts.

As a result of the COVID-19 pandemic, the Group and the Bank have received rent concessions in the form of reduction in lease payments for a period of time without a condition attached to the forgiveness during the current financial year. The Group and the Bank have applied the practical expedient to these rent concessions as explained in Note 2(i)(a).

Computer equipment and software

The Bank leases computer equipment and software under finance lease. At the end of the lease term, the Bank has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreement and no arrangements have been entered into for contingent rental payments.

The Bank has not received any COVID-19-related rent concessions for computer equipment and software in the current financial year.

Gateway server and electronic terminal with variable lease payments based on usage

The Bank has lease agreements with certain vendors to provide gateway server and electronic terminal to facilitate the acceptance of digital wallet which contain variable lease payments that are based on number of usage and the number of terminals being leased during the period.

The Bank has elected not to recognise right-of-use assets and lease liabilities for these leases. Payments made under these leases are expensed as incurred and recognised in the profit or loss as marketing expenses as disclosed in Note 18(i)(c) above.

Other leases

The Group and the Bank did not enter into any lease contracts that are short-term and/or leases of low value items.

18. LEASES (CONTINUED)

(i) As a Lessee (continued)

The Group and the Bank lease various assets including leasehold land, land and buildings and computer equipment and software. Information about leases for which the Group and the Bank are the lessees is presented below (continued):

(f) Extension options

Most leases of the Group's and the Bank's premises contain extension options exercisable by the Group and the Bank and not by the lessors. The Group and the Bank assess at lease commencement whether it is reasonably certain to exercise the extension options. The Group and the Bank reassess whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

All the extension options in premises leases have been included in the lease liability as the Group and the Bank are reasonably certain that the leases will be extended based on its past practice.

(ii) As a Lessor

The Group leases out its investment properties under operating leases with the term of the leases ranging from one to five years. None of the leases includes contingent rentals.

Rental income received during the year is as disclosed in Note 35.

Total future minimum lease payments under these non-cancellable operating leases are as follows:

	Group	
	2021 RM'000	2020 RM'000
Within one year	**13,005**	9,917
Between one and five years	**10,142**	11,102
	23,147	21,019

The Group and the Bank do not have any leases under finance lease.

19. PROPERTY AND EQUIPMENT

Group 2021	Note	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 January 2021		133,824	741,137	379,079	618,719	1,267,653	33,655	3,174,067
Additions		–	–	28,737	19,249	93,055	1,910	142,951
Disposals		(826)	(300)	(1,454)	(2,117)	(2,424)	(1,548)	(8,669)
Net transfer from investment properties	17	33,600	84,000	–	–	–	–	117,600
Reclassification		–	–	(10,176)	8,293	1,883	–	–
Write-offs	36	–	–	(6,030)	(2,247)	(4,537)	(3)	(12,817)
Exchange differences		–	5,133	2,732	1,793	5,835	452	15,945
At 31 December 2021		166,598	829,970	392,888	643,690	1,361,465	34,466	3,429,077
Accumulated depreciation								
At 1 January 2021		–	281,332	292,538	485,647	770,892	21,087	1,851,496
Depreciation charge for the year	36	–	17,628	20,678	32,978	183,048	4,083	258,415
Disposals		–	(140)	(1,454)	(2,099)	(2,424)	(1,548)	(7,665)
Write-offs	36	–	–	(5,930)	(2,214)	(4,515)	(3)	(12,662)
Exchange differences		–	2,528	2,139	1,175	3,909	214	9,965
At 31 December 2021		–	301,348	307,971	515,487	950,910	23,833	2,099,549
Accumulated impairment loss								
At 1 January/31 December 2021		1,064	3,757	–	–	–	–	4,821
Carrying amounts								
At 31 December 2021		165,534	524,865	84,917	128,203	410,555	10,633	1,324,707

19. PROPERTY AND EQUIPMENT (CONTINUED)

Group 2020	Note	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 January 2020		126,624	730,801	375,501	595,696	962,762	35,917	2,827,301
Additions		–	–	20,100	21,906	329,085	1,972	373,063
Disposals		–	–	–	(1,560)	(2,066)	(2,364)	(5,990)
Net transfer from investment properties	17	7,200	12,800	–	–	–	–	20,000
Reclassification		–	–	(6,595)	6,595	–	–	–
Write-offs	36	–	–	(7,440)	(2,833)	(18,190)	(1,471)	(29,934)
Exchange differences		–	(2,464)	(2,487)	(1,085)	(3,938)	(399)	(10,373)
At 31 December 2020		133,824	741,137	379,079	618,719	1,267,653	33,655	3,174,067
Accumulated depreciation								
At 1 January 2020		–	264,933	278,814	457,817	657,386	20,955	1,679,905
Depreciation charge for the year	36	–	17,740	22,281	32,808	137,175	4,059	214,063
Disposals		–	–	–	(1,377)	(2,064)	(2,364)	(5,805)
Write-offs	36	–	–	(6,621)	(2,624)	(18,131)	(1,233)	(28,609)
Exchange differences		–	(1,341)	(1,936)	(977)	(3,474)	(330)	(8,058)
At 31 December 2020		–	281,332	292,538	485,647	770,892	21,087	1,851,496
Accumulated impairment loss								
At 1 January/31 December 2020		1,064	3,757	–	–	–	–	4,821
Carrying amounts								
At 31 December 2020		132,760	456,048	86,541	133,072	496,761	12,568	1,317,750

19. PROPERTY AND EQUIPMENT (CONTINUED)

Bank 2021	Note	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 January 2021		81,092	262,042	214,539	450,781	992,217	16,172	2,016,843
Additions		–	–	16,294	9,169	63,240	1,154	89,857
Disposals		–	–	–	(1,417)	(1,235)	(1,332)	(3,984)
Reclassification		–	–	(9,800)	7,917	1,883	–	–
Write-offs	36	–	–	(805)	(1,450)	(565)	(3)	(2,823)
Exchange differences		–	–	(1,320)	(304)	(1,644)	(154)	(3,422)
At 31 December 2021		81,092	262,042	218,908	464,696	1,053,896	15,837	2,096,471
Accumulated depreciation								
At 1 January 2021		–	131,401	174,724	344,060	585,232	11,220	1,246,637
Depreciation charge for the year	36	–	5,232	6,375	24,243	157,238	1,752	194,840
Disposals		–	–	–	(1,403)	(1,235)	(1,332)	(3,970)
Write-offs	36	–	–	(805)	(1,445)	(547)	(3)	(2,800)
Exchange differences		–	–	(611)	(273)	(1,011)	(142)	(2,037)
At 31 December 2021		–	136,633	179,683	365,182	739,677	11,495	1,432,670
Carrying amounts								
At 31 December 2021		81,092	125,409	39,225	99,514	314,219	4,342	663,801

19. PROPERTY AND EQUIPMENT (CONTINUED)

Bank 2020	Note	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Office equipment, furniture & fittings RM'000	Computer equipment & software RM'000	Motor vehicles RM'000	Total RM'000
Cost								
At 1 January 2020		81,092	262,042	216,043	435,152	722,454	17,393	1,734,176
Additions		–	–	5,180	12,244	287,265	60	304,749
Disposals		–	–	–	(1,125)	(1,717)	(1,181)	(4,023)
Reclassification		–	–	(5,990)	5,990	–	–	–
Write-offs	36	–	–	(17)	(1,299)	(14,775)	(8)	(16,099)
Exchange differences		–	–	(677)	(181)	(1,010)	(92)	(1,960)
At 31 December 2020		81,092	262,042	214,539	450,781	992,217	16,172	2,016,843
Accumulated depreciation								
At 1 January 2020		–	126,169	167,334	321,588	489,701	10,805	1,115,597
Depreciation charge for the year	36	–	5,232	7,715	24,886	112,665	1,677	152,175
Disposals		–	–	–	(993)	(1,716)	(1,181)	(3,890)
Write-offs	36	–	–	–	(1,261)	(14,754)	(8)	(16,023)
Exchange differences		–	–	(325)	(160)	(664)	(73)	(1,222)
At 31 December 2020		–	131,401	174,724	344,060	585,232	11,220	1,246,637
Carrying amounts								
At 31 December 2020		81,092	130,641	39,815	106,721	406,985	4,952	770,206

No land and buildings of the Group and of the Bank were pledged as security for banking facilities at the reporting date.

20. INTANGIBLE ASSETS

Group	Finite Useful Life Core Deposits Intangible RM'000	Indefinite Useful Lives Goodwill RM'000	 Share-broking Licence and Stock Exchange Trading Rights RM'000	Total RM'000
At 1 January 2020	28,989	2,387,484	26,566	2,443,039
Amortisation during the year (Note 36)	(4,638)	–	–	(4,638)
Exchange differences	–	(20,669)	(5)	(20,674)
At 31 December 2020	24,351	2,366,815	26,561	2,417,727
Amortisation during the year (Note 36)	**(4,638)**	**–**	**–**	**(4,638)**
Exchange differences	**–**	**46,333**	**12**	**46,345**
At 31 December 2021	**19,713**	**2,413,148**	**26,573**	**2,459,434**
	Note (a)	<-------------- Note (b)	-------------->	

Bank	Goodwill RM'000
1 January/31 December 2021	**695,393**
1 January/31 December 2020	695,393

(a) Intangible Assets with Finite Useful Life

Core deposits intangible was recognised arising from the acquisition of Public Bank Vietnam Limited. The core deposits intangible is deemed to have a finite useful life of 10 years and is amortised based on a straight-line method.

20. INTANGIBLE ASSETS (CONTINUED)

(b) Goodwill and Intangible Assets with Indefinite Useful Lives

For purposes of impairment assessment, goodwill and intangible assets with indefinite useful lives have been allocated to the Group's cash-generating units ("CGU"), which are either operating segments or at a level not larger than an operating segment, as follows:

As at 31 December 2021	Group RM'000	Bank RM'000	Discount rate %	Nominal growth rate beyond initial cash flow projections %
Cash-generating Unit:				
Goodwill				
Hire purchase financing	395,953	395,953	10.4	4.4
East Malaysia operations (in respect of business acquired from the former Hock Hua Bank)	299,440	299,440	9.4	4.4
Hong Kong operations	1,546,402	–	7.1	3.6
Fund management	19,555	–	9.4	4.4
Investment banking	28,053	–	10.4	4.4
Trustee services	6,242	–	9.4	4.4
Vietnam operations	117,503	–	7.0	6.6
	2,413,148	695,393		
Share-broking Licence and Stock Exchange Trading Rights				
Hong Kong operations	323	–	7.1	3.6
Investment banking	26,250	–	10.4	4.4
	26,573	–		
	2,439,721	695,393		

20. INTANGIBLE ASSETS (CONTINUED)

(b) Goodwill and Intangible Assets with Indefinite Useful Lives (continued)

As at 31 December 2020	Group RM'000	Bank RM'000	Discount rate %	Nominal growth rate beyond initial cash flow projections %
Cash-generating Unit:				
Goodwill				
Hire purchase financing	395,953	395,953	9.6	5.1
East Malaysia operations (in respect of business acquired from the former Hock Hua Bank)	299,440	299,440	8.6	5.1
Hong Kong operations	1,500,069	–	6.9	4.1
Fund management	19,555	–	8.6	5.1
Investment banking	28,053	–	9.6	5.1
Trustee services	6,242	–	8.6	5.1
Vietnam operations	117,503	–	4.4	6.8
	2,366,815	695,393		
Share-broking Licence and Stock Exchange Trading Rights				
Hong Kong operations	311	–	6.9	4.1
Investment banking	26,250	–	9.6	5.1
	26,561	–		
	2,393,376	695,393		

Goodwill is allocated to the Group's CGUs expected to benefit from the synergies of the acquisitions. For annual impairment assessment purposes, the recoverable amount of the CGUs are based on their value-in-use. The value-in-use calculations apply a discounted cash flow model using cash flow projections based on financial forecasts approved by management. The key assumptions for the computation of value-in-use include the discount rates and growth rates applied. Discount rates used are based on the pre-tax weighted average cost of capital plus an appropriate risk premium, where applicable, at the date of assessment of the respective CGU. Cash flow projections are based on three (3) years' or five (5) years' financial projections approved by management. Cash flows beyond the periods under projections are extrapolated using terminal growth rate which does not exceed the average of the last twenty (20) years' inflation-adjusted Gross Domestic Product growth rates of the respective countries where the CGUs operate. The forecast period is based on the Group's long-term perspective with respect to the operation of these units. Impairment is recognised in profit or loss when the carrying amount of a CGU exceeds its recoverable amount.

The intangible assets with indefinite useful lives consist of a share-broking licence and stock exchange trading rights which are deemed to have indefinite useful lives as there are no expiry dates. The recoverable amount of the intangible assets have been assessed using the value-in-use method, by discounting the estimated cash flows from their CGUs. Impairment is recognised in profit or loss when the carrying amount of the CGUs exceeds their recoverable amounts.

Management believes that any reasonably possible change in the key assumptions would not cause the carrying amount of the goodwill and intangible assets to exceed the recoverable amount of the CGU. Based on this review, there is no evidence of impairment on the Group's and the Bank's goodwill and intangible assets.

21. DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At amortised cost				
Core deposits:				
– Demand deposits	**65,805,801**	59,355,197	**53,001,566**	47,669,930
– Savings deposits	**52,195,611**	46,244,527	**35,497,179**	31,119,195
– Fixed deposits	**207,768,245**	204,543,978	**153,458,102**	149,670,726
	325,769,657	310,143,702	**241,956,847**	228,459,851
Money market deposits	**54,562,580**	55,669,218	**46,506,733**	49,576,393
Other deposits	**61,977**	57,831	**48,012**	42,469
	380,394,214	365,870,751	**288,511,592**	278,078,713

Certain deposits from customers of the Bank and its wholly-owned Islamic banking subsidiary company, Public Islamic Bank Berhad are insured by Perbadanan Insurans Deposit Malaysia ("PIDM"), up to a maximum limit of RM250,000 per depositor per PIDM member bank. The deposit insurance covers all Ringgit Malaysia and foreign currency deposits held under current accounts, savings accounts and fixed deposits, inclusive of Islamic deposits. This guarantee excludes money market deposits and negotiable instruments of deposit.

Included in deposits from customers of the Group and of the Bank are deposits of RM3,284,437,000 (2020 – RM3,078,374,000) and RM2,291,980,000 (2020 – RM2,195,626,000) respectively held as collateral for loans, advances and financing.

The maturity structure of fixed deposits, negotiable instruments of deposit and money market deposits are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Due within six months	**216,999,324**	218,744,626	**168,238,293**	164,809,471
More than six months to one year	**45,097,647**	41,230,618	**31,624,429**	34,317,332
More than one year to three years	**227,620**	232,592	**96,816**	115,979
More than three years to five years	**5,974**	5,360	**5,037**	4,337
More than five years	**260**	–	**260**	–
	262,330,825	260,213,196	**199,964,835**	199,247,119

21. DEPOSITS FROM CUSTOMERS (CONTINUED)

The deposits are sourced from the following types of customers:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Federal and state governments	**5,505,408**	8,369,668	**404,036**	4,291,436
Local government and statutory authorities	**3,198,155**	4,062,758	**2,297,651**	3,210,402
Business enterprises	**108,214,823**	100,540,241	**85,962,563**	80,071,334
Individuals	**201,344,083**	186,738,461	**161,053,152**	148,149,825
Foreign customers	**9,605,422**	9,484,501	**4,690,187**	4,499,011
Others	**52,526,323**	56,675,122	**34,104,003**	37,856,705
	380,394,214	365,870,751	**288,511,592**	278,078,713

22. DEPOSITS FROM BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At amortised cost				
Licensed banks	**2,296,935**	2,948,196	**1,224,437**	1,948,884
Licensed investment banks	**951,630**	428,612	**804,489**	416,091
Bank Negara Malaysia*	**2,265,215**	1,883,775	**2,197,509**	1,809,409
Other financial institutions	**2,609,989**	5,481,645	**5,578,516**	9,001,951
	8,123,769	10,742,228	**9,804,951**	13,176,335

* Included RM2,126,108,000 (2020: RM1,602,657,000) and RM2,070,607,000 (2020: RM1,552,634,000) in the Group and the Bank respectively are amount received under a government financing scheme for the purpose of SME lending at a below market and concession rate with remaining tenures to maturity of more than 5 years. The fair value gain arising from the placement of funds with the Group and the Bank is applied to address the financial and accounting impact incurred from lending at concession rates to SMEs and for COVID-19 related relief measures.

23. BILLS AND ACCEPTANCES PAYABLE

Bills and acceptances payable represents the Group's and the Bank's own bills and acceptances rediscounted and outstanding in the market. These financial liabilities are stated at amortised cost.

24. RECOURSE OBLIGATIONS ON LOANS AND FINANCING SOLD TO CAGAMAS

This represents the proceeds received from housing loans and Islamic house financing sold directly to Cagamas Berhad with recourse to the Bank and its wholly-owned subsidiary company, Public Islamic Bank Berhad. Under these agreements, the Bank and its subsidiary company undertake to administer the loans and financing on behalf of Cagamas Berhad and to buy-back any loans and financing which are regarded as defective based on prudential criteria set by Cagamas Berhad. These financial liabilities are stated at amortised cost.

25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS

		Group		Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At amortised cost					
Borrowings	(a)	**2,964,245**	2,853,203	**2,376,051**	2,285,247
At amortised cost, modified for change in value as a result of fair value hedges					
Senior Medium Term Notes/Sukuk Murabahah	(b)	**1,799,677**	3,319,457	**1,799,677**	2,799,507
Subordinated Notes/Sukuk Murabahah	(c)	**5,999,998**	5,999,992	**4,999,998**	4,999,992
Additional Tier I capital securities	(d)	**99,822**	99,702	**99,822**	99,702
		7,899,497	9,419,151	**6,899,497**	7,899,201
		10,863,742	12,272,354	**9,275,548**	10,184,448

Movements in debt securities issued and other borrowed funds are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
At 1 January	**12,272,354**	12,317,450	**10,184,448**	10,223,214
Repayment/Redemption				
– Senior Medium Term Notes/Sukuk Murabahah	**(1,520,000)**	–	**(1,000,000)**	–
Amortisation of cost/Accretion of discount	**6,159**	6,080	**4,175**	4,269
Exchange differences	**105,229**	(51,176)	**86,925**	(43,035)
	10,863,742	12,272,354	**9,275,548**	10,184,448

25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(a) Borrowings

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Unsecured:				
Hong Kong Dollar term loan	**580,900**	562,765	**–**	–
United States Dollar term loan	**832,844**	802,344	**832,844**	802,344
United States Dollar syndicated term loan	**1,525,776**	1,469,351	**1,525,776**	1,469,351
	2,939,520	2,834,460	**2,358,620**	2,271,695
Cumulative amortisation of transaction costs	**24,725**	18,743	**17,431**	13,552
	2,964,245	2,853,203	**2,376,051**	2,285,247

The unsecured Hong Kong Dollar term loan is maturing in 1 year with interest at HIBOR plus 1.40% (2020 – HIBOR plus 1.40%).

The unsecured United States Dollar term loan is maturing in 1 year with interest at LIBOR plus 0.80% (2020 – LIBOR plus 0.80%).

The unsecured United States Dollar syndicated term loan is maturing in 1 year with interest at LIBOR plus 0.93% (2020 – LIBOR plus 0.93%).

(b) Senior Medium Term Notes ("MTNs")/Sukuk Murabahah

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Issued under the RM20.0 billion Senior MTNs Programme:				
RM1,000 million due in 2021	**–**	999,500	**–**	999,500
RM910 million due in 2023	**909,545**	909,545	**909,545**	909,545
RM890 million due in 2025	**889,555**	889,555	**889,555**	889,555
Issued under the RM5.0 billion Sukuk Murabahah Programme:				
RM520 million due in 2021	**–**	519,740	**–**	–
	1,799,100	3,318,340	**1,799,100**	2,798,600
Cumulative amortisation of transaction costs	**577**	1,117	**577**	907
	1,799,677	3,319,457	**1,799,677**	2,799,507

25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(b) Senior Medium Term Notes ("MTNs")/Sukuk Murabahah (continued)

Senior MTNs issued by the Bank

The Senior MTNs issued by the Bank are under a Senior MTNs Programme of up to RM20.0 billion in nominal value. The tenure of the Senior MTNs Programme will be up to thirty (30) years from the date of first issuance. Each issuance of the Senior MTNs shall have a tenure of more than one (1) year provided that the Senior MTNs shall mature on or prior to the expiry of the Senior MTNs Programme. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

During the year, the Bank redeemed a total of RM1,000 million in nominal value of Senior MTNs on the maturity date.

The interest rates for the Senior MTNs above range between 4.45% and 4.60% (2020: ranging between 4.22% and 4.60%) per annum.

Senior Sukuk Murabahah

The Senior Sukuk Murabahah issued by the Bank's wholly owned subsidiary company, Public Islamic Bank Berhad ("PIBB") is under a Sukuk Murabahah Programme which is for the purpose of facilitating the issuance of Senior Sukuk Murabahah and/or Subordinated Sukuk Murabahah of up to RM5.0 billion in nominal value. The tenure of the Sukuk Murabahah Programme will be up to thirty (30) years from the date of first issuance. Each issuance of the Senior Sukuk Murabahah shall have a tenure of more than one (1) year provided that the Senior Sukuk Murabahah shall mature on or prior to the expiry of the Sukuk Murabahah Programme. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

During the year, PIBB redeemed a total of RM520 million in nominal value of Senior Sukuk Murabahah on the maturity date.

The Senior Sukuk Murabahah bear profit at 4.30% (2020: 4.30%) per annum.

The Senior MTNs/Sukuk Murabahah constitute direct unsecured liabilities of the Group and of the Bank, and rank at least pari passu with all other present and future unsecured liabilities of the Group and of the Bank, except for those liabilities preferred by law.

25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(c) Subordinated Notes/Sukuk Murabahah

		Group		Bank	
	Note	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
(i) Issued under the RM10.0 billion Basel III – Compliant Tier II Subordinated Medium Term Notes Programme:					
Fourth tranche: RM2,000 million 4.85% Subordinated Notes 2027/2022	(a)	**1,999,970**	1,999,970	**1,999,970**	1,999,970
Fifth tranche: RM1,000 million 4.70% Subordinated Notes 2028/2023	(b)	**1,000,000**	1,000,000	**1,000,000**	1,000,000
Sixth tranche: RM1,500 million 3.90% Subordinated Notes 2029/2024	(c)	**1,500,000**	1,500,000	**1,500,000**	1,500,000
Seventh tranche: RM500 million 3.72% Subordinated Notes 2029/2024	(d)	**500,000**	500,000	**500,000**	500,000
Cumulative amortisation of transaction costs		**28**	22	**28**	22
		4,999,998	4,999,992	**4,999,998**	4,999,992
(ii) Issued under the RM5.0 billion Sukuk Murabahah Programme:					
Second tranche: RM500 million 4.65% Subordinated Sukuk Murabahah 2027/2022	(a)	**500,000**	500,000	**–**	–
Third tranche: RM500 million 3.75% Subordinated Sukuk Murabahah 2029/2024	(b)	**500,000**	500,000	**–**	–
		1,000,000	1,000,000	**–**	–
		5,999,998	5,999,992	**4,999,998**	4,999,992

25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(c) Subordinated Notes/Sukuk Murabahah (continued)

(i) Issued under the RM10.0 billion Basel III – Compliant Tier II Subordinated Medium Term Notes Programme

The Bank obtained approval from Bank Negara Malaysia ("BNM") and the Securities Commission vide their letters dated 14 June 2013 and 10 July 2013 respectively, to establish a Basel III – Compliant Tier II Subordinated Medium Term Notes Programme ("the Basel III – Compliant MTNs Programme") of up to RM10.0 billion in nominal value. The tenure of the Basel III – Compliant MTNs Programme will be up to thirty (30) years, with the tenure for each issuance not less than five (5) years from the issue date, and callable not earlier than five (5) years prior to the relevant maturity date of each issuance. Each issuance will bear interest at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Notes will, subject to the prior consent of BNM, be redeemable in whole but not in part, at the option of the Bank in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the Notes will no longer fully qualify as Tier II Capital for the purposes of BNM's capital adequacy requirements or on the first call date or at any subsequent interest payment date thereafter at their nominal amount.

The Subordinated Notes to be issued will qualify as Tier II capital for the computation of the regulatory capital of the Group and of the Bank in accordance with BNM's Capital Adequacy Framework (Capital Components).

The Bank has issued the following tranches of Subordinated Notes:

(a) On 25 April 2017, the Bank issued the fourth tranche of RM2,000 million in aggregate nominal amount of Subordinated Notes due in 2027 callable in 2022. The Notes bear interest at the rate of 4.85% per annum.

(b) On 29 October 2018, the Bank issued the fifth tranche of RM1,000 million in aggregate nominal amount of Subordinated Notes due in 2028 callable in 2023. The Notes bear interest at the rate of 4.70% per annum.

(c) On 29 July 2019, the Bank issued the sixth tranche of RM1,500 million in aggregate nominal amount of Subordinated Notes due in 2029 callable in 2024. The Notes bear interest at the rate of 3.90% per annum.

(d) On 18 December 2019, the Bank issued the seventh tranche of RM500 million in aggregate nominal amount of Subordinated Notes due in 2029 callable in 2024. The Notes bear interest at the rate of 3.72% per annum.

(ii) Issued under the RM5.0 billion Sukuk Murabahah Programme

The Bank's wholly-owned Islamic banking subsidiary company, Public Islamic Bank Berhad ("PIBB") obtained approval from BNM and the Securities Commission on 24 March 2014 and 21 April 2014 respectively, for the establishment of an Islamic medium term note programme under the Shariah principle of Murabahah to facilitate the issuance of Senior Sukuk Murabahah and/or Subordinated Sukuk Murabahah of up to RM5.0 billion in nominal value.

The tenure of the Sukuk Murabahah Programme is up to thirty (30) years from the date of first issuance of Sukuk Murabahah under the Sukuk Murabahah Programme. The tenure of each issuance of Subordinated Sukuk Murabahah, and subject to the call option, shall have at least five (5) years from the issue date, provided that the Subordinated Sukuk Murabahah mature on or prior to the expiry of the Sukuk Murabahah Programme. Each issuance will bear profit at a rate to be determined prior to the issuance, payable semi-annually in arrears.

The Subordinated Sukuk Murabahah will, subject to the prior written consent of BNM, be redeemable in whole or in part, at the option of PIBB in the event of certain changes affecting taxation in Malaysia or if there is a more than insubstantial risk that the Subordinated Sukuk Murabahah will no longer fully qualify as Tier II Capital for the purposes of BNM's capital adequacy requirements or changes in law which will make it unlawful to continue performing its obligations or on the first call date or at any subsequent profit payment date thereafter at their nominal amount.

25. DEBT SECURITIES ISSUED AND OTHER BORROWED FUNDS (CONTINUED)

(c) Subordinated Notes/Sukuk Murabahah (continued)

(ii) Issued under the RM5.0 billion Sukuk Murabahah Programme (continued)

The Subordinated Sukuk Murabahah to be issued will qualify as Tier II capital for the computation of the regulatory capital of PIBB and of the Group in accordance with BNM's Capital Adequacy Framework for Islamic Banks (Capital Components).

PIBB has issued the following tranches of Subordinated Sukuk Murabahah:

(a) On 3 August 2017, PIBB issued the second tranche of RM500 million in nominal value of Subordinated Sukuk Murabahah due in 2027 callable in 2022. The Subordinated Sukuk Murabahah bear profit at the rate of 4.65% per annum.

(b) On 31 October 2019, PIBB issued the third tranche of RM500 million in nominal value of Subordinated Sukuk Murabahah due in 2029 callable in 2024. The Subordinated Sukuk Murabahah bear profit at the rate of 3.75% per annum.

The above Subordinated Notes/Sukuk Murabahah constitute unsecured liabilities/obligations of the Bank and PIBB respectively, and are subordinated in right of payment upon the occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Bank and PIBB, other than the Additional Tier I capital securities, which are subordinated to the Subordinated Notes/Sukuk Murabahah, in accordance with the terms and conditions of the Subordinated Notes/Sukuk Murabahah.

(d) Additional Tier I Capital Securities ("ATICS")

	Group and Bank	
	2021 RM'000	**2020 RM'000**
Issued under the RM10.0 billion Basel III Compliant Additional Tier I Capital Securities Programme:		
First tranche: RM100 million 5.08% ATICS callable in 2023	**99,400**	99,400
Cumulative amortisation of transaction costs	**422**	302
	99,822	99,702

On 7 March 2018, the Bank had obtained approval from BNM for a Basel III Compliant Additional Tier I Capital Securities Programme ("the ATICS Programme") for the issuance of up to RM10.0 billion in nominal value of ATICS. The tenure of the ATICS Programme is perpetual. Each issuance will bear interest at a rate to be determined prior to the issuance, payable quarterly or semi-annually in arrears. The ATICS to be issued are intended to qualify as Additional Tier I capital of the Bank and shall comply with the BNM's Capital Adequacy Framework (Capital Components).

Subject to the approval from BNM and the redemption conditions being satisfied, the Bank may redeem a tranche of ATICS in whole or in part. The optional redemption may be exercised by the Bank on a date falling no earlier than the fifth (5th) anniversary of the issue date of the relevant ATICS and any distribution payment date thereafter.

The ATICS are direct and unsecured obligations of the Bank. The ATICS rank pari passu and without preference among themselves, with the most junior class of preference shares (if any), but in priority to the rights and claims of holders of ordinary shares of the Bank. The ATICS are subordinated in right of payment upon the occurrence of any winding up proceeding to the prior payment in full of all deposit liabilities and all other liabilities of the Bank except to those liabilities which by their terms rank equal with or junior to the ATICS.

On 26 June 2018, the Bank issued the first tranche of RM100 million in aggregate nominal amount of ATICS. The ATICS is perpetual, callable on 26 June 2023 and bear interest at 5.08% per annum payable semi-annually.

26. OTHER LIABILITIES

	Note	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Interest/Income payable		**1,462,522**	1,784,522	**1,089,111**	1,357,913
Other payables and accruals		**3,158,943**	2,977,882	**2,527,612**	2,292,787
Collateral received for derivative transactions		**24,727**	95,359	**24,727**	95,359
Amount due to trust funds	(i)	**123,272**	126,832	**–**	–
Unprocessed sales and/or redemptions	(ii)	**142,150**	221,849	**–**	–
Accrued restoration costs	(iii)	**71,311**	70,846	**71,241**	71,581
Outstanding contracts on clients' accounts	(iv)	**135,158**	260,299	**–**	–
Allowance for impairment on loan/financing commitments and financial guarantees	(v)	**74,864**	70,176	**60,061**	56,372
Dividend payable to shareholders		**28,478**	21,014	**4,897**	2,738
Amount due to subsidiary companies	(vi)	**–**	–	**10,993**	21,776
		5,221,425	5,628,779	**3,788,642**	3,898,526

(i) This balance refers to amount due to trust funds managed by the fund management subsidiary company in respect of cancellation and creation of trust units.

(ii) The unprocessed sales and/or redemptions are in respect of the fund management activities of a subsidiary company.

(iii) Costs estimated to dismantle and remove the asset or to restore the leased asset or the site on which it is located at the end of the lease term.

(iv) These balances relate to contracts entered by the stock-broking business of the subsidiary companies on behalf of clients where settlements have yet to be made.

26. OTHER LIABILITIES (CONTINUED)

(v) Movements in allowance for impairment on loan/financing commitments and financial guarantees are as follows:

Group 2021	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not Credit-Impaired (Stage 2) RM'000	Lifetime ECL Credit-Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2021	56,000	13,663	513	70,176
Changes due to loan/financing commitments and financial guarantees recognised as at 1 January 2021	2,750	(2,602)	(148)	–
– Transfer to Stage 1: 12-Month ECL	3,729	(3,633)	(96)	–
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(977)	1,146	(169)	–
– Transfer to Stage 3: Lifetime ECL credit-impaired	(2)	(115)	117	–
New loan/financing commitments and financial guarantees originated	3,619	2,666	–	6,285
Net remeasurement due to changes in credit risk	(5,849)	3,703	73	(2,073)
Loan/financing commitments and financial guarantees derecognised	(2,889)	(2,214)	(89)	(5,192)
Modifications to contractual cash flows of loan/financing commitments and financial guarantees	(137)	3,033	(21)	2,875
Changes in models/risk parameters	(2,247)	4,925	–	2,678
Exchange differences	114	1	–	115
At 31 December 2021	51,361	23,175	328	74,864

26. OTHER LIABILITIES (CONTINUED)

(v) Movements in allowance for impairment on loan/financing commitments and financial guarantees are as follows (continued):

Group 2020	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not Credit-Impaired (Stage 2) RM'000	Lifetime ECL Credit-Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2020	42,845	8,475	1,624	52,944
Changes due to loan/financing commitments and financial guarantees recognised as at 1 January 2020	1,857	(1,315)	(542)	–
– Transfer to Stage 1: 12-Month ECL	2,924	(2,851)	(73)	–
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(1,062)	1,584	(522)	–
– Transfer to Stage 3: Lifetime ECL credit-impaired	(5)	(48)	53	–
New loan/financing commitments and financial guarantees originated	4,817	1,729	42	6,588
Net remeasurement due to changes in credit risk	15	684	(580)	119
Loan/financing commitments and financial guarantees derecognised	(3,285)	(1,308)	(27)	(4,620)
Modifications to contractual cash flows of loan/ financing commitments and financial guarantees	(235)	1,415	(5)	1,175
Changes in models/risk parameters	10,061	3,983	1	14,045
Exchange differences	(75)	–	–	(75)
At 31 December 2020	56,000	13,663	513	70,176

26. OTHER LIABILITIES (CONTINUED)

(v) Movements in allowance for impairment on loan/financing commitments and financial guarantees are as follows (continued):

		Lifetime ECL		
Bank 2021	**12-Month ECL (Stage 1) RM'000**	**Not Credit-Impaired (Stage 2) RM'000**	**Credit-Impaired (Stage 3) RM'000**	**Total RM'000**
At 1 January 2021	44,815	11,134	423	56,372
Changes due to loan commitments and financial guarantees recognised as at 1 January 2021	2,239	(2,161)	(78)	–
– Transfer to Stage 1: 12-Month ECL	3,121	(3,051)	(70)	–
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(880)	997	(117)	–
– Transfer to Stage 3: Lifetime ECL credit-impaired	(2)	(107)	109	–
New loan commitments and financial guarantees originated	2,505	1,767	–	4,272
Net remeasurement due to changes in credit risk	(4,185)	3,645	82	(458)
Loan commitments and financial guarantees derecognised	(1,960)	(2,071)	(88)	(4,119)
Modifications to contractual cash flows of loan commitments and financial guarantees	(112)	2,065	(29)	1,924
Changes in models/risk parameters	(1,787)	3,857	–	2,070
At 31 December 2021	41,515	18,236	310	60,061

26. OTHER LIABILITIES (CONTINUED)

(v) Movements in allowance for impairment on loan/financing commitments and financial guarantees are as follows (continued):

Bank 2020	12-Month ECL (Stage 1) RM'000	Lifetime ECL Not Credit-Impaired (Stage 2) RM'000	Lifetime ECL Credit-Impaired (Stage 3) RM'000	Total RM'000
At 1 January 2020	34,904	7,534	1,292	43,730
Changes due to loan commitments and financial guarantees recognised as at 1 January 2020	1,554	(1,208)	(346)	–
– Transfer to Stage 1: 12-Month ECL	2,546	(2,493)	(53)	–
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(987)	1,325	(338)	–
– Transfer to Stage 3: Lifetime ECL credit-impaired	(5)	(40)	45	–
New loan commitments and financial guarantees originated	3,102	1,348	24	4,474
Net remeasurement due to changes in credit risk	(278)	86	(524)	(716)
Loan commitments and financial guarantees derecognised	(2,914)	(1,222)	(23)	(4,159)
Modifications to contractual cash flows of loan commitments and financial guarantees	(221)	1,016	(1)	794
Changes in models/risk parameters	8,668	3,580	1	12,249
At 31 December 2020	44,815	11,134	423	56,372

(vi) These balances are unsecured, non-interest bearing and have no fixed terms of repayment.

27. PROVISION FOR TAX EXPENSE AND ZAKAT

	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Tax expense	**644,585**	209,824	**451,806**	109,527
Zakat	**318**	318	**–**	–
	644,903	210,142	**451,806**	109,527

28. SHARE CAPITAL

	Group and Bank	
	2021 '000	**2020 '000**
Number of ordinary shares:		
At 1 January	**3,882,138**	3,882,138
Issuance of bonus shares	**15,528,554**	–
At 31 December	**19,410,692**	3,882,138

	Group and Bank	
	2021 RM'000	**2020 RM'000**
Issued and fully paid ordinary shares:		
At 1 January/31 December	**9,417,653**	9,417,653

The Bank had on 29 January 2021 completed the bonus issue of 15,528,553,388 bonus shares on the basis of 4 bonus shares for every 1 existing Public Bank Berhad share held.

29. REGULATORY RESERVES

The regulatory reserves are maintained by the Bank and the Bank's banking subsidiary companies in Malaysia, Hong Kong SAR and Cambodia as an additional credit risk absorbent in excess of the requirements of accounting standards. The reserves in respect of Malaysia are maintained in line with the requirements of BNM by the Bank and its domestic banking subsidiary companies. The reserves in respect of Hong Kong SAR and Cambodia are maintained in line with the requirements of the Hong Kong Monetary Authority and the National Bank of Cambodia.

As part of the measures to assist borrowers/customers experiencing temporary financial constraints due to the COVID-19 pandemic, banking institutions in Malaysia were allowed by BNM to reduce the regulatory reserves held against expected losses to 0%. However, banking institutions are required to rebuild the said buffers after 31 December 2020 and restore them to the minimum regulatory requirements by 30 September 2021.

The Group and the Bank have not drawn down the prudential buffer during the year.

30. OTHER RESERVES

Group	Statutory Reserves RM'000	Capital Reserves RM'000	Foreign Currency Translation Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves		Defined Benefit Reserves RM'000	General Reserves RM'000	Others RM'000	Total RM'000
					Financial Investments at FVOCI RM'000	Property RM'000				
At 1 January 2021	53,809	60,442	(31,038)	(94,721)	1,099,880	1,533	401,735	538,930	172	2,030,742
Net currency translation differences in respect of:										
– foreign operations	–	–	255,856	–	–	–	–	–	–	255,856
– net investment hedge (Note 6)	–	–	(139,926)	–	–	–	–	–	–	(139,926)
	–	–	115,930	–	–	–	–	–	–	115,930
Net change in revaluation of financial investments at fair value through other comprehensive income ("FVOCI")										
– Net unrealised loss	–	–	–	–	(1,173,142)	–	–	–	–	(1,173,142)
– Net gain on disposal reclassified to profit or loss (Note 34)	–	–	–	–	(168,961)	–	–	–	–	(168,961)
	–	–	–	–	(1,342,103)	–	–	–	–	(1,342,103)
Net change in cash flow hedges:										
– Net unrealised gain	–	–	–	129,334	–	–	–	–	–	129,334
Gain on remeasurements of defined benefit plans (Note 11)	–	–	–	–	–	–	87,320	–	–	87,320
Deferred tax (Note 13)	–	–	–	(31,040)	300,723	–	(20,910)	–	–	248,773
Share of loss of equity accounted associated company	–	–	–	–	(2,521)	–	–	–	–	(2,521)
Other comprehensive income/(loss)	–	–	115,930	98,294	(1,043,901)	–	66,410	–	–	(763,267)
Transferred from retained profits	10,526	–	–	–	–	–	–	157,885	–	168,411
At 31 December 2021	64,335	60,442	84,892	3,573	55,979	1,533	468,145	696,815	172	1,435,886

30. OTHER RESERVES (CONTINUED)

Group	Statutory Reserves RM'000	Capital Reserves RM'000	Foreign Currency Translation Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves: Financial Investments at FVOCI RM'000	Revaluation Reserves: Property RM'000	Defined Benefit Reserves RM'000	General Reserves RM'000	Others RM'000	Total RM'000
At 1 January 2020	44,878	60,442	40,301	(21,952)	641,983	1,533	380,430	458,570	172	1,606,357
Net currency translation differences in respect of:										
– foreign operations	–	–	(130,101)	–	–	–	–	–	–	(130,101)
– net investment hedge (Note 6)	–	–	58,762	–	–	–	–	–	–	58,762
	–	–	(71,339)	–	–	–	–	–	–	(71,339)
Net change in revaluation of financial investments at FVOCI										
– Net unrealised gain	–	–	–	–	960,234	–	–	–	–	960,234
– Net gain on disposal reclassified to profit or loss (Note 34)	–	–	–	–	(384,402)	–	–	–	–	(384,402)
	–	–	–	–	575,832	–	–	–	–	575,832
Net change in cash flow hedges:										
– Net unrealised loss	–	–	–	(95,749)	–	–	–	–	–	(95,749)
Gain on remeasurements of defined benefit plans (Note 11)	–	–	–	–	–	–	28,002	–	–	28,002
Deferred tax (Note 13)	–	–	–	22,980	(119,163)	–	(6,697)	–	–	(102,880)
Share of gain of equity accounted associated company	–	–	–	–	1,228	–	–	–	–	1,228
Other comprehensive (loss)/income	–	–	(71,339)	(72,769)	457,897	–	21,305	–	–	335,094
Transferred from retained profits	8,931	–	–	–	–	–	–	80,360	–	89,291
At 31 December 2020	53,809	60,442	(31,038)	(94,721)	1,099,880	1,533	401,735	538,930	172	2,030,742

30. OTHER RESERVES (CONTINUED)

Bank	Statutory Reserves RM'000	Foreign Currency Translation Reserves RM'000	Hedging Reserves RM'000	Revaluation Reserves – Financial Investments at FVOCI RM'000	Defined Benefit Reserves RM'000	Total RM'000
At 1 January 2021	**3,158**	**(25,351)**	**54,130**	**735,793**	**394,913**	**1,162,643**
Net currency translation differences in respect of foreign operations	**–**	**(21,886)**	**–**	**–**	**–**	**(21,886)**
Net change in revaluation of financial investments at FVOCI						
– Net unrealised loss	**–**	**–**	**–**	**(653,361)**	**–**	**(653,361)**
– Net gain on disposal reclassified to profit or loss (Note 34)	**–**	**–**	**–**	**(164,232)**	**–**	**(164,232)**
	–	**–**	**–**	**(817,593)**	**–**	**(817,593)**
Net change in cash flow hedges:						
– Net unrealised gain	**–**	**–**	**22,791**	**–**	**–**	**22,791**
Gain on remeasurements of defined benefit plans (Note 11)	**–**	**–**	**–**	**–**	**85,896**	**85,896**
Deferred tax (Note 13)	**–**	**–**	**(5,470)**	**199,321**	**(20,615)**	**173,236**
Other comprehensive (loss)/income	**–**	**(21,886)**	**17,321**	**(618,272)**	**65,281**	**(557,556)**
Transferred from retained profits	**195**	**–**	**–**	**–**	**–**	**195**
At 31 December 2021	**3,353**	**(47,237)**	**71,451**	**117,521**	**460,194**	**605,282**
At 1 January 2020	2,906	(8,796)	47,708	457,301	374,109	873,228
Net currency translation differences in respect of foreign operations	–	(16,555)	–	–	–	(16,555)
Net change in revaluation of financial investments at FVOCI						
– Net unrealised gain	–	–	–	725,972	–	725,972
– Net gain on disposal reclassified to profit or loss (Note 34)	–	–	–	(368,368)	–	(368,368)
	–	–	–	357,604	–	357,604
Net change in cash flow hedges:						
– Net unrealised gain	–	–	8,450	–	–	8,450
Gain on remeasurements of defined benefit plans (Note 11)	–	–	–	–	27,373	27,373
Deferred tax (Note 13)	–	–	(2,028)	(79,112)	(6,569)	(87,709)
Other comprehensive (loss)/income	–	(16,555)	6,422	278,492	20,804	289,163
Transferred from retained profits	252	–	–	–	–	252
At 31 December 2020	3,158	(25,351)	54,130	735,793	394,913	1,162,643

30. OTHER RESERVES (CONTINUED)

The statutory reserves maintained by an overseas subsidiary company and overseas branches are in compliance with the requirements of the Central Banks of the respective countries in which the Group and the Bank operate and are not distributable as cash dividends.

The capital reserves of the Group arose mainly from the capitalisation of retained profits that resulted from bonus issues by subsidiary companies and the restructuring exercise involving certain subsidiary companies undertaken by the Group in previous years.

The foreign currency translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of overseas subsidiary companies, overseas branches and the subsidiary companies incorporated in the Federal Territory of Labuan, after offsetting the impact of the effective portion of net investment hedges.

The hedging reserves are in respect of the effective portion of unrealised fair value gains and losses on cash flow hedging instruments.

The revaluation reserves – financial investments at fair value through other comprehensive income ("FVOCI") are in respect of unrealised fair value gains and losses on financial investments at FVOCI, after offsetting the impact of related fair value hedges.

The revaluation reserves – property relates to the revaluation gains and losses of the transfer of own-occupied properties to investment properties subsequent to the change of use.

The defined benefit reserves are in respect of remeasurements of the net defined benefit assets/liabilities.

The general reserves represent non-distributable profit reserves maintained by the Group and an overseas subsidiary company in compliance with the regulatory requirements.

31. INTEREST INCOME

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Loans and advances*	**11,428,048**	11,885,707	**10,094,076**	10,477,299
Balances with banks	**188,190**	234,032	**159,073**	199,817
Financial investments at fair value through other comprehensive income	**1,043,844**	1,104,802	**840,386**	913,266
Financial investments at amortised cost	**752,380**	866,356	**754,912**	839,646
Others	**39,263**	54,658	**94,230**	90,788
	13,451,725	14,145,555	**11,942,677**	12,520,816
Financial assets at fair value through profit or loss	**22,832**	38,683	**22,752**	37,703
	13,474,557	14,184,238	**11,965,429**	12,558,519

31. INTEREST INCOME (CONTINUED)

* Day 1 Net Modification Loss

Included in interest income and net income from Islamic banking business are the following day 1 net modification loss relating to repayment assistance measures:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
– Interest income	**72,670**	323,792	**72,670**	323,792
– Net income from Islamic banking business (Note 56)	**33,074**	174,624	**–**	–
	105,744	498,416	**72,670**	323,792

32. INTEREST EXPENSE

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Deposits from banks and other financial institutions	**213,252**	263,438	**208,095**	283,118
Deposits from customers	**4,319,937**	6,013,651	**4,095,488**	5,692,298
Loans sold to Cagamas	**194,100**	229,369	**194,100**	229,369
Debt securities issued and other borrowed funds	**390,215**	435,545	**381,041**	420,510
Others	**42,012**	62,459	**48,519**	63,565
	5,159,516	7,004,462	**4,927,243**	6,688,860

33. NET FEE AND COMMISSION INCOME

		Group		Bank	
		2021 RM'000	2020 RM'000	**2021 RM'000**	2020 RM'000
(a)	Fee and commission income:				
	Commissions	**560,300**	462,692	**670,444**	614,243
	Service charges and fees	**301,743**	328,907	**258,101**	238,044
	Guarantee fees	**30,624**	30,866	**28,462**	28,694
	Commitment fees	**72,064**	70,010	**64,225**	61,674
	Unit trust management fees	**1,345,729**	1,141,324	**–**	–
	Fee on sale of trust units	**469,007**	374,625	**–**	–
	Brokerage and commissions from stock-broking activities	**190,174**	246,584	**–**	–
	Other fee and commission income	**59,296**	57,948	**39,514**	38,007
		3,028,937	2,712,956	**1,060,746**	980,662
(b)	Fee and commission expense:				
	Unit trust agency fees	**(573,044)**	(464,549)	**–**	–
	Debit/Credit card related fees	**(260,497)**	(267,413)	**(260,384)**	(264,680)
	Loan-related fees	**(15,892)**	(18,192)	**(13,528)**	(15,817)
	Other fee and commission expense	**(32,705)**	(33,439)	**(11,015)**	(11,532)
		(882,138)	(783,593)	**(284,927)**	(292,029)
	Net fee and commission income	**2,146,799**	1,929,363	**775,819**	688,633

34. NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Net (loss)/gain arising on financial assets at fair value through profit or loss:				
– net (loss)/gain on disposal	**(1,336)**	28,928	**(1,444)**	29,134
– gross dividend income	**2,097**	1,603	**1,977**	1,483
– unrealised revaluation (loss)/gain	**(113,620)**	29,076	**(107,142)**	27,261
	(112,859)	59,607	**(106,609)**	57,878
Net gain arising on trading derivatives:				
– unrealised revaluation gain	**1**	80	**1**	80
Net gain arising on financial investments at fair value through other comprehensive income:				
– net gain on disposal (Note 30)	**168,961**	384,402	**164,232**	368,368
– gross dividend income	**1,602**	2,287	**1,083**	1,600
	170,563	386,689	**165,315**	369,968
Net gain arising on financial investments at amortised cost				
– net gain on disposal	**1,755**	–	**1,755**	–
Gain/(Loss) representing ineffective portions of hedging derivatives:				
– fair value hedge (Note 6)	**744**	426	**–**	(22)
– cash flow hedge (Note 6)	**(31)**	851	**(31)**	851
	713	1,277	**(31)**	829
	60,173	447,653	**60,431**	428,755

35. OTHER OPERATING INCOME

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Distribution income from collective investments	**–**	–	**161,805**	196,524
Dividend income from subsidiary companies:				
– quoted outside Malaysia	**–**	–	**86,016**	63,321
– unquoted in Malaysia	**–**	–	**855,030**	611,525
	–	–	**1,102,851**	871,370
Other income:				
Foreign exchange profit	**255,337**	302,504	**41,970**	392,723
Rental income from:				
– investment properties (Note 17)	**15,510**	14,908	**–**	–
– other properties	**10,629**	11,265	**12,173**	13,596
Net gain on disposal of property and equipment	**1,036**	680	**387**	134
Net gain on disposal of foreclosed properties	**480**	1,691	**480**	1,691
Gain/(Loss) on revaluation of investment properties (Note 17)	**4,772**	(18,124)	**–**	–
Others	**121,029**	131,271	**125,911**	80,666
	408,793	444,195	**180,921**	488,810
	408,793	444,195	**1,283,772**	1,360,180

36. OTHER OPERATING EXPENSES

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Personnel costs				
– Salaries, allowances and bonuses	**2,390,461**	2,376,371	**1,795,668**	1,797,660
– Pension costs	**358,464**	345,291	**313,445**	300,112
– Others	**147,286**	144,861	**114,534**	112,397
	2,896,211	2,866,523	**2,223,647**	2,210,169
Establishment costs				
– Depreciation	**363,314**	364,419	**275,601**	277,092
– Insurance	**24,520**	23,711	**20,173**	19,590
– Water and electricity	**43,374**	47,746	**28,997**	32,673
– General repairs and maintenance	**150,725**	130,785	**132,825**	113,585
– Information technology expenses	**63,030**	57,374	**28,921**	21,717
– Others	**93,818**	91,361	**46,599**	45,786
	738,781	715,396	**533,116**	510,443
Marketing expenses				
– Advertisement and publicity	**56,569**	46,752	**27,426**	15,215
– Others	**61,046**	71,951	**30,231**	35,073
	117,615	118,703	**57,657**	50,288
Administration and general expenses				
– Communication expenses	**65,387**	62,118	**55,251**	51,278
– Legal and professional fees	**41,998**	41,387	**24,445**	25,070
– Others	**105,315**	105,338	**41,506**	40,415
	212,700	208,843	**121,202**	116,763
Cost of resource sharing charged to Public Islamic Bank Berhad*	**–**	–	**(450,440)**	(424,033)
Total other operating expenses	**3,965,307**	3,909,465	**2,485,182**	2,463,630

* The type of resource sharing rendered by the Bank in Malaysia are as follows:

	Bank	
	2021 RM'000	**2020 RM'000**
Credit related	**(194,953)**	(186,265)
Non-credit branch support	**(167,541)**	(159,017)
Other administration function	**(87,946)**	(78,751)
	(450,440)	(424,033)

36. OTHER OPERATING EXPENSES (CONTINUED)

Included in other operating expenses are the following:

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Auditors' remuneration:				
Parent auditor				
– Audit	**3,266**	3,091	**2,222**	2,105
– Regulatory related services*	**339**	541	**282**	427
– Other services	**7**	278	**–**	270
Firms affiliated with parent auditor				
– Audit	**2,790**	2,694	**249**	252
– Regulatory related services*	**338**	396	**–**	–
– Other services	**50**	95	**–**	–
Other auditors				
– Audit	**279**	147	**25**	26
– Regulatory related services*	**37**	16	**20**	16
– Other services	**11**	15	**11**	15
Depreciation of right-of-use assets (Note 18(i)(a))	**104,899**	150,356	**80,761**	124,917
Depreciation of property and equipment (Note 19)	**258,415**	214,063	**194,840**	152,175
Amortisation of core deposits intangible (Note 20)	**4,638**	4,638	**–**	–
Direct operating expenses of investment properties that:				
– generated rental income	**6,515**	6,707	**–**	–
Directors' remuneration (Note 37)	**85,628**	81,943	**64,519**	61,886
Pension costs				
– defined contribution plan	**278,899**	271,607	**235,082**	227,809
– defined benefit plan (Note 11)	**79,565**	73,684	**78,363**	72,303
Property and equipment written off (Note 19)	**155**	1,325	**23**	76

* Regulatory related services include half year limited review, validation review based on agreed-upon procedures, review of statement on risk management and internal control and etc.

37. DIRECTORS' REMUNERATION

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors of the Bank:				
Executive Director/Chief Executive Officer:				
Fees	**904**	863	**316**	316
Salary and other remuneration, including meeting allowances	**20,646**	18,213	**19,830**	17,626
Bonuses	**18,968**	18,968	**18,968**	18,968
Benefits-in-kind	**40**	49	**40**	49
	40,558	38,093	**39,154**	36,959
Non-Executive Directors:				
Fees	**5,528**	5,045	**2,778**	2,752
Other remuneration	**23,391**	22,590	**22,627**	22,224
Benefits-in-kind	**56**	90	**56**	90
	28,975	27,725	**25,461**	25,066
Directors of subsidiary companies:				
Executive Directors:				
Fees	**640**	632	**–**	–
Salary and other remuneration, including meeting allowances	**5,935**	6,198	**–**	–
Bonuses	**3,918**	4,853	**–**	–
Benefits-in-kind	**678**	871	**–**	–
	11,171	12,554	**–**	–
Non-Executive Directors:				
Fees	**2,808**	2,475	**–**	–
Other remuneration	**2,890**	2,106	**–**	–
	5,698	4,581	**–**	–
Grand total	**86,402**	82,953	**64,615**	62,025
Total (excluding benefits-in-kind) (Note 36)	**85,628**	81,943	**64,519**	61,886

37. DIRECTORS' REMUNERATION (CONTINUED)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows:

2021	Remuneration Received from the Bank						Remuneration Received from Subsidiary Companies		
	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Bank Total RM'000	Fees RM'000	Other Emoluments RM'000	Group Total RM'000
Executive Director:									
Tan Sri Dato' Sri Tay Ah Lek	12,168	316	18,968	7,662	40	39,154	588	816	40,558
Non-Executive Directors:									
Tan Sri Dato' Sri Dr. Teh Hong Piow	–	428	–	20,012	56	20,496	1,635	436	22,567
Mr Lai Wan	–	428	–	360	–	788	286	–	1,074
Ms Cheah Kim Ling	–	316	–	480	–	796	–	–	796
Mr Lee Chin Guan	–	316	–	238	–	554	271	104	929
Dato' Mohd Hanif bin Sher Mohamed	–	316	–	494	–	810	300	224	1,334
Ms Tham Chai Fhong	–	316	–	362	–	678	–	–	678
Mr Lim Chao Li (Appointed on 5 April 2021)	–	237	–	295	–	532	138	–	670
Ms Gladys Leong (Appointed on 1 July 2021)	–	158	–	121	–	279	–	–	279
Mr Tang Wing Chew (Retired on 29 May 2021)	–	131	–	106	–	237	120	–	357
Ms Lai Wai Keen (Retired on 29 May 2021)	–	132	–	159	–	291	–	–	291
	–	2,778	–	22,627	56	25,461	2,750	764	28,975
Total Directors' remuneration	12,168	3,094	18,968	30,289	96	64,615	3,338	1,580	69,533

37. DIRECTORS' REMUNERATION (CONTINUED)

The total remuneration (including benefits-in-kind) of the Directors of the Bank are as follows (continued):

	Remuneration Received from the Bank						Remuneration Received from Subsidiary Companies		
2020	Salary RM'000	Fees RM'000	Bonus RM'000	Other Emoluments RM'000	Benefits-in-kind RM'000	Bank Total RM'000	Fees RM'000	Other Emoluments RM'000	Group Total RM'000
Executive Director:									
Tan Sri Dato' Sri Tay Ah Lek	10,512	316	18,968	7,114	49	36,959	547	587	38,093
Non-Executive Directors:									
Tan Sri Dato' Sri Dr. Teh Hong Piow	–	428	–	19,936	90	20,454	1,178	200	21,832
Mr Lai Wan	–	428	–	410	–	838	291	–	1,129
Mr Tang Wing Chew	–	316	–	251	–	567	291	–	858
Ms Lai Wai Keen	–	316	–	332	–	648	–	–	648
Ms Cheah Kim Ling	–	316	–	411	–	727	–	–	727
Mr Lee Chin Guan	–	316	–	174	–	490	275	84	849
Dato' Mohd Hanif bin Sher Mohamed	–	316	–	412	–	728	258	82	1,068
Ms Tham Chai Fhong	–	316	–	298	–	614	–	–	614
	–	2,752	–	22,224	90	25,066	2,293	366	27,725
Total Directors' remuneration	10,512	3,068	18,968	29,338	139	62,025	2,840	953	65,818

38. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group		Bank	
	2021 RM'000	2020 RM'000	**2021 RM'000**	2020 RM'000
Expected credit losses ("ECL") on:				
– Loans, advances and financing	**1,389,964**	1,310,977	**963,908**	820,336
– Loan/financing commitments and financial guarantees	**4,573**	17,307	**3,689**	12,642
	1,394,537	1,328,284	**967,597**	832,978
Impaired loans and financing written off	**35**	56	**35**	56
Impaired loans and financing recovered	**(193,369)**	(222,044)	**(97,890)**	(114,527)
	1,201,203	1,106,296	**869,742**	718,507

Details of the forward looking macro-economic variables and management overlay are explained in Note 2(i)(b).

38. ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING (CONTINUED)

The breakdown of ECL charge are as follows:

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Base ECL	**346,058**	605,087	**191,894**	261,815
Forward looking ECL due to COVID-19 pandemic				
– Macro-economic variables	**270,692**	349,763	**223,953**	290,951
– Management overlay	**777,787**	373,434	**551,750**	280,212
Total ECL charged	**1,394,537**	1,328,284	**967,597**	832,978

39. ALLOWANCE FOR IMPAIRMENT ON OTHER ASSETS

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Expected credit losses on:				
– Financial investments at fair value through other comprehensive income				
– Debt instruments (Note 7)	**490**	4,681	**820**	1,132
– Financial investments at amortised cost				
– Debt instruments (Note 8)	**(256)**	146	**(572)**	(61)
– Deposits and placements with banks and other financial institutions	**(204)**	263	**–**	–
Allowance made on:				
– Foreclosed properties	**5,878**	8,569	**4,921**	8,518
– Other receivables	**27**	9	**–**	–
	5,935	13,668	**5,169**	9,589

40. TAX EXPENSE AND ZAKAT

	Group 2021 RM'000	Group 2020 RM'000	Bank 2021 RM'000	Bank 2020 RM'000
Malaysian income tax	**1,754,724**	605,561	**1,327,564**	491,812
Overseas income tax	**125,237**	122,072	**1,819**	9,797
	1,879,961	727,633	**1,329,383**	501,609
Under/(Over) provision in prior years				
– Malaysian income tax	**652,970**	(3,806)	**540,803**	(4,195)
– Overseas income tax	**4,172**	900	**4,271**	(1,140)
	2,537,103	724,727	**1,874,457**	496,274
Deferred tax (income)/expense (Note 13)				
– Relating to origination and reversal of temporary differences arising from:				
– allowance for losses on loans/financing	**(211,784)**	(174,037)	**(156,622)**	(132,601)
– excess of capital allowance over depreciation	**15,456**	6,984	**9,788**	2,172
– defined benefit plan	**(2,489)**	(17,620)	**(2,455)**	(17,339)
– interest on moratorium account	**–**	843,492	**–**	703,126
– other temporary differences	**(44,187)**	(34,823)	**(16,804)**	(24,135)
	(243,004)	623,996	**(166,093)**	531,223
– (over)/under provision	**(658,114)**	2,874	**(545,154)**	2,894
	(901,118)	626,870	**(711,247)**	534,117
Tax expense	**1,635,985**	1,351,597	**1,163,210**	1,030,391
Zakat	**713**	1,206	**–**	–
	1,636,698	1,352,803	**1,163,210**	1,030,391

The Malaysian income tax is calculated at the statutory tax rate of 24% on the estimated chargeable profit for the financial year. The computation of deferred tax assets and deferred tax liabilities is also based on the statutory tax rate of 24%.

In accordance with the Finance Act 2021 which was gazetted on 31 December 2021, companies with chargeable income exceeding RM100 million in Year of Assessment 2022 will be subject to a one off "Cukai Makmur" of 33%.

Tax in foreign jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

40. TAX EXPENSE AND ZAKAT (CONTINUED)

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

Group	%	2021 RM'000	%	2020 RM'000
Profit before tax expense		**7,366,575**		6,285,063
Income tax using Malaysian tax rate	**24.0**	**1,767,978**	24.0	1,508,415
Effects of different tax rates	**(0.5)**	**(36,707)**	(0.4)	(23,752)
Income not subject to tax	**(2.0)**	**(147,899)**	(2.5)	(157,433)
Expenses not deductible for tax purposes	**0.7**	**53,585**	0.6	34,944
Effects of net investment hedge in foreign operations	**–**	**–**	(0.2)	(10,545)
	22.2	**1,636,957**	21.5	1,351,629
Over provision in prior years	**–**	**(972)**	–	(32)
Tax expense for the year	**22.2**	**1,635,985**	21.5	1,351,597

Bank	%	2021 RM'000	%	2020 RM'000
Profit before tax expense		**5,798,115**		5,155,501
Income tax using Malaysian tax rate	**24.0**	**1,391,548**	24.0	1,237,320
Income not subject to tax	**(4.6)**	**(265,419)**	(4.2)	(217,414)
Expenses not deductible for tax purposes	**0.6**	**37,161**	0.2	12,926
	20.0	**1,163,290**	20.0	1,032,832
Over provision in prior years	**–**	**(80)**	–	(2,441)
Tax expense for the year	**20.0**	**1,163,210**	20.0	1,030,391

41. EARNINGS PER SHARE

(a) Basic Earnings Per Share

The calculation of the basic earnings per share is based on the net profit attributable to equity holders of the Bank for the year divided by the weighted average number of ordinary shares in issue or issuable during the year, if any.

	Group		Bank	
	2021	**2020**	**2021**	**2020**
Net profit attributable to equity holders of the Bank (RM'000)	**5,656,531**	4,871,702	**4,634,905**	4,125,110
'000				
Number of ordinary shares in issue at beginning of the year	**3,882,138**	3,882,138	**3,882,138**	3,882,138
Bonus shares issued subsequent to previous year end (Note 28)	**15,528,554**	15,528,554	**15,528,554**	15,528,554
Adjusted number of ordinary shares in issue or issuable at end of the year	**19,410,692**	19,410,692	**19,410,692**	19,410,692
Basic earnings per share (sen)				
– Before issuance of bonus shares	**n/a**	125.49	**n/a**	106.26
– After issuance of bonus shares	**29.14**	25.10	**23.88**	21.25

(b) Diluted Earnings Per Share

The Group and the Bank have no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares.

42. DIVIDENDS

	Group and Bank	
	2021 RM'000	**2020 RM'000**
Dividends recognised as distribution to ordinary equity holders of the Bank:		
Interim dividend of 13.0 sen based on 19,410,691,735 ordinary shares in respect of the financial year ended 31 December 2020	**2,523,390**	–
First interim dividend of 7.5 sen based on 19,410,691,735 ordinary shares in respect of the financial year ended 31 December 2021	**1,455,802**	–
Second interim dividend of 40.0 sen based on 3,882,138,347 ordinary shares in respect of the financial year ended 31 December 2019	**–**	1,552,855
	3,979,192	1,552,855

42. DIVIDENDS (CONTINUED)

Subsequent to the financial year end, on 25 February 2022, the Directors declared a second interim dividend of 7.7 sen, with the total amounting to approximately RM1,494,623,264 computed based on 19,410,691,735 ordinary shares in respect of the financial year ended 31 December 2021. The financial statements for the current financial year do not reflect these dividends. Upon declaration, the dividend payment will be accounted for in equity as an appropriation of retained earnings during the financial year ending 31 December 2022. The Directors do not propose any final dividend in respect of the financial year ended 31 December 2021.

Accordingly, based on the above, the dividend declared per share for each financial year are as follows:

	Group and Bank Dividend per share	
	2021 Sen	**2020 Sen**
Dividends per ordinary share:		
Paid:		
First interim dividend based on 19,410,691,735 ordinary shares	**7.5**	–
Declared subsequent to the financial year end:		
Interim dividend computed based on 19,410,691,735 ordinary shares	**–**	13.0
Second interim dividend based on 19,410,691,735 ordinary shares	**7.7**	–
	15.2	13.0

43. RELATED PARTY TRANSACTIONS

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

(i) Collective Investments
Collective investments are those investments as disclosed in Note 14.

(ii) Subsidiary Companies
Details of the subsidiary companies are shown in Note 15.

(iii) Associated Companies
Associated companies are those entities in which the Group has significant influence but not control, as disclosed in Note 16.

(iv) Key Management Personnel and the Close Members of His/Her Family
Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Bank either directly or indirectly. The key management personnel of the Group and of the Bank include Executive Director and Non-Executive Directors of the Bank, chief executive officers of major subsidiary companies of the Bank and certain key members of senior management of the Bank and its major subsidiary companies.

(v) Public Bank Group Officers' Retirement Benefits Fund
Details of the retirement benefits fund are shown in Note 11.

(vi) Companies in which Certain Directors Have Substantial Financial Interest
These are entities in which significant voting power in such entities directly or indirectly resides with certain Directors of the Bank.

All related party transactions are conducted on normal commercial terms which are no more favourable than those generally available to the public.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The significant transactions of the Group and of the Bank with its related parties are as follows (continued):

Group	Key Management Personnel* 2021 RM'000	Key Management Personnel* 2020 RM'000	Companies in which Certain Directors have Substantial Interest 2021 RM'000	Companies in which Certain Directors have Substantial Interest 2020 RM'000	Public Bank Group Officers' Retirement Benefits Fund 2021 RM'000	Public Bank Group Officers' Retirement Benefits Fund 2020 RM'000
Income earned:						
Interest on loans, advances and financing	**521**	493	**458**	–	**28,153**	39,597
Commission income	**–**	–	**47,772**	49,140	**–**	–
Rental income	**147**	147	**3,382**	3,341	**–**	–
Brokerage income	**127**	3	**–**	3	**–**	–
Fee income	**–**	–	**–**	–	**282**	202
	795	643	**51,612**	52,484	**28,435**	39,799
Expenditure incurred:						
Interest on deposits	**326,276**	355,122	**4,633**	11,224	**–**	–
Interest on debt securities issued	**–**	–	**1,459**	1,640	**–**	–
Rental of premises^	**–**	–	**420**	420	**42,687**	41,440
Insurance premiums	**–**	–	**39,499**	37,025	**–**	–
Others	**–**	–	**12**	2	**–**	–
	326,276	355,122	**46,023**	50,311	**42,687**	41,440

* Included transactions with close members of the key management personnel's family.
^ This amount represents actual rental of premises incurred by the Group.

The table above includes the following transactions of the Group with the Directors of the Bank (including close members of their families):

i) interest on deposits of RM325,549,000 (2020 – RM354,166,000);

ii) rental income of RM147,000 (2020 – RM147,000); and

iii) interest on loans, advances and financing of RM60,000 (2020 – RM70,000).

Transactions between the Bank and its subsidiary companies and collective investments are eliminated at Group level upon consolidation.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) The significant transactions of the Group and of the Bank with its related parties are as follows (continued):

	Collective Investments		Subsidiary Companies		Key Management Personnel*		Companies in which Certain Directors have Substantial Interest		Public Bank Group Officers' Retirement Benefits Fund	
Bank	**2021 RM'000**	2020 RM'000	**2021 RM'000**	2020 RM'000	**2021 RM'000**	2020 RM'000	**2021 RM'000**	2020 RM'000	**2021 RM'000**	2020 RM'000
Income earned:										
Interest on interbank lending and money market instruments held	**–**	–	**56,337**	83,565	**–**	–	**–**	–	**–**	–
Interest rate swaps	**–**	–	**54,986**	36,147	**–**	–	**–**	–	**–**	–
Interest on loans and advances	**–**	–	**14,780**	18,550	**178**	196	**458**	–	**28,153**	39,597
Dividend/Distribution income (Note 35)	**161,805**	196,524	**941,046**	674,846	**–**	–	**–**	–	**–**	–
Cost of resource sharing charged (Note 36)	**–**	–	**450,440**	424,033	**–**	–	**–**	–	**–**	–
Commission income	**–**	–	**190,487**	177,482	**–**	–	**47,396**	48,768	**–**	–
Brokerage income	**–**	–	**–**	–	**96**	–	**–**	–	**–**	–
Rental income	**–**	–	**1,566**	2,384	**147**	147	**–**	–	**–**	–
Others	**–**	–	**6,189**	8,215	**–**	–	**–**	–	**–**	–
	161,805	196,524	**1,715,831**	1,425,222	**421**	343	**47,854**	48,768	**28,153**	39,597
Expenditure incurred:										
Interest on deposits	**34,085**	60,957	**23,118**	70,527	**326,056**	354,853	**3,811**	10,515	**–**	–
Interest on debt securities issued	**–**	–	**–**	–	**–**	–	**994**	1,176	**–**	–
Rental of premises^	**–**	–	**30,804**	30,771	**–**	–	**420**	420	**40,373**	39,139
Insurance premiums	**–**	–	**–**	–	**–**	–	**28,801**	27,241	**–**	–
Fee and commission expense	**–**	–	**3,772**	3,276	**–**	–	**–**	–	**–**	–
Professional fees	**–**	–	**186**	255	**–**	–	**–**	–	**–**	–
Building maintenance	**–**	–	**3,156**	3,320	**–**	–	**–**	–	**–**	–
	34,085	60,957	**61,036**	108,149	**326,056**	354,853	**34,026**	39,352	**40,373**	39,139

* Included transactions with close members of the key management personnel's family.
^ This amount represents actual rental of premises incurred by the Bank.

The table above includes the following transactions of the Bank with its Directors (including close members of their families):

i) interest on deposits of RM325,479,000 (2020 – RM354,065,000);

ii) rental income of RM147,000 (2020 – RM147,000); and

iii) interest on loans and advances of RM59,000 (2020 – RM68,000).

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The significant outstanding balances of the Group and of the Bank with its related parties are as follows:

Group 31 December 2021	Associated Companies RM'000	Key Management Personnel* RM'000	Companies in which Certain Directors have Substantial Interest RM'000	Public Bank Group Officers' Retirement Benefits Fund RM'000
Amount due from related parties				
Loans, advances and financing	**–**	**21,564**	**15,552**	**1,191,594**
Rental deposits	**–**	**–**	**–**	**10,804**
	–	**21,564**	**15,552**	**1,202,398**
Amount due to related parties				
Demand deposits	**21,549**	**26,658**	**18,578**	**388**
Term deposits	**259,450**	**11,319,998**	**99,576**	**9**
Debt securities issued	**–**	**–**	**30,347**	**–**
Others	**70**	**601**	**–**	**–**
	281,069	**11,347,257**	**148,501**	**397**
Commitments and contingencies				
Contingent liabilities	**–**	**–**	**19,389**	**–**
Commitments	**–**	**6,625**	**10,611**	**808,406**

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The significant outstanding balances of the Group and of the Bank with its related parties are as follows (continued):

Group **31 December 2020**	**Associated Companies RM'000**	**Key Management Personnel* RM'000**	**Companies in which Certain Directors have Substantial Interest RM'000**	**Public Bank Group Officers' Retirement Benefits Fund RM'000**
Amount due from related parties				
Loans, advances and financing	–	19,770	–	1,272,819
Rental deposits	–	–	–	10,340
	–	19,770	–	1,283,159
Amount due to related parties				
Demand deposits	17,847	15,744	13,700	1,513
Term deposits	291,740	9,487,976	653,692	17
Debt securities issued	–	–	37,416	–
Others	264	578	–	–
	309,851	9,504,298	704,808	1,530
Commitments and contingencies				
Commitments	–	5,627	–	732,182

* Included transactions with close members of the key management personnel's family.

The tables above include the following outstanding balances of the Group with the Directors of the Bank (including close members of their families):

i) demand deposits and term deposits of RM11,294,270,000 (2020 – RM9,454,505,000); and

ii) loans, advances and financing of RM1,825,000 (2020 – RM1,949,000).

Balances between the Bank and its subsidiary companies and collective investments are eliminated at Group level upon consolidation.

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The significant outstanding balances of the Group and of the Bank with its related parties are as follows (continued):

Bank 31 December 2021	Collective Investments RM'000	Subsidiary Companies RM'000	Key Management Personnel* RM'000	Companies in which Certain Directors have Substantial Interest RM'000	Public Bank Group Officers' Retirement Benefits Fund RM'000
Amount due from related parties					
Interbank lending	–	3,820,248	–	–	–
Derivative financial assets	–	103,576	–	–	–
Loans and advances	–	698,510	8,538	15,552	1,191,594
Dividend/Distribution receivable (Note 10)	26,528	644,810	–	–	–
Rental deposits	–	36,152	–	–	10,224
Interest receivable	–	9,628	–	–	–
Others	–	993	–	–	–
	26,528	5,313,917	8,538	15,552	1,201,818
Amount due to related parties					
Demand deposits	100	17,549	25,562	18,578	388
Term deposits	1,294,287	646,223	11,311,794	77,417	9
Debt securities issued	–	–	–	20,219	–
Interbank borrowing	–	3,212,388	–	–	–
Derivative financial liabilities	–	14,587	–	–	–
Interest payable	9,387	1,351	–	–	–
Others	–	256	439	–	–
	1,303,774	3,892,354	11,337,795	116,214	397
Commitments and contingencies					
Contingent liabilities	–	13,693	–	19,389	–
Commitments	–	886,892	5,381	10,611	808,406
	–	900,585	5,381	30,000	808,406

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) The significant outstanding balances of the Group and of the Bank with its related parties are as follows (continued):

Bank **31 December 2020**	**Collective Investments RM'000**	**Subsidiary Companies RM'000**	**Key Management Personnel* RM'000**	**Companies in which Certain Directors have Substantial Interest RM'000**	**Public Bank Group Officers' Retirement Benefits Fund RM'000**
Amount due from related parties					
Interbank lending	–	1,952,088	–	–	–
Derivative financial assets	–	196,035	–	–	–
Loans and advances	–	675,065	8,880	–	1,272,819
Money market instruments held	–	1,060,141	–	–	–
Dividend/Distribution receivable (Note 10)	28,176	823,477	–	–	–
Rental deposits	–	36,141	–	–	9,764
Interest receivable	–	10,078	–	–	–
Others	–	748	–	–	–
	28,176	4,753,773	8,880	–	1,282,583
Amount due to related parties					
Demand deposits	101	101,319	14,626	13,700	1,513
Term deposits	1,469,499	737,032	9,476,201	610,193	17
Debt securities issued	–	–	–	26,792	–
Interbank borrowing	–	3,780,639	–	–	–
Derivative financial liabilities	–	1,317	–	–	–
Interest payable	16,946	4,260	–	–	–
Others	–	570	415	–	–
	1,486,546	4,625,137	9,491,242	650,685	1,530
Commitments and contingencies					
Contingent liabilities	–	95,804	–	–	–
Commitments	–	933,195	3,778	–	732,182
	–	1,028,999	3,778	–	732,182

* Included transactions with close members of the key management personnel's family.

The tables above include the following outstanding balances of the Bank with its Directors (including close members of their families):

i) demand deposits and term deposits of RM11,293,925,000 (2020 – RM9,451,124,000); and

ii) loans and advances of RM1,823,000 (2020 – RM1,925,000).

43. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Loans, advances and financing granted to the Directors of the Bank and other key management personnel of the Group and of the Bank are on similar terms and conditions generally available to other employees within the Group.

None of the loans, advances and financing granted to key management personnel (2020 – None) are impaired.

(d) Key Management Personnel Compensation
The remuneration of Directors and other members of key management during the year are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Short-term employee benefits:				
Fees	**6,432**	5,908	**3,094**	3,068
Salary and other remuneration, including meeting allowances	**121,399**	114,015	**103,656**	97,107
Benefits-in-kind	**1,468**	1,692	**316**	378
Post-employment benefits:				
Defined contribution plan	**13,748**	12,836	**11,991**	11,132
Annual service cost	**1,032**	872	**844**	746
	144,079	135,323	**119,901**	112,431

Included in the total key management personnel compensation are:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Directors' remuneration including benefits-in-kind – Directors of the Bank	**69,533**	65,818	**64,615**	62,025

44. CREDIT TRANSACTIONS AND EXPOSURES WITH CONNECTED PARTIES

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Outstanding credit exposures with connected parties	**2,277,731**	2,990,942	**3,084,464**	3,885,165
of which: Total credit exposures which are impaired or in default	**5**	191	**5**	186
Total credit exposures	**396,939,855**	386,614,141	**303,598,908**	300,215,291
Percentage of outstanding credit exposures to connected parties				
– as a proportion of total credit exposures	**0.57%**	0.77%	**1.02%**	1.29%
– as a proportion of total capital	**4.19%**	5.68%	**7.66%**	9.85%
– which is impaired or in default	**0.00%**	0.01%	**0.00%**	0.00%

The disclosure on Credit Transactions and Exposures with Connected Parties above is presented in accordance with Para. 9.1 of Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

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

(i) Directors of the Bank and their close relatives;

(ii) Controlling shareholder and his close relatives;

(iii) Influential shareholder and his close relatives;

(iv) Executive officer, being a member of management having authority and responsibility for planning, directing and/or controlling the activities of the Bank, and his close relatives;

(v) Officers who are responsible for or have the authority to appraise and/or approve credit transactions or review the status of existing credit transactions, either as a member of a committee or individually, and their close relatives;

(vi) Firms, partnerships, companies or any legal entities which control, or are controlled by any person listed in (i) to (v) above, or in which they have an interest, as a director, partner, executive officer, agent or guarantor, and their subsidiaries or entities controlled by them;

(vii) Any person for whom the persons listed in (i) to (v) above is a guarantor; and

(viii) Subsidiary of or an entity controlled by the Bank and its connected parties.

Credit transactions and exposures to connected parties as disclosed above include the extension of credit facilities and/or off-balance sheet credit exposures such as guarantees, trade-related facilities and loan commitments. It also includes holdings of equities and private debt securities issued by the connected parties.

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

45. FINANCIAL RISK MANAGEMENT

Overview

The Group's business activities involve the use of financial instruments, including derivatives. These activities expose the Group to a variety of financial risks, mainly credit risk, market risk, and liquidity and funding risk.

The Group's financial risk management is underpinned by the Group's risk appetite and is subject to the Board of Directors' oversight, through the Risk Management Committee ("RMC"), a Board Committee, which oversees the establishment of enterprise-wide risk management policies and processes. The RMC is assisted by the specific risk oversight committees and working group which are the Assets & Liabilities Management Committee ("ALCO"), the Credit Risk Management Committee ("CRMC"), the Operational Risk Management Committee ("ORMC") and the Internal Capital Adequacy Assessment Process ("ICAAP") Working Group.

Credit Risk

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. As the Group's primary business is in commercial banking, the Group's exposure to credit risk is primarily from its lending and financing to retail consumers, small and medium enterprises ("SMEs") and corporate customers. Trading activities and investing the surplus funds of the Group, such as trading or holding of debt securities, deposit placements, settlement of transactions, also expose the Group to credit risk and counterparty credit risk ("CCR").

Risk Governance

The CRMC supports the RMC in credit risk management oversight. The CRMC reviews the Group's credit risk frameworks and policies, credit profile of the credit portfolios and recommends necessary actions to ensure that the credit risk remains within established risk tolerance level.

Risk Management Approach

The Group's credit risk management includes the establishment of comprehensive credit risk policies, guidelines and procedures which document the Group's lending standards, discretionary power for loans approval, credit risk rating, acceptable collateral and valuation, and the review, rehabilitation and restructuring of problematic and delinquent loans. The credit policies, guidelines and procedures are periodically reviewed to ensure their continued relevance.

Within the Risk Management Division ("RMD"), the Credit Risk Management Department has functional responsibility for credit risk management which includes formulating and reviewing group-wide credit risk policies, guidelines and procedures. Other independent risk management and control units are responsible for managing the credit portfolios and ensuring the credit risk policies are implemented and complied with.

The management of credit risk starts with experienced key personnel appointed to the Credit Committee. The Credit Committee approves major credit decisions, guidelines and procedures to manage, control and monitor credit risk. Loan applications of significant amounts and/or higher risk exposure are approved at Head Office or by the Credit Committee while experienced senior credit officers at branches are given authority to approve loans with lower risk exposure. The Board of Directors of the respective entities has the authority to reject or modify the terms and conditions of loans which have been approved by the Credit Committee. The credit approving authorities are assigned discretionary powers based on their seniority and track record.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(a) Lending to Retail Consumers and SMEs

The credit granting to retail consumers and SMEs is individually underwritten, which amongst others, includes the assessment of the historical repayment track record and the current repayment capacity of the customer as well as the business condition and prospect. The credit assessment is assisted by the internal credit risk rating scoresheet. The credit approving authorities have the responsibility to ensure that credit risk is properly assessed and all crucial credit information of the customer is included in the customer's loan application.

(b) Lending to Corporate and Institutional Customers

The credit granting to corporate and institutional customers is individually underwritten and risk-rated through the use of an internal or external credit risk rating scoresheet. Credit officers identify and assess the credit risk of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support such as standby letters of credit or bank guarantees.

(c) Credit Risk from Trading and Investment Activities

The management of the credit risk arising from the Group's trading or investing its surplus funds is primarily via the setting of issuers' credit limits which are specifically approved by the relevant approving authorities. In addition, the investment in debt securities are subject to the minimum investment grade, minimum acceptable return and the maximum tenures and these investment parameters are subject to regular review. The holdings of Collateralised Debt Obligations ("CDO") or Collateralised Loan Obligations ("CLO") require the specific approval of the Board of Directors. As at the reporting date, the Group does not have any direct or indirect exposure to asset-backed securities, CDO or CLO and does not participate in any securitisation deals.

(d) Counterparty Credit Risk on Derivative Financial Instruments

CCR on derivative financial instruments is the risk that the Group's counterparty in a foreign exchange, interest rate, commodity, equity, option or credit derivative contract defaults prior to maturity date of the contract and that the Group, at the relevant time, has a claim on the counterparty. Derivative financial instruments are primarily entered into for hedging purposes.

Unlike on-balance sheet financial instruments, the Group's financial loss is not the entire contracted notional principal value of the derivatives, but equivalent to the cost to replace the defaulted derivative financial instruments with another similar contract. The Group will only suffer losses if the contract carries a positive economic value at time of default.

The CCR arising from all derivative financial instruments is managed via the establishment of credit exposure limits and daily settlement limits for each counterparty. Where possible, Over-the-Counter ("OTC") derivative financial instruments, especially Interest Rate Swaps and Options are transacted under master agreements, International Swaps and Derivatives Association ("ISDA") and Credit Support Annex ("CSA") agreements. ISDA allows for the close-out netting in the event of default by a counterparty and CSA provides credit protection with the requirements to post collateral, usually in the form of cash or government securities upon any excess over the threshold levels.

All outstanding financial derivative positions are marked-to-market on a daily basis. Treasury Control & Processing Department monitors counterparties' positions and promptly follows up with the requirements to post collateral upon any excess over the threshold levels.

Where possible, the Group settles its OTC derivatives via the Payment-versus-Payment ("PVP") settlement method to further reduce settlement risk. For derivative financial instruments where the PVP settlement method is not possible, the Group establishes settlement limits through the Group's credit approval process.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

Proposition of counterparty limits to financial institutions by the business units are independently assessed and evaluated by RMD before approval is granted by the relevant approving party. The Independent Credit Review ("ICR") Team within RMD provides independent evaluation and views on retail business loans and corporate loans of selected loan size and/or type. Periodical review/assessment of business sectors and industries in which the Bank's borrowers are significantly exposed to are also carried out by the ICR Team besides providing assistance in the formulation of credit policies and guidelines undertaken by the business units.

Post approval reviews are performed regularly to complement risk identification as well as to evaluate the quality of credit appraisals and the competency of credit personnel. Various credit risk analytics are performed periodically to identify key risk characteristics and to risk profile the credit portfolio. In addition, comprehensive assessment on emerging risk is conducted to assess the impact of the risk on the Bank's portfolio as well as establishing appropriate measures to mitigate the risk. Internal risk management reports are presented to the Credit Committee, CRMC and RMC, containing information on asset quality trends across major credit portfolios, results of the credit profiling conducted, emerging risk assessment, significant credit exposures to connected parties and credit concentration by economic sectors and by large single customers. Such information allows senior management, Credit Committee, CRMC and RMC to identify adverse credit trends, take corrective actions and formulate business strategies.

There have been no changes to the process for managing credit risk and the methods used to measure credit risk.

(i) Credit Risk Exposures and Credit Concentration Risk

The following tables present the Group's and the Bank's maximum exposure to credit risk of on-balance sheet and off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amount. For financial guarantees, the maximum exposure to credit risk is the full amount that the Group or the Bank would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

Credit concentration risk arises from excessive exposures to any single exposure or group of exposure or sector that will potentially result in losses which are large enough to undermine the health of the Group and of the Bank. To manage these large exposures and to avoid any undue credit concentration risk, the Group has emplaced internal exposure limits expressed as a percentage of the Group's capital.

By Industry Analysis

The analysis of credit concentration risk presented below relates only to financial assets subject to credit risk and are based on the industry in which the counterparties are engaged (for non-individual counterparties) or the economic purpose of the credit exposure (for individuals). The exposures to credit risk are presented without taking into account any collateral held or other credit enhancements.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Industry Analysis (continued)

Group 31 December 2021	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	3,183,262	14,347,349	–	–	–	–	–	–	17,530,611
Financial assets at fair value through profit or loss									
– Government securities and treasury bills	650,436	–	–	–	–	–	–	–	650,436
– Non-money market instruments*	–	–	–	–	–	–	–	–	–
Derivative financial assets	–	140,434	–	–	–	–	–	–	140,434
Financial investments at fair value through other comprehensive income									
– Government securities and treasury bills	44,547,646	–	–	–	–	–	–	–	44,547,646
– Money market instruments	–	2,952,186	–	–	–	–	–	–	2,952,186
– Non-money market instruments#	403,900	4,052,461	153,822	618,679	146,183	–	–	–	5,375,045
Financial investments at amortised cost (Gross)									
– Government securities and treasury bills	9,911,256	–	–	–	–	–	–	–	9,911,256
– Money market instruments	–	1,810,225	–	–	–	–	–	–	1,810,225
– Non-money market instruments	1,171,204	9,296,302	981,297	1,364,511	1,615,662	–	–	–	14,428,976
Gross loans, advances and financing									
– Retail loans/financing									
– housing loans/financing	–	–	–	181	23,387	141,992,722	–	18,317	142,034,607
– hire purchase	1,138	39,822	2,595,108	5,246,716	1,911,859	–	45,921,168	87	55,715,898
– credit cards	2	182	5,782	22,864	4,424	–	–	2,149,045	2,182,299
– other loans/financing	13,345	247,241	6,600,785	33,581,674	21,637,817	7,850,622	226,686	42,633,690	112,791,860
– Corporate loans/financing	1,000,848	14,116,643	1,956,720	8,365,943	19,706,921	48,561	–	106,452	45,302,088
Statutory deposits with Central Banks	1,222,165	–	–	–	–	–	–	–	1,222,165
	62,105,202	47,002,845	12,293,514	49,200,568	45,046,253	149,891,905	46,147,854	44,907,591	456,595,732
Commitments and Contingencies									
Contingent liabilities	1,832	57,232	418,988	375,910	528,392	–	–	1,764,598	3,146,952
Commitments	517,718	1,925,902	3,861,753	12,743,730	8,193,624	19,778,392	16,033	17,255,109	64,292,261
	519,550	1,983,134	4,280,741	13,119,640	8,722,016	19,778,392	16,033	19,019,707	67,439,213
Total Credit Exposures	62,624,752	48,985,979	16,574,255	62,320,208	53,768,269	169,670,297	46,163,887	63,927,298	524,034,945

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Industry Analysis (continued)

Group 31 December 2020	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	8,802,205	10,895,927	–	–	–	–	–	–	19,698,132
Reverse repurchase agreements	202,833	–	–	–	–	–	–	–	202,833
Financial assets at fair value through profit or loss									
– Government securities and treasury bills	904,395	–	–	–	–	–	–	–	904,395
– Non-money market instruments*	–	200,339	–	–	–	–	–	–	200,339
Derivative financial assets	–	287,010	–	–	–	–	–	–	287,010
Financial investments at fair value through other comprehensive income									
– Government securities and treasury bills	41,557,647	–	–	–	–	–	–	–	41,557,647
– Money market instruments	–	938,442	–	–	–	–	–	–	938,442
– Non-money market instruments#	434,903	4,254,248	162,053	632,232	187,471	–	–	–	5,670,907
Financial investments at amortised cost (Gross)									
– Government securities and treasury bills	11,389,484	–	–	–	–	–	–	–	11,389,484
– Money market instruments	–	1,832,725	–	–	–	–	–	–	1,832,725
– Non-money market instruments	1,287,852	8,820,197	1,202,526	1,430,335	1,646,076	–	–	–	14,386,986
Gross loans, advances and financing									
– Retail loans/financing									
– housing loans/financing	–	–	–	369	20,454	131,471,041	–	19,730	131,511,594
– hire purchase	567	34,808	2,569,994	5,202,901	1,928,030	–	44,776,363	141	54,512,804
– credit cards	4	79	4,283	16,014	3,034	–	–	1,973,114	1,996,528
– other loans/financing	16,742	218,513	6,825,340	32,464,135	21,739,469	7,508,510	227,076	42,117,077	111,116,862
– Corporate loans/financing	1,000,853	13,872,485	3,126,931	7,236,736	21,051,919	48,678	–	175,837	46,513,439
Statutory deposits with Central Banks	1,134,924	–	–	–	–	–	–	–	1,134,924
	66,732,409	41,354,773	13,891,127	46,982,722	46,576,453	139,028,229	45,003,439	44,285,899	443,855,051
Commitments and Contingencies									
Contingent liabilities	1,994	86,367	419,730	408,934	689,575	–	–	1,377,997	2,984,597
Commitments	524,559	3,321,205	3,611,767	12,893,591	10,225,945	18,424,278	21,661	16,820,830	65,843,836
	526,553	3,407,572	4,031,497	13,302,525	10,915,520	18,424,278	21,661	18,198,827	68,828,433
Total Credit Exposures	67,258,962	44,762,345	17,922,624	60,285,247	57,491,973	157,452,507	45,025,100	62,484,726	512,683,484

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Industry Analysis (continued)

Bank **31 December 2021**	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	1,000,140	12,861,532	–	–	–	–	–	–	13,861,672
Financial assets at fair value through profit or loss									
– Government securities and treasury bills	650,436	–	–	–	–	–	–	–	650,436
– Non-money market instruments*	–	–	–	–	–	–	–	–	–
Derivative financial assets	–	240,330	–	–	–	–	–	–	240,330
Financial investments at fair value through other comprehensive income									
– Government securities and treasury bills	32,670,124	–	–	–	–	–	–	–	32,670,124
– Money market instruments	–	2,952,186	–	–	–	–	–	–	2,952,186
– Non-money market instruments#	315,686	437,393	91,769	168,629	78,554	–	–	–	1,092,031
Financial investments at amortised cost (Gross)									
– Government securities and treasury bills	3,793,472	–	–	–	–	–	–	–	3,793,472
– Non-money market instruments	1,075,282	7,558,418	981,297	1,247,951	1,337,568	–	–	–	12,200,516
Gross loans and advances									
– Retail loans									
– housing loans	–	–	–	–	–	108,261,391	–	–	108,261,391
– hire purchase	591	38,579	2,138,118	5,070,413	1,834,843	–	34,543,492	–	43,626,036
– credit cards	2	182	5,782	22,864	4,424	–	–	2,087,769	2,121,023
– other loans	12,532	182,607	4,670,340	25,260,726	15,298,232	6,547,091	203,139	31,999,169	84,173,836
– Corporate loans	–	12,972,391	1,138,565	6,115,366	16,362,841	48,561	–	106,452	36,744,176
Statutory deposits with Central Banks	361,536	–	–	–	–	–	–	–	361,536
	39,879,801	37,243,618	9,025,871	37,885,949	34,916,462	114,857,043	34,746,631	34,193,390	342,748,765
Commitments and Contingencies									
Contingent liabilities	1,832	68,997	186,903	275,023	476,975	–	–	1,338,101	2,347,831
Commitments	515,248	2,484,199	1,847,810	10,412,835	6,277,174	14,770,952	110	15,129,064	51,437,392
	517,080	2,553,196	2,034,713	10,687,858	6,754,149	14,770,952	110	16,467,165	53,785,223
Total Credit Exposures	40,396,881	39,796,814	11,060,584	48,573,807	41,670,611	129,627,995	34,746,741	50,660,555	396,533,988

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Industry Analysis (continued)

Bank 31 December 2020	Government and Central Banks RM'000	Financial Services RM'000	Transport and Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
On-Balance Sheet Exposures									
Cash and balances with banks	5,100,114	7,870,553	–	–	–	–	–	–	12,970,667
Reverse repurchase agreements	202,833	–	–	–	–	–	–	–	202,833
Financial assets at fair value through profit or loss									
– Government securities and treasury bills	904,395	–	–	–	–	–	–	–	904,395
– Non-money market instruments*	–	200,339	–	–	–	–	–	–	200,339
Derivative financial assets	–	469,253	–	–	–	–	–	–	469,253
Financial investments at fair value through other comprehensive income									
– Government securities and treasury bills	30,531,442	–	–	–	–	–	–	–	30,531,442
– Money market instruments	–	938,442	–	–	–	–	–	–	938,442
– Non-money market instruments#	321,182	540,939	92,920	174,554	81,616	–	–	–	1,211,211
Financial investments at amortised cost (Gross)									
– Government securities and treasury bills	5,008,860	–	–	–	–	–	–	–	5,008,860
– Money market instruments	–	1,060,142	–	–	–	–	–	–	1,060,142
– Non-money market instruments	1,126,031	7,830,621	1,172,478	1,313,735	1,337,568	–	–	–	12,780,433
Gross loans and advances									
– Retail loans									
– housing loans	–	–	–	–	–	101,898,138	–	–	101,898,138
– hire purchase	206	33,931	2,201,119	5,014,270	1,848,017	–	34,233,499	–	43,331,042
– credit cards	4	79	4,283	16,014	3,034	–	–	1,930,965	1,954,379
– other loans	15,637	158,360	4,934,868	24,986,955	15,541,831	6,348,914	205,063	32,104,794	84,296,422
– Corporate loans	–	12,584,765	2,758,799	4,793,883	17,670,422	48,678	–	175,837	38,032,384
Statutory deposits with Central Banks	298,089	–	–	–	–	–	–	–	298,089
	43,508,793	31,687,424	11,164,467	36,299,411	36,482,488	108,295,730	34,438,562	34,211,596	336,088,471
Commitments and Contingencies									
Contingent liabilities	1,994	179,035	253,270	301,095	628,007	–	–	1,106,273	2,469,674
Commitments	522,448	3,953,231	1,932,906	10,831,201	8,200,106	14,330,842	4,325	14,497,858	54,272,917
	524,442	4,132,266	2,186,176	11,132,296	8,828,113	14,330,842	4,325	15,604,131	56,742,591
Total Credit Exposures	44,033,235	35,819,690	13,350,643	47,431,707	45,310,601	122,626,572	34,442,887	49,815,727	392,831,062

* Excluding equity securities of the Group and of the Bank of RM365,568,000 (2020 – RM478,772,000) and RM344,650,000 (2020 – RM451,376,000) respectively which do not carry any credit risk.

\# Excluding equity securities of the Group and of the Bank of RM394,415,000 (2020 – RM380,407,000) and RM386,070,000 (2020 – RM372,474,000) respectively which do not carry any credit risk.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Geographical Analysis

The analysis of credit concentration risk of financial assets of the Group and of the Bank categorised by geographical distribution (i.e. based on the geographical location where the credit risk resides) is as follows:

Group 31 December 2021	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and balances with banks	8,469,177	3,526,498	2,287,899	3,247,037	17,530,611
Financial assets at fair value through profit or loss					
– Government securities and treasury bills	650,436	–	–	–	650,436
– Non-money market instruments*	–	–	–	–	–
Derivative financial assets	99,232	8,887	–	32,315	140,434
Financial investments at fair value through other comprehensive income					
– Government securities and treasury bills	44,391,067	–	–	156,579	44,547,646
– Money market instruments	2,952,186	–	–	–	2,952,186
– Non-money market instruments#	5,047,795	–	–	327,250	5,375,045
Financial investments at amortised cost (Gross)					
– Government securities and treasury bills	7,786,214	1,108,023	917,510	99,509	9,911,256
– Money market instruments	–	1,146,632	–	663,593	1,810,225
– Non-money market instruments	13,881,224	375,805	–	171,947	14,428,976
Gross loans, advances and financing					
– Retail loans/financing					
– housing loans/financing	135,635,554	4,963,776	437,043	998,234	142,034,607
– hire purchase	53,192,622	2,410,906	1,034	111,336	55,715,898
– credit cards	2,171,992	–	9,459	848	2,182,299
– other loans/financing	101,850,615	3,154,891	4,471,498	3,314,856	112,791,860
– Corporate loans/financing	41,272,760	3,512,344	–	516,984	45,302,088
Statutory deposits with Central Banks	523,737	3,598	577,919	116,911	1,222,165
	417,924,611	20,211,360	8,702,362	9,757,399	456,595,732
Commitments and Contingencies					
Contingent liabilities	2,438,677	96,870	28,097	583,308	3,146,952
Commitments	61,168,947	1,396,255	995,474	731,585	64,292,261
	63,607,624	1,493,125	1,023,571	1,314,893	67,439,213
Total Credit Exposures	481,532,235	21,704,485	9,725,933	11,072,292	524,034,945

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Geographical Analysis (continued)

The analysis of credit concentration risk of financial assets of the Group and of the Bank categorised by geographical distribution (i.e. based on the geographical location where the credit risk resides) is as follows (continued):

Group 31 December 2020	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and balances with banks	11,181,929	4,169,389	1,808,186	2,538,628	19,698,132
Reverse repurchase agreements	200,145	–	–	2,688	202,833
Financial assets at fair value through profit or loss					
– Government securities and treasury bills	904,395	–	–	–	904,395
– Non-money market instruments*	200,339	–	–	–	200,339
Derivative financial assets	138,564	55,041	–	93,405	287,010
Financial investments at fair value through other comprehensive income					
– Government securities and treasury bills	41,400,770	–	–	156,877	41,557,647
– Money market instruments	938,442	–	–	–	938,442
– Non-money market instruments#	5,482,785	–	–	188,122	5,670,907
Financial investments at amortised cost (Gross)					
– Government securities and treasury bills	8,821,680	1,061,003	1,390,630	116,171	11,389,484
– Money market instruments	–	1,001,587	–	831,138	1,832,725
– Non-money market instruments	13,790,152	311,211	–	285,623	14,386,986
Gross loans, advances and financing					
– Retail loans/financing					
– housing loans/financing	125,492,449	4,772,797	379,862	866,486	131,511,594
– hire purchase	52,123,312	2,257,619	800	131,073	54,512,804
– credit cards	1,988,274	567	6,883	804	1,996,528
– other loans/financing	100,990,986	3,189,716	4,219,426	2,716,734	111,116,862
– Corporate loans/financing	42,642,998	3,386,762	–	483,679	46,513,439
Statutory deposits with Central Banks	436,044	31,735	591,237	75,908	1,134,924
	406,733,264	20,237,427	8,397,024	8,487,336	443,855,051
Commitments and Contingencies					
Contingent liabilities	2,468,791	166,413	31,887	317,506	2,984,597
Commitments	62,753,927	1,273,938	1,183,281	632,690	65,843,836
	65,222,718	1,440,351	1,215,168	950,196	68,828,433
Total Credit Exposures	471,955,982	21,677,778	9,612,192	9,437,532	512,683,484

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Geographical Analysis (continued)

The analysis of credit concentration risk of financial assets of the Group and of the Bank categorised by geographical distribution (i.e. based on the geographical location where the credit risk resides) is as follows (continued):

Bank **31 December 2021**	**Malaysia** **RM'000**	**Hong Kong & China** **RM'000**	**Cambodia** **RM'000**	**Other Countries** **RM'000**	**Total** **RM'000**
On-Balance Sheet Exposures					
Cash and balances with banks	10,337,095	4,949	15	3,519,613	13,861,672
Financial assets at fair value through profit or loss					
– Government securities and treasury bills	650,436	–	–	–	650,436
– Non-money market instruments*	–	–	–	–	–
Derivative financial assets	202,808	8,057	–	29,465	240,330
Financial investments at fair value through other comprehensive income					
– Government securities and treasury bills	32,670,124	–	–	–	32,670,124
– Money market instruments	2,952,186	–	–	–	2,952,186
– Non-money market instruments#	1,092,031	–	–	–	1,092,031
Financial investments at amortised cost (Gross)					
– Government securities and treasury bills	3,693,963	–	–	99,509	3,793,472
– Non-money market instruments	12,200,516	–	–	–	12,200,516
Gross loans and advances					
– Retail loans					
– housing loans	108,218,895	–	–	42,496	108,261,391
– hire purchase	43,623,251	–	–	2,785	43,626,036
– credit cards	2,120,504	–	–	519	2,121,023
– other loans	83,571,791	–	–	602,045	84,173,836
– Corporate loans	36,189,447	125,744	–	428,985	36,744,176
Statutory deposits with Central Banks	342,238	–	–	19,298	361,536
	337,865,285	138,750	15	4,744,715	342,748,765
Commitments and Contingencies					
Contingent liabilities	2,330,441	–	553	16,837	2,347,831
Commitments	50,615,413	661,517	–	160,462	51,437,392
	52,945,854	661,517	553	177,299	53,785,223
Total Credit Exposures	390,811,139	800,267	568	4,922,014	396,533,988

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(i) Credit Risk Exposures and Credit Concentration Risk (continued)

By Geographical Analysis (continued)

The analysis of credit concentration risk of financial assets of the Group and of the Bank categorised by geographical distribution (i.e. based on the geographical location where the credit risk resides) is as follows (continued):

Bank **31 December 2020**	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
On-Balance Sheet Exposures					
Cash and balances with banks	10,357,028	65,870	168,188	2,379,581	12,970,667
Reverse repurchase agreements	200,145	–	–	2,688	202,833
Financial assets at fair value through profit or loss					
– Government securities and treasury bills	904,395	–	–	–	904,395
– Non-money market instruments*	200,339	–	–	–	200,339
Derivative financial assets	334,599	41,697	–	92,957	469,253
Financial investments at fair value through other comprehensive income					
– Government securities and treasury bills	30,531,442	–	–	–	30,531,442
– Money market instruments	938,442	–	–	–	938,442
– Non-money market instruments#	1,211,211	–	–	–	1,211,211
Financial investments at amortised cost (Gross)					
– Government securities and treasury bills	4,942,187	–	–	66,673	5,008,860
– Money market instruments	1,060,142	–	–	–	1,060,142
– Non-money market instruments	12,780,433	–	–	–	12,780,433
Gross loans and advances					
– Retail loans					
– housing loans	101,853,614	–	–	44,524	101,898,138
– hire purchase	43,325,107	–	–	5,935	43,331,042
– credit cards	1,953,575	–	–	804	1,954,379
– other loans	83,628,722	–	–	667,700	84,296,422
– Corporate loans	37,558,047	100,566	–	373,771	38,032,384
Statutory deposits with Central Banks	267,844	–	–	30,245	298,089
	332,047,272	208,133	168,188	3,664,878	336,088,471
Commitments and Contingencies					
Contingent liabilities	2,362,237	–	89,726	17,711	2,469,674
Commitments	53,543,479	660,103	–	69,335	54,272,917
	55,905,716	660,103	89,726	87,046	56,742,591
Total Credit Exposures	387,952,988	868,236	257,914	3,751,924	392,831,062

* Excluding equity securities of the Group and of the Bank of RM365,568,000 (2020 – RM478,772,000) and RM344,650,000 (2020 – RM451,376,000) respectively which do not carry any credit risk.

Excluding equity securities of the Group and of the Bank of RM394,415,000 (2020 – RM380,407,000) and RM386,070,000 (2020 – RM372,474,000) respectively which do not carry any credit risk.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality

The table below represents an analysis of the credit quality of financial assets based on the following internally classified grades:

– "Good Grade" refers to exposures that are neither past due nor credit-impaired and debt instruments with rating of AAA to AA-/P-1 by a recognised credit rating agency or government guaranteed.

– "Satisfactory Grade" refers to exposures that are past due 1 to 30 days after the contractual due date that are neither credit-impaired nor have shown significant increase in credit risk and debt instruments with rating of A+ to BBB/P-2 by a recognised credit rating agency.

– "Sub-standard Grade" refers to exposures that are past due 31 days or more but not credit-impaired as well as borrowers with indication of significant increase in credit risk and debt instruments with rating of BB to CCC/P-3 by a recognised credit rating agency.

– "Credit-Impaired Grade" refers to exposures that have been assessed as credit-impaired.

In the absence of ratings for the debt instruments, the issuer's rating will be applied.

	2021				2020			
Group	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Debt Instruments								
Good	**76,438,439**	**–**	**–**	**76,438,439**	74,017,813	–	–	74,017,813
Satisfactory	**2,910,062**	**–**	**–**	**2,910,062**	2,674,971	–	–	2,674,971
Sub-standard	**–**	**327,250**	**–**	**327,250**	–	188,122	–	188,122
Credit-impaired	**–**	**–**	**19**	**19**	–	–	19	19
Gross carrying amount	**79,348,501**	**327,250**	**19**	**79,675,770**	76,692,784	188,122	19	76,880,925
Gross Loans, Advances and Financing								
Good	**325,976,013**	**–**	**–**	**325,976,013**	312,924,301	–	–	312,924,301
Satisfactory	**8,601,651**	**–**	**–**	**8,601,651**	9,862,365	–	–	9,862,365
Sub-standard	**–**	**22,347,165**	**–**	**22,347,165**	–	21,613,343	–	21,613,343
Credit-impaired	**–**	**–**	**1,101,923**	**1,101,923**	–	–	1,251,218	1,251,218
Gross carrying amount	**334,577,664**	**22,347,165**	**1,101,923**	**358,026,752**	322,786,666	21,613,343	1,251,218	345,651,227
Loan/Financing Commitments and Financial Guarantees								
Good	**26,012,655**	**–**	**–**	**26,012,655**	25,615,372	–	–	25,615,372
Satisfactory	**29,348**	**–**	**–**	**29,348**	52,270	–	–	52,270
Sub-standard	**–**	**911,182**	**–**	**911,182**	–	787,917	–	787,917
Credit-impaired	**–**	**–**	**31,214**	**31,214**	–	–	33,774	33,774
Gross exposure	**26,042,003**	**911,182**	**31,214**	**26,984,399**	25,667,642	787,917	33,774	26,489,333

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality (continued)

	2021				2020			
Bank	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000	Stage 1 RM'000	Stage 2 RM'000	Stage 3 RM'000	Total RM'000
Debt Instruments								
Good	**53,348,741**	**–**	**–**	**53,348,741**	52,625,240	–	–	52,625,240
Satisfactory	**10,005**	**–**	**–**	**10,005**	10,005	–	–	10,005
Sub-standard	**–**	**–**	**–**	**–**	–	–	–	–
Credit-impaired	**–**	**–**	**19**	**19**	–	–	19	19
Gross carrying amount	**53,358,746**	**–**	**19**	**53,358,765**	52,635,245	–	19	52,635,264
Gross Loans and Advances								
Good	**249,124,280**	**–**	**–**	**249,124,280**	243,370,952	–	–	243,370,952
Satisfactory	**6,345,017**	**–**	**–**	**6,345,017**	7,296,725	–	–	7,296,725
Sub-standard	**–**	**18,715,497**	**–**	**18,715,497**	–	17,959,174	–	17,959,174
Credit-impaired	**–**	**–**	**741,668**	**741,668**	–	–	885,514	885,514
Gross carrying amount	**255,469,297**	**18,715,497**	**741,668**	**274,926,462**	250,667,677	17,959,174	885,514	269,512,365
Loan Commitments and Financial Guarantees								
Good	**19,886,267**	**–**	**–**	**19,886,267**	20,226,276	–	–	20,226,276
Satisfactory	**21,853**	**–**	**–**	**21,853**	41,732	–	–	41,732
Sub-standard	**–**	**754,555**	**–**	**754,555**	–	673,753	–	673,753
Credit-impaired	**–**	**–**	**27,980**	**27,980**	–	–	28,588	28,588
Gross exposure	**19,908,120**	**754,555**	**27,980**	**20,690,655**	20,268,008	673,753	28,588	20,970,349

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(ii) Credit Quality (continued)

Past Due But Not Credit-impaired

Past due but not credit-impaired loans, advances and financing are loans/financing where the customer has failed to make a principal or interest/profit payment when contractually due, and includes loans/financing which are due one or more days after the contractual due date but less than ninety (90) days.

An aging analysis of loans, advances and financing which are past due but not credit-impaired is as follows:

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
1 to 30 Days	**9,404,567**	11,276,992	**7,026,359**	8,511,064
31 to 59 Days	**2,818,157**	4,460,311	**1,975,543**	3,373,478
60 to 89 Days	**560,677**	1,958,311	**410,631**	1,451,618
	12,783,401	17,695,614	**9,412,533**	13,336,160

(iii) Collateral

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

– for residential mortgages – charges over residential properties
– for commercial property loans/financing – charges over the properties being financed
– for motor vehicle financing – ownership claims over the vehicles financed
– for share margin financing – pledges over securities from listed exchange
– for other loans/financing – charges over business assets such as premises, inventories, trade receivables or deposits

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for gross loans, advances and financing for the Group and the Bank as at 31 December 2021 are at 92.6% (2020 – 92.4%) and 92.6% (2020 – 92.3%) respectively. The financial effect of collateral held for other remaining financial assets is not significant.

Repossessed Collateral

Assets obtained by taking possession of collateral held as security against loans, advances and financing, and held as at the end of the financial year are as follows:

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Residential properties	**108,803**	98,917	**93,099**	85,669
Non-residential properties	**91,691**	92,245	**83,169**	84,658
	200,494	191,162	**176,268**	170,327

Repossessed collateral are sold as soon as practicable. Repossessed collateral are recognised in other assets on the statements of financial position. The Group and the Bank do not occupy repossessed properties for its business use.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(iv) Credit Quality of Financial Investments

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies:

Financial Assets at Fair Value through Profit or Loss

	31 December 2021						31 December 2020					
	Money Market Instruments			Non-money Market Instruments – Debt Securities			Money Market Instruments			Non-money Market Instruments – Debt Securities		
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000
Group												
P-1 to P-2	-	-	-	-	-	-	–	–	–	–	200,339	200,339
Bank												
P-1 to P-2	-	-	-	-	-	-	–	–	–	–	200,339	200,339

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(iv) Credit Quality of Financial Investments (continued)

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies (continued):

Financial Investments at Fair Value through Other Comprehensive Income

	31 December 2021						31 December 2020					
	Money Market Instruments			Non-money Market Instruments – Debt Securities			Money Market Instruments			Non-money Market Instruments – Debt Securities		
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000
Group												
Sovereign guaranteed	–	–	–	–	823,572	823,572	–	–	–	–	900,179	900,179
AAA to AA-	–	2,952,186	2,952,186	–	2,703,305	2,703,305	–	838,503	838,503	–	3,263,378	3,263,378
A+ to A-	–	–	–	218,288	847,251	1,065,539	–	99,939	99,939	219,572	531,392	750,964
BBB+ to BBB-	–	–	–	145,204	–	145,204	–	–	–	144,704	–	144,704
Lower than BBB-	–	–	–	327,250	–	327,250	–	–	–	188,122	–	188,122
P-1 to P-2	–	–	–	–	310,175	310,175	–	–	–	–	342,212	342,212
Unrated	–	–	–	–	–	–	–	–	–	81,348	–	81,348
	–	2,952,186	2,952,186	690,742	4,684,303	5,375,045	–	938,442	938,442	633,746	5,037,161	5,670,907
Bank												
Sovereign guaranteed	–	–	–	–	472,322	472,322	–	–	–	–	482,573	482,573
AAA to AA-	–	2,952,186	2,952,186	–	319,532	319,532	–	838,503	838,503	–	528,299	528,299
A+ to A-	–	–	–	–	–	–	–	99,939	99,939	–	–	–
P-1 to P-2	–	–	–	–	300,177	300,177	–	–	–	–	200,339	200,339
	–	2,952,186	2,952,186	–	1,092,031	1,092,031	–	938,442	938,442	–	1,211,211	1,211,211

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

Risk Management Approach (continued)

(iv) Credit Quality of Financial Investments (continued)

Set out below are the credit quality of money market instruments and non-money market instruments-debt securities analysed by ratings from external credit ratings agencies (continued):

Financial Investments at Amortised Cost

	31 December 2021						31 December 2020					
	Money Market Instruments			Non-money Market Instruments – Debt Securities			Money Market Instruments			Non-money Market Instruments – Debt Securities		
	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000	International Ratings RM'000	Domestic Ratings RM'000	Total RM'000
Group												
Sovereign guaranteed	**–**	**–**	**–**	**–**	**6,232,054**	**6,232,054**	–	–	–	–	7,087,700	7,087,700
AAA to AA-	**258,214**	**–**	**258,214**	**364,507**	**7,639,146**	**8,003,653**	181,120	–	181,120	279,530	6,692,428	6,971,958
A+ to A-	**1,348,798**	**–**	**1,348,798**	**183,245**	**10,005**	**193,250**	1,443,860	–	1,443,860	161,849	10,005	171,854
BBB+ to BBB-	**157,270**	**–**	**157,270**	**–**	**–**	**–**	–	–	–	–	–	–
P-1 to P-2	**45,943**	**–**	**45,943**	**–**	**–**	**–**	207,745	–	207,745	155,455	–	155,455
Defaulted	**–**	**–**	**–**	**–**	**19**	**19**	–	–	–	–	19	19
	1,810,225	**–**	**1,810,225**	**547,752**	**13,881,224**	**14,428,976**	1,832,725	–	1,832,725	596,834	13,790,152	14,386,986
Bank												
Sovereign guaranteed	**–**	**–**	**–**	**–**	**5,741,164**	**5,741,164**	–	–	–	–	6,194,641	6,194,641
AAA to AA-	**–**	**–**	**–**	**–**	**6,449,328**	**6,449,328**	–	1,060,142	1,060,142	–	6,575,768	6,575,768
A+ to A-	**–**	**–**	**–**	**–**	**10,005**	**10,005**	–	–	–	–	10,005	10,005
Defaulted	**–**	**–**	**–**	**–**	**19**	**19**	–	–	–	–	19	19
	–	**–**	**–**	**–**	**12,200,516**	**12,200,516**	–	1,060,142	1,060,142	–	12,780,433	12,780,433

The ratings shown for money market instruments (e.g. negotiable instruments of deposit and bankers' acceptances) are based on the ratings assigned to the respective financial institutions issuing the financial instruments. The ratings shown for debt securities are based on the ratings assigned to the specific debt issuance.

As at the reporting date, there were no financial investments which were past due (2020 – none).

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk

Market risk is the risk that movements in market variables, including interest rates/rates of return, foreign exchange rates, credit spreads, commodity prices and equity prices, will reduce the earnings or capital of the Group.

The market risk exposure of the Group is identified into two types:

(i) Traded Market Risk

Primarily the interest rate/rate of return risk and credit spread risk, exists in the Group's trading book positions held for the purpose of benefiting from short-term price movements. These trading book positions are mainly originated by the treasury operations.

(ii) Non-Traded Market Risk

Interest rate/rate of return risk, foreign exchange risk and equity prices risk arising mainly from the retail and commercial banking assets and liabilities, as well as financial investments designated as at fair value through other comprehensive income and at amortised cost.

The Group's core market risks are as follows:

(a) Interest Rate/Rate of Return Risk in the Banking Book ("IRR/RoRBB")

Risk to the Group's earnings and economic value of equity ("EVE") arising from adverse movements in the interest rate/rate of return over time arising from activities such as deposits taking, lending or financing and investment.

(b) Foreign Exchange Risk

Risk of adverse impact arising from movements in exchange rates on foreign currency positions originating from treasury money market activities and from the Group's investments and retained earnings in its subsidiary companies and overseas branches, whose functional currencies are not in Ringgit Malaysia. The main foreign currencies in which the Group's businesses are transacted in are United States Dollars and Hong Kong Dollars.

(c) Equity Risk

Risk of adverse impact arising from movements in equity prices on equity positions held by the Group for dividend purposes.

Risk Governance

The ALCO supports the RMC in market risk management oversight. The ALCO reviews the Group's market risk frameworks and policies, aligns market risk management with risk appetite and implements actions to ensure that the market risk remains within established risk tolerance level.

(i) Traded Market Risk

Risk Management Approach

The Group's traded market risk frameworks comprise market risk policies and practices, market risk limits and valuation methodologies. The Group's traded market risk for fixed income instruments is measured by the present value of 1 basis point change ("PV01") and controlled by daily and cumulative cut-loss limits. The Treasury Middle Office ("TMO") conducts daily operational checking on the treasury operations. Any operational lapses and non-compliance with the internal policies and limits will be reported to the ALCO. In addition, TMO also conducts independent verification on the daily mark-to-market valuation of fixed income instruments.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(i) Traded Market Risk (continued)

Risk Management Approach (continued)

The market risk limits are determined after taking into account the risk appetite and the risk-return relationship and are periodically reviewed by RMD. Changes to operational market risk limits are approved by the ALCO. The trading book positions and limits are reported to the ALCO regularly. The Group maintains its policy of prohibiting exposures in trading financial derivative positions unless with the prior specific approval of the Board of Directors.

During the financial year, the Group's and the Bank's traded market risk exposures on fixed income instruments as measured by PV01, averaged at RM147,000 (2020 – RM181,000) and RM144,000 (2020 – RM171,000) respectively. The composition of the Group's and the Bank's trading portfolio is set out in Note 5 (except for equity securities) to the financial statements.

(ii) Non-Traded Market Risk

(a) Interest Rate/Rate of Return Risk in the Banking Book

The sources of IRR/RoRBB are as follows:

(i) Repricing Risk – Risk caused by timing differences in the interest rate/rate of return changes and cash flows that occur in the repricing and maturity of the Group's fixed and floating rate assets, liabilities and off-balance sheet instruments.

(ii) Yield Curve Risk – Risk when unanticipated changes in the yield curve has adverse effects on the Group's earnings and EVE.

(iii) Basis Risk – Risk arising from the imperfect correlation between changes in the interest rate/rate of return earned and paid on different instruments with otherwise similar repricing characteristics. This will affect the Group's net interest/profit margin, i.e. earnings and also future cash flows, which in turn affect economic value of the Group.

(iv) Optionality Risk – Risk of early repayments of loans/financing and early withdrawal of deposits due to changes in the interest rate/rate of return which will potentially affect future earnings.

Risk Management Approach

The Group emphasises the importance of IRR/RoRBB as most of the balance sheet items of the Group generate interest/profit income and interest/profit expense that are correlated to interest rate/rate of return. Hence, the primary objective in managing the IRR/RoRBB is to manage the volatility in the Group's net interest/profit income ("NII/NPI") and EVE due to the changing levels of interest rate/rate of return, whilst balancing the cost of hedging the risk. This is achieved in various manners such as the offsetting of positions against each other for any matching assets and liabilities, the acquisition of new financial assets and liabilities to narrow the mismatch in the interest rate/rate of return of sensitive assets and liabilities and entering into derivative financial instruments which have the opposite effects. The use of derivative financial instruments to hedge the interest rate/rate of return risk is set out in Note 6 to the financial statements.

The Group's IRR/RoRBB is also governed by the Group's Interest Rate Risk/Rate of Return Risk Management Policy to ensure that all IRR/RoRBB is managed within its risk appetite. All limits and policies are approved by the Board of Directors or RMC and are regularly reviewed to ensure that the limits and policies remain applicable and is able to surface potential interest rate/rate of return risk.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

Risk Management Approach (continued)

The Group uses a range of approaches to measure IRR/RoRBB, whereby the impact on NII/NPI and EVE is considered at all times, as follows:

(i) Repricing Gap Reports

Distribution of interest rate/rate of return sensitive assets, liabilities and off-balance sheet positions into time bands according to their remaining maturity or next repricing maturity. One of the challenges of this mismatch repricing analysis is the underlying assumptions of the embedded optionality of loan/financing prepayments, early deposits withdrawal and effective duration of liabilities which are contractually repayable on demand such as current and savings accounts.

This is measured on a monthly basis for the Bank and quarterly basis for the Group.

(ii) Sensitivity Analysis

Impact to NII/NPI - This is the projected Group's NII/NPI sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Group's interest rate/rate of return sensitivity gap as at the reporting date after taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current interest rate/rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rate/rate of return.

Impact to EVE - This measure takes a comprehensive view of the potential long-term effects of a 100 basis point parallel movement in interest rates/rates of return on the economic value of the Group's Balance Sheet. It requires all future cash flows associated with the Group's assets, liabilities and off-balance sheet positions to be discounted at relevant market rates to determine the overall net present value of the Group.

These are measured on a monthly basis for the Bank and quarterly basis for the Group.

(iii) Simulation Scenarios

As and when the need arises, analysis is performed on the sensitivity of projected NII/NPI and EVE under varying interest rate/rate of return and balance sheet scenarios. The analysis also incorporates business assumptions obtained from various lines of business and behavioural assumptions established based on statistical methods for the Group. The impact on earnings is measured against the approved Earning-at-Risk ("EaR") and EVE limits where new business and hedging strategies are carried out to mitigate any increasing interest rate/rate of return risk.

(iv) Stress Testing

The vulnerability of the Group's earnings and EVE under various levels of stress using a variety of economic parameters. This semi-annual practice is also to determine the adequacy of capital in meeting the adverse impact of extreme interest rate/rate of return movements on the Group's statements of financial position which can provide an early warning of the potential losses and to facilitate proactive management of the interest rate/rate of return risk.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis

The following tables indicate the effective interest rate/rate of return at the reporting date and the Group's and the Bank's sensitivity to the interest rate/rate of return by time band based on the earlier of contractual repricing date and maturity date. Actual repricing dates may differ from contractual repricing dates due to prepayment of loans, advances and financing.

	Non-trading book											
Group 2021	**Up to 1 month RM'000**	**> 1-3 months RM'000**	**> 3-12 months RM'000**	**> 1-2 years RM'000**	**> 2-3 years RM'000**	**> 3-4 years RM'000**	**> 4-5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**	**Effective interest rate/rate of return %**
ASSETS												
Cash and balances with banks	7,760,032	2,647,635	1,972,761	-	-	-	-	-	5,150,183	-	17,530,611	1.53
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	1,016,004	1,016,004	2.16
Financial investments at fair value through other comprehensive income	1,539,480	1,705,725	5,676,875	10,161,192	12,156,209	7,123,808	8,310,163	6,201,425	394,415	-	53,269,292	2.80
Financial investments at amortised cost	515,162	3,192,001	9,048,895	4,271,572	6,230,041	1,889,125	500,470	498,836	-	-	26,146,102	3.37
Loans, advances and financing												
– not credit-impaired	276,412,171	9,581,778	14,560,521	14,075,150	11,753,245	10,026,640	7,138,279	13,377,045	-	-	356,924,829	3.89
– credit-impaired*	-	-	-	-	-	-	-	-	(2,872,366)	-	(2,872,366)	-
Other asset balances	-	-	-	-	-	-	-	-	10,648,439	76,544	10,724,983	-
TOTAL ASSETS	286,226,845	17,127,139	31,259,052	28,507,914	30,139,495	19,039,573	15,948,912	20,077,306	13,320,671	1,092,548	462,739,455	

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

	Non-trading book											
Group 2021	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate/rate of return %
LIABILITIES AND EQUITY												
Deposits from customers	159,593,913	64,834,961	103,789,398	159,033	2,665	2,380	3,594	-	52,008,270	-	380,394,214	1.62
Deposits from banks and other financial institutions	4,224,320	1,130,268	413,563	7,331	153	51,404	9,966	28,068	2,258,696	-	8,123,769	1.11
Obligations on securities sold under repurchase agreements	1,001,831	-	-	-	-	-	-	-	-	-	1,001,831	1.79
Bills and acceptances payable	-	-	-	-	-	-	-	-	222,054	-	222,054	-
Recourse obligations on loans and financing sold to Cagamas	-	2,000,002	2,500,002	-	1,100,000	-	-	-	-	-	5,600,004	4.09
Debt securities issued and other borrowed funds	588,194	2,376,051	2,499,998	2,009,707	2,500,000	889,792	-	-	-	-	10,863,742	3.90
Other liability balances	76,688	-	-	-	-	-	-	-	6,894,673	137,073	7,108,434	4.68
Total Liabilities	165,484,946	70,341,282	109,202,961	2,176,071	3,602,818	943,576	13,560	28,068	61,383,693	137,073	413,314,048	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	48,162,662	-	48,162,662	-
Non-controlling interests	-	-	-	-	-	-	-	-	1,262,745	-	1,262,745	-
TOTAL LIABILITIES AND EQUITY	165,484,946	70,341,282	109,202,961	2,176,071	3,602,818	943,576	13,560	28,068	110,809,100	137,073	462,739,455	
On-balance sheet interest/ profit sensitivity gap	120,741,899	(53,214,143)	(77,943,909)	26,331,843	26,536,677	18,095,997	15,935,352	20,049,238	(97,488,429)	955,475	-	
Off-balance sheet interest/ profit sensitivity gap (interest/profit rate swaps)	2,301,242	3,450,045	(2,496,725)	(25,000)	(50,000)	(1,691,889)	(712,558)	(775,115)	-	-	-	
TOTAL INTEREST/ PROFIT SENSITIVITY GAP	123,043,141	(49,764,098)	(80,440,634)	26,306,843	26,486,677	16,404,108	15,222,794	19,274,123	(97,488,429)	955,475	-	

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

Group 2020	Non-trading book											
	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-interest/ profit sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate/rate of return %
ASSETS												
Cash and balances with banks	12,505,376	1,966,265	850,015	–	–	–	–	–	4,376,476	–	19,698,132	1.71
Reverse repurchase agreements	202,833	–	–	–	–	–	–	–	–	–	202,833	1.98
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	–	1,583,506	1,583,506	1.72
Financial investments at fair value through other comprehensive income	499,737	710,911	4,236,977	7,452,264	10,954,452	9,862,970	6,872,092	7,577,593	380,407	–	48,547,403	2.12
Financial investments at amortised cost	1,106,963	1,531,427	4,753,638	9,129,455	3,695,063	4,703,896	1,816,245	867,333	–	–	27,604,020	3.44
Loans, advances and financing												
– not credit-impaired	267,186,862	8,760,418	13,669,477	14,329,265	10,637,478	9,099,048	7,747,729	12,969,732	–	–	344,400,009	3.98
– credit-impaired*	–	–	–	–	–	–	–	–	(1,597,228)	–	(1,597,228)	–
Other asset balances	–	–	–	–	–	–	–	–	10,588,646	229,546	10,818,192	–
TOTAL ASSETS	281,501,771	12,969,021	23,510,107	30,910,984	25,286,993	23,665,914	16,436,066	21,414,658	13,748,301	1,813,052	451,256,867	

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

	Non-trading book											
Group 2020	**Up to 1 month RM'000**	**> 1-3 months RM'000**	**> 3-12 months RM'000**	**> 1-2 years RM'000**	**> 2-3 years RM'000**	**> 3-4 years RM'000**	**> 4-5 years RM'000**	**Over 5 years RM'000**	**Non-interest/ profit sensitive RM'000**	**Trading book RM'000**	**Total RM'000**	**Effective interest rate/rate of return %**
LIABILITIES AND EQUITY												
Deposits from customers	151,266,845	58,955,250	107,419,268	226,056	6,536	2,475	2,885	–	47,991,436	–	365,870,751	1.80
Deposits from banks and other financial institutions	4,383,071	3,226,368	1,173,417	30,695	7,349	159	61,266	22,587	1,837,316	–	10,742,228	0.86
Obligations on securities sold under repurchase agreements	602,206	119,198	192,704	–	–	–	–	–	–	–	914,108	2.34
Bills and acceptances payable	–	3,000	–	–	–	–	–	–	206,347	–	209,347	1.41
Recourse obligations on loans and financing sold to Cagamas	–	–	–	4,500,003	–	–	–	–	–	–	4,500,003	4.31
Debt securities issued and other borrowed funds	567,956	3,285,231	519,950	2,499,992	2,009,496	2,500,000	889,729	–	–	–	12,272,354	3.77
Other liability balances	15,887	–	–	–	–	–	–	–	7,887,198	418,361	8,321,446	5.19
Total Liabilities	156,835,965	65,589,047	109,305,339	7,256,746	2,023,381	2,502,634	953,880	22,587	57,922,297	418,361	402,830,237	
Equity attributable to equity holders of the Bank	–	–	–	–	–	–	–	–	47,248,271	–	47,248,271	–
Non-controlling interests	–	–	–	–	–	–	–	–	1,178,359	–	1,178,359	–
TOTAL LIABILITIES AND EQUITY	156,835,965	65,589,047	109,305,339	7,256,746	2,023,381	2,502,634	953,880	22,587	106,348,927	418,361	451,256,867	
On-balance sheet interest/ profit sensitivity gap	124,665,806	(52,620,026)	(85,795,232)	23,654,238	23,263,612	21,163,280	15,482,186	21,392,071	(92,600,626)	1,394,691	–	
Off-balance sheet interest/ profit sensitivity gap (interest/profit rate swaps)	2,653,632	4,751,782	(801,800)	(3,964,760)	(25,000)	(50,000)	(1,683,044)	(880,810)	–	–	–	
TOTAL INTEREST/ PROFIT SENSITIVITY GAP	127,319,438	(47,868,244)	(86,597,032)	19,689,478	23,238,612	21,113,280	13,799,142	20,511,261	(92,600,626)	1,394,691	–	

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

Bank 2021	Non-trading book Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
ASSETS												
Cash and balances with banks	6,315,079	2,325,664	1,800,000	-	-	-	-	-	3,420,929	-	13,861,672	1.77
Financial assets at fair value through profit or loss	-	-	-	-	-	-	-	-	-	995,086	995,086	2.16
Financial investments at fair value through other comprehensive income	1,501,054	1,705,725	4,973,266	8,069,790	7,026,552	4,328,258	6,029,314	3,080,382	386,070	-	37,100,411	2.67
Financial investments at amortised cost	6,190	2,059,079	6,178,300	1,873,685	3,967,113	1,440,648	658	465,288	-	-	15,990,961	4.18
Loans and advances												
– not credit-impaired	217,681,150	6,905,752	8,299,785	11,046,273	9,232,152	6,922,016	5,398,634	8,699,032	-	-	274,184,794	3.77
– credit-impaired*	-	-	-	-	-	-	-	-	(2,169,253)	-	(2,169,253)	-
Other asset balances	-	-	-	-	-	-	-	-	18,896,229	72,864	18,969,093	-
TOTAL ASSETS	225,503,473	12,996,220	21,251,351	20,989,748	20,225,817	12,690,922	11,428,606	12,244,702	20,533,975	1,067,950	358,932,764	

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

	Non-trading book											
Bank 2021	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
LIABILITIES AND EQUITY												
Deposits from customers	117,393,423	48,170,310	78,696,870	90,995	1,837	1,886	3,151	-	44,153,120	-	288,511,592	1.65
Deposits from banks and other financial institutions	4,258,611	2,164,124	931,935	6,331	153	44,820	8,844	27,625	2,362,508	-	9,804,951	0.83
Obligations on securities sold under repurchase agreements	1,001,831	-	-	-	-	-	-	-	-	-	1,001,831	1.79
Bills and acceptances payable	-	-	-	-	-	-	-	-	221,770	-	221,770	-
Recourse obligations on loans sold to Cagamas	-	2,000,002	2,500,002	-	-	-	-	-	-	-	4,500,004	4.31
Debt securities issued and other borrowed funds	-	2,376,051	1,999,998	2,009,707	2,000,000	889,792	-	-	-	-	9,275,548	4.02
Other liability balances	76,688	-	-	-	-	-	-	-	5,368,762	133,354	5,578,804	4.68
Total Liabilities	122,730,553	54,710,487	84,128,805	2,107,033	2,001,990	936,498	11,995	27,625	52,106,160	133,354	318,894,500	
Equity attributable to equity holders of the Bank	-	-	-	-	-	-	-	-	40,038,264	-	40,038,264	-
TOTAL LIABILITIES AND EQUITY	122,730,553	54,710,487	84,128,805	2,107,033	2,001,990	936,498	11,995	27,625	92,144,424	133,354	358,932,764	
On-balance sheet interest sensitivity gap	102,772,920	(41,714,267)	(62,877,454)	18,882,715	18,223,827	11,754,424	11,416,611	12,217,077	(71,610,449)	934,596	-	
Off-balance sheet interest sensitivity gap (interest rate swaps)	1,101,150	520,575	(1,996,725)	(25,000)	(50,000)	(250,000)	750,000	(50,000)	-	-	-	
TOTAL INTEREST SENSITIVITY GAP	103,874,070	(41,193,692)	(64,874,179)	18,857,715	18,173,827	11,504,424	12,166,611	12,167,077	(71,610,449)	934,596	-	

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

	Non-trading book											
Bank 2020	Up to 1 month RM'000	> 1-3 months RM'000	> 3-12 months RM'000	> 1-2 years RM'000	> 2-3 years RM'000	> 3-4 years RM'000	> 4-5 years RM'000	Over 5 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000	Effective interest rate %
ASSETS												
Cash and balances with banks	8,544,600	1,101,115	569,974	–	–	–	–	–	2,754,978	–	12,970,667	1.89
Reverse repurchase agreements	202,833	–	–	–	–	–	–	–	–	–	202,833	1.98
Financial assets at fair value through profit or loss	–	–	–	–	–	–	–	–	–	1,556,110	1,556,110	1.72
Financial investments at fair value through other comprehensive income	499,736	447,115	3,823,667	6,489,264	8,013,013	5,951,448	4,200,386	3,256,466	372,474	–	33,053,569	1.98
Financial investments at amortised cost	28,004	42,054	2,849,545	8,223,842	1,873,772	3,971,784	1,441,159	415,101	–	–	18,845,261	4.15
Loans and advances												
– not credit-impaired	213,318,712	6,715,882	8,461,042	10,383,673	8,193,855	7,069,727	5,179,546	9,304,414	–	–	268,626,851	3.86
– credit-impaired*	–	–	–	–	–	–	–	–	(1,187,877)	–	(1,187,877)	–
Other asset balances	–	–	–	–	–	–	–	–	18,937,335	215,754	19,153,089	–
TOTAL ASSETS	222,593,885	8,306,166	15,704,228	25,096,779	18,080,640	16,992,959	10,821,091	12,975,981	20,876,910	1,771,864	353,220,503	

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(i) Interest/Profit Rate Gap Analysis (continued)

	Non-trading book											
Bank 2020	**Up to 1 month RM'000**	**> 1-3 months RM'000**	**> 3-12 months RM'000**	**> 1-2 years RM'000**	**> 2-3 years RM'000**	**> 3-4 years RM'000**	**> 4-5 years RM'000**	**Over 5 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**	**Effective interest rate %**
LIABILITIES AND EQUITY												
Deposits from customers	111,146,543	38,954,550	87,450,541	111,684	4,295	1,946	2,391	–	40,406,763	–	278,078,713	1.86
Deposits from banks and other financial institutions	4,610,779	3,697,666	2,577,630	27,755	6,349	159	53,561	22,087	2,180,349	–	13,176,335	0.75
Obligations on securities sold under repurchase agreements	590,285	–	–	–	–	–	–	–	–	–	590,285	1.71
Bills and acceptances payable	–	3,000	–	–	–	–	–	–	205,866	–	208,866	1.41
Recourse obligations on loans sold to Cagamas	–	–	–	4,500,003	–	–	–	–	–	–	4,500,003	4.31
Debt securities issued and other borrowed funds	–	3,285,231	–	1,999,992	2,009,496	2,000,000	889,729	–	–	–	10,184,448	3.83
Other liability balances	15,887	–	–	–	–	–	–	–	6,109,207	416,971	6,542,065	5.19
Total Liabilities	116,363,494	45,940,447	90,028,171	6,639,434	2,020,140	2,002,105	945,681	22,087	48,902,185	416,971	313,280,715	
Equity attributable to equity holders of the Bank	–	–	–	–	–	–	–	–	39,939,788	–	39,939,788	–
TOTAL LIABILITIES AND EQUITY	116,363,494	45,940,447	90,028,171	6,639,434	2,020,140	2,002,105	945,681	22,087	88,841,973	416,971	353,220,503	
On-balance sheet interest sensitivity gap	106,230,391	(37,634,281)	(74,323,943)	18,457,345	16,060,500	14,990,854	9,875,410	12,953,894	(67,965,063)	1,354,893	–	
Off-balance sheet interest sensitivity gap (interest rate swaps)	1,557,200	2,734,360	(801,800)	(3,464,760)	(25,000)	(50,000)	(250,000)	300,000	–	–	–	
TOTAL INTEREST SENSITIVITY GAP	107,787,591	(34,899,921)	(75,125,743)	14,992,585	16,035,500	14,940,854	9,625,410	13,253,894	(67,965,063)	1,354,893	–	

* This is arrived at after deducting expected credit losses from the outstanding credit-impaired loans, advances and financing.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(ii) Interest Rate/Rate of Return Risk Sensitivity Analysis

The following tables present the projected Group's and Bank's sensitivity to a 100 basis point parallel rate movement across all maturities applied on the Group's and Bank's interest rate/rate of return sensitivity gap as at the reporting date, taking into consideration the behavioural pattern of certain indeterminate maturity of deposits such as demand and savings deposits to reflect the actual sensitivity behavioural of these deposits. Where the current interest rate/rate of return is lower than 1%, the downward rate shock applied is restricted to the prevailing interest rate/rate of return.

	2021		2020	
	–100 bps	+100 bps	–100 bps	+100 bps
	Increase/(Decrease)			
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Impact on NII/NPI				
Ringgit Malaysia	**(979,708)**	**708,320**	(735,005)	638,697
United States Dollars	**(34,171)**	**20,789**	(40,301)	27,642
Hong Kong Dollars	**(50,607)**	**41,353**	(44,286)	35,508
Other Currencies	**(22,930)**	**19,613**	(19,832)	17,446
	(1,087,416)	**790,075**	(839,424)	719,293
Impact on EVE				
Ringgit Malaysia	**2,547,455**	**(1,265,964)**	2,478,753	(1,360,419)
United States Dollars	**138,327**	**(51,392)**	119,981	(29,303)
Hong Kong Dollars	**(65,671)**	**116,125**	(46,381)	91,880
Other Currencies	**56,219**	**(36,684)**	16,486	(3,794)
	2,676,330	**(1,237,915)**	2,568,839	(1,301,636)

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(a) Interest Rate/Rate of Return Risk in the Banking Book (continued)

(ii) Interest Rate/Rate of Return Risk Sensitivity Analysis (continued)

	2021		2020	
	–100 bps	+100 bps	–100 bps	+100 bps
	Increase/(Decrease)			
Bank	RM'000	RM'000	RM'000	RM'000
Impact on NII				
Ringgit Malaysia	**(839,136)**	**587,360**	(640,822)	563,919
United States Dollars	**4,081**	**(4,037)**	(1,773)	7,892
Hong Kong Dollars	**554**	**(568)**	1,513	(1,524)
Other Currencies	**(8,665)**	**7,935**	(3,946)	3,490
	(843,166)	**590,690**	(645,028)	573,777
Impact on EVE				
Ringgit Malaysia	**1,843,436**	**(779,059)**	1,727,513	(784,877)
United States Dollars	**(5,449)**	**29,708**	(38,885)	68,470
Hong Kong Dollars	**(76,080)**	**73,779**	(51,622)	50,373
Other Currencies	**8,592**	**1,752**	8,276	(2,802)
	1,770,499	**(673,820)**	1,645,282	(668,836)

The reported amounts do not capture the impact of business growth or of management actions and are based on the balance sheet as at reporting date. In reality, the ALCO seeks to proactively change the interest rate/rate of return risk profile to minimise losses and maximise net revenue. The projection assumes a constant statements of financial position and that all positions run to maturity.

The repricing profile of loans/financing that does not have maturity is based on the earliest possible repricing dates. Actual dates may differ from contractual dates owing to prepayments. Where possible and material, loans/financing prepayments are generally estimated based on past statistics and trends. The impact on the NII/NPI and EVE are measured on a monthly basis for the Bank and quarterly basis for the Group, both of which are reported to the ALCO and the RMC.

(b) Foreign Exchange Risk

Risk Management Approach

The Group manages such risk through funding in the same functional currencies or hedging via forward contracts, where possible. In addition, Net Open Position ("NOP") limit is set for overall NOP as well as NOP limits for individual currencies. The decision to hedge the Group's net investment in its overseas operations is based on the potential foreign exchange risk against the cost of hedging and is periodically assessed by the ALCO.

(i) The following tables summarised the assets, liabilities and NOP by currencies as at the reporting date, which are mainly in Ringgit Malaysia, Hong Kong Dollars and United States Dollars. Other currencies mainly include exposure to Vietnamese Dong, Euro, Australian Dollars, Chinese Renminbi, New Zealand Dollars, Sri Lankan Rupees, Laotian Kip, Great Britain Pounds, Cambodian Riel, Japanese Yen and Singapore Dollars.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(b) Foreign Exchange Risk (continued)

Group 2021	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and balances with banks	7,618,142	934,864	5,885,908	3,091,697	17,530,611
Financial assets at fair value through profit or loss	1,016,004	–	–	–	1,016,004
Derivative financial assets	136,754	830	–	2,850	140,434
Financial investments at fair value through other comprehensive income	52,277,181	3,639	502,478	485,994	53,269,292
Financial investments at amortised cost	21,663,502	2,090,310	1,671,212	721,078	26,146,102
Loans, advances and financing	329,465,933	13,187,039	6,524,890	4,874,601	354,052,463
Other assets	1,861,546	451,422	255,641	516,722	3,085,331
Statutory deposits with Central Banks	523,737	535	585,588	112,305	1,222,165
Deferred tax assets	483,755	12,444	13,800	9,010	519,009
Investment in associated companies	115,425	–	18	–	115,443
Investment properties	409,800	196,274	–	–	606,074
Right-of-use assets	801,843	406,252	34,734	9,557	1,252,386
Property and equipment	1,095,645	106,184	65,514	57,364	1,324,707
Intangible assets	775,493	1,546,724	–	137,217	2,459,434
TOTAL ASSETS	**418,244,760**	**18,936,517**	**15,539,783**	**10,018,395**	**462,739,455**
LIABILITIES					
Deposits from customers	342,738,323	13,526,678	17,473,301	6,655,912	380,394,214
Deposits from banks and other financial institutions	4,411,229	150,820	2,089,008	1,472,712	8,123,769
Obligations on securities sold under repurchase agreements	1,000,744	–	–	1,087	1,001,831
Bills and acceptances payable	221,944	–	–	110	222,054
Recourse obligations on loans and financing sold to Cagamas	5,600,004	–	–	–	5,600,004
Derivative financial liabilities	215,749	3,610	34,990	109	254,458
Debt securities issued and other borrowed funds	7,899,497	588,194	2,376,051	–	10,863,742
Lease liabilities	798,215	66,608	40,728	11,102	916,653
Other liabilities	3,505,324	548,486	239,034	928,581	5,221,425
Provision for tax expense and zakat	553,593	24,531	49,368	17,411	644,903
Deferred tax liabilities	45,695	25,300	–	–	70,995
TOTAL LIABILITIES	**366,990,317**	**14,934,227**	**22,302,480**	**9,087,024**	**413,314,048**
Non-controlling interests	–	1,223,652	39,093	–	1,262,745
On-Balance Sheet Open Position	**51,254,443**	**2,778,638**	**(6,801,790)**	**931,371**	**48,162,662**
Off-Balance Sheet Open Position	**(5,834,707)**	**(3,076,855)**	**6,145,715**	**2,765,847**	**–**
NET OPEN POSITION	**45,419,736**	**(298,217)**	**(656,075)**	**3,697,218**	**48,162,662**

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(b) Foreign Exchange Risk (continued)

Group 2020	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and balances with banks	10,325,480	1,352,719	4,747,353	3,272,580	19,698,132
Reverse repurchase agreements	200,146	–	–	2,687	202,833
Financial assets at fair value through profit or loss	1,583,506	–	–	–	1,583,506
Derivative financial assets	273,218	13,344	–	448	287,010
Financial investments at fair value through other comprehensive income	47,612,079	3,526	584,942	346,856	48,547,403
Financial investments at amortised cost	22,607,653	1,960,033	2,485,752	550,582	27,604,020
Loans, advances and financing	319,577,909	12,851,643	5,962,630	4,410,599	342,802,781
Other assets	1,988,537	522,438	358,017	539,312	3,408,304
Statutory deposits with Central Banks	436,044	166	619,587	79,127	1,134,924
Deferred tax assets	51,584	11,322	12,122	6,609	81,637
Investment in associated companies	78,404	–	17	–	78,421
Investment properties	527,400	185,485	–	–	712,885
Right-of-use assets	945,700	389,701	36,894	7,239	1,379,534
Property and equipment	1,084,665	105,194	71,273	56,618	1,317,750
Intangible assets	775,494	1,500,379	–	141,854	2,417,727
TOTAL ASSETS	408,067,819	18,895,950	14,878,587	9,414,511	451,256,867
LIABILITIES					
Deposits from customers	330,885,149	13,560,305	15,034,458	6,390,839	365,870,751
Deposits from banks and other financial institutions	3,774,616	408,391	5,169,468	1,389,753	10,742,228
Obligations on securities sold under repurchase agreements	588,812	–	–	325,296	914,108
Bills and acceptances payable	209,095	–	–	252	209,347
Recourse obligations on loans and financing sold to Cagamas	4,500,003	–	–	–	4,500,003
Derivative financial liabilities	530,162	1,390	94,504	–	626,056
Debt securities issued and other borrowed funds	9,419,151	567,956	2,285,247	–	12,272,354
Lease liabilities	964,321	57,425	41,825	8,549	1,072,120
Other liabilities	3,857,114	603,147	368,940	799,578	5,628,779
Provision for tax expense and zakat	133,029	6,963	50,561	19,589	210,142
Deferred tax liabilities	760,844	23,505	–	–	784,349
TOTAL LIABILITIES	355,622,296	15,229,082	23,045,003	8,933,856	402,830,237
Non-controlling interests	–	1,143,255	35,104	–	1,178,359
On-Balance Sheet Open Position	52,445,523	2,523,613	(8,201,520)	480,655	47,248,271
Off-Balance Sheet Open Position	(7,379,081)	(2,033,412)	6,687,808	2,724,685	–
NET OPEN POSITION	45,066,442	490,201	(1,513,712)	3,205,340	47,248,271

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(b) Foreign Exchange Risk (continued)

Bank 2021	Malaysian Ringgit RM'000	Hong Kong Dollars RM'000	United States Dollars RM'000	Others RM'000	Total RM'000
ASSETS					
Cash and balances with banks	9,069,868	131,051	2,895,072	1,765,681	13,861,672
Financial assets at fair value through profit or loss	995,086	–	–	–	995,086
Derivative financial assets	240,330	–	–	–	240,330
Financial investments at fair value through other comprehensive income	37,065,457	–	34,403	551	37,100,411
Financial investments at amortised cost	15,891,524	–	4,412	95,025	15,990,961
Loans and advances	270,330,663	125,538	931,656	627,684	272,015,541
Other assets	1,906,593	421,237	199,210	482,075	3,009,115
Statutory deposits with Central Banks	342,237	–	14,043	5,256	361,536
Deferred tax assets	273,106	–	–	676	273,782
Collective investments	6,086,854	–	–	–	6,086,854
Investment in subsidiary companies	3,064,125	1,672,194	538,648	1,219,749	6,494,716
Investment in associated companies	67,500	–	–	–	67,500
Right-of-use assets	1,068,605	–	4,333	3,128	1,076,066
Property and equipment	654,962	–	321	8,518	663,801
Intangible assets	695,393	–	–	–	695,393
TOTAL ASSETS	347,752,303	2,350,020	4,622,098	4,208,343	358,932,764
LIABILITIES					
Deposits from customers	279,139,434	17,327	6,810,481	2,544,350	288,511,592
Deposits from banks and other financial institutions	3,946,792	36,232	4,730,128	1,091,799	9,804,951
Obligations on securities sold under repurchase agreements	1,000,744	–	–	1,087	1,001,831
Bills and acceptances payable	221,660	–	–	110	221,770
Recourse obligations on loans sold to Cagamas	4,500,004	–	–	–	4,500,004
Derivative financial liabilities	230,336	–	11,239	–	241,575
Debt securities issued and other borrowed funds	6,899,497	–	2,376,051	–	9,275,548
Lease liabilities	1,089,313	–	3,808	3,660	1,096,781
Other liabilities	2,950,246	106	9,731	828,559	3,788,642
Provision for tax expense	444,930	–	5,641	1,235	451,806
TOTAL LIABILITIES	300,422,956	53,665	13,947,079	4,470,800	318,894,500
On-Balance Sheet Open Position	47,329,347	2,296,355	(9,324,981)	(262,457)	40,038,264
Off-Balance Sheet Open Position	(5,834,707)	(3,285,056)	6,984,008	2,135,755	–
NET OPEN POSITION	41,494,640	(988,701)	(2,340,973)	1,873,298	40,038,264

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(b) Foreign Exchange Risk (continued)

Bank 2020	**Malaysian Ringgit RM'000**	**Hong Kong Dollars RM'000**	**United States Dollars RM'000**	**Others RM'000**	**Total RM'000**
ASSETS					
Cash and balances with banks	9,125,882	147,688	1,871,350	1,825,747	12,970,667
Reverse repurchase agreements	200,146	–	–	2,687	202,833
Financial assets at fair value through profit or loss	1,556,110	–	–	–	1,556,110
Derivative financial assets	469,253	–	–	–	469,253
Financial investments at fair value through other comprehensive income	33,021,225	–	31,869	475	33,053,569
Financial investments at amortised cost	18,779,235	–	5,762	60,264	18,845,261
Loans and advances	265,653,872	100,467	1,013,084	671,551	267,438,974
Other assets	2,019,172	347,787	290,764	510,070	3,167,793
Statutory deposits with Central Banks	267,844	–	29,158	1,087	298,089
Collective investments	5,923,401	–	–	–	5,923,401
Investment in subsidiary companies	3,064,124	1,672,194	538,226	1,219,749	6,494,293
Investment in associated companies	45,000	–	–	–	45,000
Right-of-use assets	1,281,392	–	4,591	3,678	1,289,661
Property and equipment	757,990	–	405	11,811	770,206
Intangible assets	695,393	–	–	–	695,393
TOTAL ASSETS	342,860,039	2,268,136	3,785,209	4,307,119	353,220,503
LIABILITIES					
Deposits from customers	271,609,185	9,629	4,165,568	2,294,331	278,078,713
Deposits from banks and other financial institutions	3,548,069	325,006	8,201,586	1,101,674	13,176,335
Obligations on securities sold under repurchase agreements	588,812	–	–	1,473	590,285
Bills and acceptances payable	208,614	–	–	252	208,866
Recourse obligations on loans sold to Cagamas	4,500,003	–	–	–	4,500,003
Derivative financial liabilities	531,479	–	48,892	–	580,371
Debt securities issued and other borrowed funds	7,899,201	–	2,285,247	–	10,184,448
Lease liabilities	1,335,359	–	3,561	4,020	1,342,940
Other liabilities	3,021,987	–	133,459	743,080	3,898,526
Provision for tax expense	102,927	–	5,648	952	109,527
Deferred tax liabilities	610,701	–	–	–	610,701
TOTAL LIABILITIES	293,956,337	334,635	14,843,961	4,145,782	313,280,715
On-Balance Sheet Open Position	48,903,702	1,933,501	(11,058,752)	161,337	39,939,788
Off-Balance Sheet Open Position	(7,379,088)	(2,026,583)	7,544,720	1,860,951	–
NET OPEN POSITION	41,524,614	(93,082)	(3,514,032)	2,022,288	39,939,788

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(b) Foreign Exchange Risk (continued)

(ii) Structural foreign exchange risk represents the Group's currency exposure in its net investments in overseas operations and capital funds/retained earnings of overseas branches. Where possible, the Group manages such risk through funding investments in the same functional currencies or hedging via forward contracts. The structural currency exposures of the Group as at the reporting date are as follows:

Group	Hedged RM'000	Unhedged RM'000	Total RM'000
2021			
United States Dollars	**1,943,941**	**776,976**	**2,720,917**
Hong Kong Dollars	**3,107,023**	**(148,671)**	**2,958,352**
Other currencies	**1,434,164**	**1,932,752**	**3,366,916**
	6,485,128	**2,561,057**	**9,046,185**
2020			
United States Dollars	2,025,066	824,601	2,849,667
Hong Kong Dollars	2,896,978	(288,565)	2,608,413
Other currencies	1,325,946	1,497,699	2,823,645
	6,247,990	2,033,735	8,281,725

(iii) Sensitivity Analysis

Considering that other risk variables remain constant, the foreign currency revaluation sensitivity for the Group on its non-trading unhedged positions as at each reporting date is summarised below:

Group	Change in Currency Rates %	Revaluation Sensitivity 2021 RM'000	Revaluation Sensitivity 2020 RM'000
United States Dollars	**+/- 1**	**+/- 7,770**	+/- 8,246
Hong Kong Dollars	**+/- 1**	**–/+ 1,487**	–/+ 2,886
Other currencies	**+/- 1**	**+/- 19,328**	+/- 14,977

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Market Risk (continued)

(ii) Non-Traded Market Risk (continued)

(c) Equity Risk

Risk Management Approach

The Group manages such risk via pre-approved portfolio size and cut-loss limits. Decisions concerning such positions are made by the Share Investment Committee.

Considering that other risk variables remain constant, the table below summarised the impact on the carrying amount of equity positions as at each reporting date should there be a change in equity market prices:

	Change in Equity Market Prices %	Sensitivity of Equity RM'000
Group		
2021	**+/- 20**	**+/- 323**
2020	+/- 20	+/- 276
Bank		
2021	**+/- 20**	**–**
2020	+/- 20	–

Liquidity and Funding Risk

Liquidity risk is the risk that the Group is unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due or securing the funding requirements at excessive cost. Funding risk is the risk that the Group does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

Risk Governance

The ALCO supports the RMC in liquidity and funding risk management oversight. The ALCO reviews the Group's liquidity risk policies and guidelines, and implements necessary actions to ensure that the liquidity and funding risk is well managed and within the established liquidity risk appetite and thresholds.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach

The Group's liquidity and funding risk management is guided by the Group's Liquidity and Funding Risk Management Policy. The policy sets out the processes involved in identifying, assessing, measuring, controlling, mitigating and monitoring of the liquidity and funding risk. The policy also addresses the regulatory requirements on Basel III Liquidity standards, including the BNM's Basel III Liquidity Coverage Ratio and Basel III Net Stable Funding Ratio. Monitoring tools and liquidity/funding risk limits are established to manage liquidity and funding exposures within the Group, including maturity mismatch, concentration of funding, and significant foreign currencies position. Liquidity and funding positions are reported to the ALCO and RMC on a monthly basis.

The day-to-day funding management is undertaken by the treasury operations and this includes the maintenance of a portfolio of high quality liquid assets that can be easily liquidated as protection against any unforeseen interruption to cash flows and the replenishment of funds as they matured or are borrowed by/financed to the customers.

The Group's liquidity and funding positions consist of a well-diversified funding mix with significant retail deposit base and funding from wholesale markets. The Group's retail deposit base comprises demand and time deposits which have traditionally in aggregate provided stable sources of funding. The Group's strong reputation in financial and capital strength, wide branches network and sound infrastructure are core attributes to preserve depositors' confidence and ensure stable liquidity. The Group accesses the wholesale markets through the issuance of debt securities, certificate of deposits and the taking of money market deposits to meet short-term obligations and to maintain its presence in the local money markets.

Contingency funding plans are in place to identify and monitor early warning signals of a liquidity event. The contingency funding plans also set out the crisis escalation process as well as the various strategies to be employed to preserve liquidity including an orderly communication channel during a liquidity event. A liquidity stress test programme is in place to ensure liquidity stress tests are systematically performed on periodic basis or ad hoc if necessary by the various entities under the Group to detect any vulnerability in respective entities' cash flows under various stress scenarios. The outcome of stress test exercise will be utilised to strengthen the liquidity management within the Group.

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity

The following tables show the maturity analysis of the carrying amounts of the Group's and of the Bank's assets and liabilities based on remaining contractual maturity. The contractual maturity profile often does not reflect the actual behavioural patterns. In particular, the Group and the Bank have significant amounts of "demand and savings deposits" of non-bank customers which are at call (included in the "Up to 7 days" time band) but which are historically a stable source of long-term funding for the Group and the Bank.

The Group and the Bank are subject to liquidity requirements to support calls under outstanding contingent liabilities and commitments as set out in Note 49 to the financial statements. The total outstanding contractual amounts of these items do not represent future cash requirements since the Group and the Bank expect many of these commitments (such as direct credit substitutes) to expire without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

Group 2021	Up to 7 Days RM'000	> 7 Days-1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
ASSETS									
Cash and balances with banks	9,301,939	3,608,275	2,647,636	1,191,222	781,539	–	–	–	17,530,611
Financial investments	210,037	1,844,621	4,909,988	4,602,701	10,537,871	33,411,785	19,456,175	5,458,220	80,431,398
Derivative financial assets	3,239	1,422	1,065	255	87,575	6,140	34,738	6,000	140,434
Loans, advances and financing	9,556,230	4,036,076	8,726,327	9,159,034	17,098,393	58,539,718	51,684,065	195,252,620	354,052,463
Other asset balances	792,889	988	1,368	682	384	–	–	9,788,238	10,584,549
TOTAL ASSETS	19,864,334	9,491,382	16,286,384	14,953,894	28,505,762	91,957,643	71,174,978	210,505,078	462,739,455
LIABILITIES									
Deposits from customers	156,368,661	55,219,862	64,872,342	58,568,055	45,135,685	223,635	5,974	–	380,394,214
Deposits from banks and other financial institutions	2,276,975	2,074,414	1,136,076	407,130	18,367	47,136	1,651,817	511,854	8,123,769
Obligations on securities sold under repurchase agreements	1,088	1,000,743	–	–	–	–	–	–	1,001,831
Recourse obligations on loans and financing sold to Cagamas	–	–	2,000,002	–	2,500,002	1,100,000	–	–	5,600,004
Derivative financial liabilities	14,864	30,869	60,424	27,066	22,543	69,126	11,572	17,994	254,458
Debt securities issued and other borrowed funds	–	588,194	1,542,251	1,999,998	1,333,800	4,509,707	889,792	–	10,863,742
Lease liabilities	–	9,831	19,450	28,992	56,166	206,421	177,004	418,789	916,653
Other liability balances	3,214,794	641,921	602,170	458,153	219,439	672	29	1,022,199	6,159,377
TOTAL LIABILITIES	161,876,382	59,565,834	70,232,715	61,489,394	49,286,002	6,156,697	2,736,188	1,970,836	413,314,048
EQUITY									
Equity attributable to equity holders of the Bank	–	–	–	–	–	–	–	48,162,662	48,162,662
Non-controlling interests	–	–	–	–	–	–	–	1,262,745	1,262,745
TOTAL EQUITY	–	–	–	–	–	–	–	49,425,407	49,425,407
NET MATURITY MISMATCH	(142,012,048)	(50,074,452)	(53,946,331)	(46,535,500)	(20,780,240)	85,800,946	68,438,790	159,108,835	–

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

Group 2020	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
ASSETS									
Cash and balances with banks	14,010,881	2,870,971	1,966,265	821,353	28,662	–	–	–	19,698,132
Reverse repurchase agreements	2,688	200,145	–	–	–	–	–	–	202,833
Financial investments	205,345	1,363,951	1,978,917	2,759,635	6,839,113	32,174,402	23,155,027	9,258,539	77,734,929
Derivative financial assets	24,574	52,975	90,754	39,740	21,481	47,416	10,070	–	287,010
Loans, advances and financing	10,403,995	4,297,246	7,983,641	9,195,626	16,410,361	58,859,095	48,630,597	187,022,220	342,802,781
Other asset balances	981,860	606	218	82	–	–	–	9,548,416	10,531,182
TOTAL ASSETS	25,629,343	8,785,894	12,019,795	12,816,436	23,299,617	91,080,913	71,795,694	205,829,175	451,256,867
LIABILITIES									
Deposits from customers	139,063,766	59,840,932	59,303,485	66,193,998	41,230,618	232,592	5,360	–	365,870,751
Deposits from banks and other financial institutions	1,732,780	2,894,843	3,251,017	1,113,067	49,294	54,764	32,697	1,613,766	10,742,228
Obligations on securities sold under repurchase agreements	335,950	266,256	119,198	99,333	93,371	–	–	–	914,108
Recourse obligations on loans and financing sold to Cagamas	–	–	–	–	–	4,500,003	–	–	4,500,003
Derivative financial liabilities	59,091	97,422	149,310	103,742	13,311	128,053	23,225	51,902	626,056
Debt securities issued and other borrowed funds	–	–	999,985	–	519,950	7,362,691	3,389,728	–	12,272,354
Lease liabilities	–	9,820	19,594	28,214	56,244	209,684	191,082	557,482	1,072,120
Other liability balances	3,267,941	452,505	530,093	585,831	555,779	474,214	43	966,211	6,832,617
TOTAL LIABILITIES	144,459,528	63,561,778	64,372,682	68,124,185	42,518,567	12,962,001	3,642,135	3,189,361	402,830,237
EQUITY									
Equity attributable to equity holders of the Bank	–	–	–	–	–	–	–	47,248,271	47,248,271
Non-controlling interests	–	–	–	–	–	–	–	1,178,359	1,178,359
TOTAL EQUITY	–	–	–	–	–	–	–	48,426,630	48,426,630
NET MATURITY MISMATCH	(118,830,185)	(54,775,884)	(52,352,887)	(55,307,749)	(19,218,950)	78,118,912	68,153,559	154,213,184	–

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

Bank 2021	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
ASSETS									
Cash and balances with banks	6,862,592	2,873,416	2,325,664	1,100,000	700,000	–	–	–	13,861,672
Financial investments	200,039	1,307,207	3,774,945	2,749,854	8,814,738	21,229,636	11,936,092	4,073,947	54,086,458
Derivative financial assets	1,392	301	353	255	92,398	6,140	107,821	31,670	240,330
Loans and advances	7,206,587	2,243,269	5,954,040	6,405,180	13,374,648	46,880,893	40,097,777	149,853,147	272,015,541
Other asset balances	948,678	3,326	3,426	927	274,372	–	–	17,498,034	18,728,763
TOTAL ASSETS	15,219,288	6,427,519	12,058,428	10,256,216	23,256,156	68,116,669	52,141,690	171,456,798	358,932,764
LIABILITIES									
Deposits from customers	116,730,410	44,779,573	48,206,870	47,065,770	31,631,100	92,832	5,037	–	288,511,592
Deposits from banks and other financial institutions	2,335,601	2,209,123	2,169,099	712,335	230,621	42,030	1,594,411	511,731	9,804,951
Obligations on securities sold under repurchase agreements	1,087	1,000,744	–	–	–	–	–	–	1,001,831
Recourse obligations on loans sold to Cagamas	–	–	2,000,002	–	2,500,002	–	–	–	4,500,004
Derivative financial liabilities	14,818	28,363	59,257	27,066	22,543	69,126	17,739	2,663	241,575
Debt securities issued and other borrowed funds	–	–	1,542,251	1,999,998	833,800	4,009,707	889,792	–	9,275,548
Lease liabilities	–	8,901	17,802	27,151	53,319	214,009	210,382	565,217	1,096,781
Other liability balances	2,061,562	474,904	425,636	360,784	152,491	447	24	986,370	4,462,218
TOTAL LIABILITIES	121,143,478	48,501,608	54,420,917	50,193,104	35,423,876	4,428,151	2,717,385	2,065,981	318,894,500
EQUITY									
Equity attributable to equity holders of the Bank	–	–	–	–	–	–	–	40,038,264	40,038,264
TOTAL EQUITY	–	–	–	–	–	–	–	40,038,264	40,038,264
NET MATURITY MISMATCH	(105,924,190)	(42,074,089)	(42,362,489)	(39,936,888)	(12,167,720)	63,688,518	49,424,305	129,352,553	–

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(a) Maturity analysis of assets and liabilities based on remaining contractual maturity (continued)

Bank 2020	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
ASSETS									
Cash and balances with banks	9,642,132	1,657,446	1,101,116	569,973	–	–	–	–	12,970,667
Reverse repurchase agreements	2,688	200,145	–	–	–	–	–	–	202,833
Financial investments	205,345	318,434	545,020	1,185,525	5,926,441	25,517,655	15,466,782	4,289,738	53,454,940
Derivative financial assets	23,386	47,402	83,723	39,740	21,481	61,050	100,623	91,848	469,253
Loans and advances	7,673,675	2,888,952	6,094,491	6,878,604	12,700,945	47,527,919	37,419,877	146,254,511	267,438,974
Other asset balances	1,125,548	2,062	1,487	321	–	–	–	17,554,418	18,683,836
TOTAL ASSETS	18,672,774	5,114,441	7,825,837	8,674,163	18,648,867	73,106,624	52,987,282	168,190,515	353,220,503
LIABILITIES									
Deposits from customers	101,820,328	49,701,752	38,985,777	53,133,208	34,317,332	115,979	4,337	–	278,078,713
Deposits from banks and other financial institutions	1,666,215	3,581,032	3,719,553	2,041,537	526,456	48,408	29,577	1,563,557	13,176,335
Obligations on securities sold under repurchase agreements	335,950	254,335	–	–	–	–	–	–	590,285
Recourse obligations on loans sold to Cagamas	–	–	–	–	–	4,500,003	–	–	4,500,003
Derivative financial liabilities	58,850	96,466	148,965	103,742	13,311	128,053	7,224	23,760	580,371
Debt securities issued and other borrowed funds	–	–	999,985	–	–	6,294,735	2,889,728	–	10,184,448
Lease liabilities	–	8,982	17,985	27,155	54,968	225,817	234,563	773,470	1,342,940
Other liability balances	1,880,703	378,600	383,027	472,672	444,504	336,209	36	931,869	4,827,620
TOTAL LIABILITIES	105,762,046	54,021,167	44,255,292	55,778,314	35,356,571	11,649,204	3,165,465	3,292,656	313,280,715
EQUITY									
Equity attributable to equity holders of the Bank	–	–	–	–	–	–	–	39,939,788	39,939,788
TOTAL EQUITY	–	–	–	–	–	–	–	39,939,788	39,939,788
NET MATURITY MISMATCH	(87,089,272)	(48,906,726)	(36,429,455)	(47,104,151)	(16,707,704)	61,457,420	49,821,817	124,958,071	–

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(b) Maturity analysis of financial liabilities on an undiscounted basis

The following tables show the contractual undiscounted cash flows payable for financial liabilities by remaining contractual maturity. The financial liabilities disclosed in the tables below will not agree to the carrying amounts reported in the statements of financial position as the amounts incorporated all contractual cash flows, on an undiscounted basis, relating to both principal and interest/profit payments. The contractual maturity profile does not necessarily reflect the behavioural cash flows.

The interest/profit payments of subordinated notes/sukuk murabahah and additional Tier I capital securities are computed up to the first optional redemption date.

Group 2021	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
Deposits from customers	156,656,371	55,515,676	65,367,471	59,274,493	46,009,118	230,802	6,473	–	383,060,404
Deposits from banks and other financial institutions	2,279,381	2,077,419	1,139,866	409,152	18,722	47,703	1,710,824	534,358	8,217,425
Obligations on securities sold under repurchase agreements	1,088	1,002,995	–	–	–	–	–	–	1,004,083
Recourse obligations on loans and financing sold to Cagamas	21,324	–	2,042,549	50,201	2,571,647	1,169,836	–	–	5,855,557
Debt securities issued and other borrowed funds	–	618,510	1,561,371	2,136,414	1,463,216	4,853,680	910,414	–	11,543,605
Lease liabilities	–	9,946	19,664	29,287	56,693	207,704	180,094	697,932	1,201,320
Other liability balances	2,928,039	49,695	98,405	32,556	24,008	79,087	6,562	1,025,987	4,244,339
Total Liabilities	161,886,203	59,274,241	70,229,326	61,932,103	50,143,404	6,588,812	2,814,367	2,258,277	415,126,733
Direct credit substitutes	49,102	26,229	60,252	174,344	375,862	203,579	2,184	371	891,923
Transaction-related contingent items	381,418	65,772	127,010	127,096	352,798	499,808	106,511	4,175	1,664,588
Short term self-liquidating trade-related contingencies	57,705	186,506	287,768	14,919	41,251	2,292	–	–	590,441
Other commitments, such as formal standby facilities and credit lines	9,830,921	1,061,967	2,519,005	3,221,266	8,202,774	26,271,070	843,717	3,546,623	55,497,343
Unutilised credit card lines	8,641,625	–	–	–	–	–	–	–	8,641,625
Forward asset purchases	153,293	–	–	–	–	–	–	–	153,293
Total Commitments and Contingencies	19,114,064	1,340,474	2,994,035	3,537,625	8,972,685	26,976,749	952,412	3,551,169	67,439,213

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(b) Maturity analysis of financial liabilities on an undiscounted basis (continued)

Group 2020	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
Deposits from customers	139,274,800	60,222,044	59,874,952	67,129,723	42,185,870	240,976	5,856	–	368,934,221
Deposits from banks and other financial institutions	1,734,001	2,898,841	3,258,493	1,118,162	50,070	55,401	33,743	1,676,938	10,825,649
Obligations on securities sold under repurchase agreements	336,096	266,846	121,234	102,013	97,506	–	–	–	923,695
Recourse obligations on loans and financing sold to Cagamas	21,324	–	42,547	32,910	97,138	4,650,851	–	–	4,844,770
Debt securities issued and other borrowed funds	–	41,342	1,040,690	144,092	727,490	7,886,975	3,547,579	–	13,388,168
Lease liabilities	–	9,941	19,825	29,425	56,779	211,045	195,917	963,571	1,486,503
Other liability balances	3,102,821	121,308	190,869	134,252	46,706	106,373	16,728	975,651	4,694,708
Total Liabilities	144,469,042	63,560,322	64,548,610	68,690,577	43,261,559	13,151,621	3,799,823	3,616,160	405,097,714
Direct credit substitutes	66,438	28,977	68,720	175,242	396,443	175,579	2,852	416	914,667
Transaction-related contingent items	339,406	57,890	113,126	133,795	373,247	499,056	147,082	5,010	1,668,612
Short term self-liquidating trade-related contingencies	31,505	103,384	102,624	14,355	57,295	92,155	–	–	401,318
Other commitments, such as formal standby facilities and credit lines	10,493,542	1,137,107	2,790,321	3,319,139	8,761,845	26,540,657	726,071	3,871,329	57,640,011
Unutilised credit card lines	8,161,401	–	–	–	–	–	–	–	8,161,401
Forward asset purchases	42,424	–	–	–	–	–	–	–	42,424
Total Commitments and Contingencies	19,134,716	1,327,358	3,074,791	3,642,531	9,588,830	27,307,447	876,005	3,876,755	68,828,433

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(b) Maturity analysis of financial liabilities on an undiscounted basis (continued)

Bank 2021	Up to 7 Days RM'000	> 7 Days-1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
Deposits from customers	116,814,654	44,986,257	48,721,964	47,857,851	32,211,443	96,016	5,221	–	290,693,406
Deposits from banks and other financial institutions	2,338,493	2,214,556	2,171,894	715,504	231,421	42,256	1,594,452	511,731	9,820,307
Obligations on securities sold under repurchase agreements	1,088	1,002,995	–	–	–	–	–	–	1,004,083
Recourse obligations on loans sold to Cagamas	21,324	–	2,042,549	32,910	2,554,069	–	–	–	4,650,852
Debt securities issued and other borrowed funds	–	29,490	1,549,651	2,127,116	942,234	4,316,128	910,414	–	9,875,033
Lease liabilities	–	8,901	17,802	27,151	53,320	214,060	211,327	946,176	1,478,737
Other liability balances	1,917,302	47,208	70,138	29,002	18,859	79,955	9,503	986,090	3,158,057
Total Liabilities	121,092,861	48,289,407	54,573,998	50,789,534	36,011,346	4,748,415	2,730,917	2,443,997	320,680,475
Direct credit substitutes	47,577	21,480	57,086	162,614	359,321	197,540	2,112	371	848,101
Transaction-related contingent items	363,867	33,821	101,195	104,206	224,541	450,379	95,133	4,106	1,377,248
Short term self-liquidating trade-related contingencies	25,687	32,763	39,649	13,328	1,682	9,373	–	–	122,482
Other commitments, such as formal standby facilities and credit lines	8,954,204	528,111	1,972,293	2,476,421	6,090,407	19,794,499	526,059	2,753,563	43,095,557
Unutilised credit card lines	8,334,502	–	–	–	–	–	–	–	8,334,502
Forward asset purchases	7,333	–	–	–	–	–	–	–	7,333
Total Commitments and Contingencies	17,733,170	616,175	2,170,223	2,756,569	6,675,951	20,451,791	623,304	2,758,040	53,785,223

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Liquidity and Funding Risk (continued)

Risk Management Approach (continued)

(b) Maturity analysis of financial liabilities on an undiscounted basis (continued)

Bank 2020	Up to 7 Days RM'000	> 7 Days- 1 Month RM'000	> 1-3 Months RM'000	> 3-6 Months RM'000	> 6-12 Months RM'000	> 1-3 Years RM'000	> 3-5 Years RM'000	> 5 Years RM'000	Total RM'000
Deposits from customers	101,922,674	49,997,108	39,528,630	54,088,942	34,998,087	118,551	4,518	–	280,658,510
Deposits from banks and other financial institutions	1,667,779	3,586,874	3,729,087	2,048,196	529,989	49,780	30,213	1,563,615	13,205,533
Obligations on securities sold under repurchase agreements	336,096	254,718	–	–	–	–	–	–	590,814
Recourse obligations on loans sold to Cagamas	21,324	–	42,547	32,910	97,138	4,650,851	–	–	4,844,770
Debt securities issued and other borrowed funds	–	29,490	1,027,754	132,993	171,820	6,755,565	3,028,777	–	11,146,399
Lease liabilities	–	8,982	17,985	27,155	54,971	225,857	235,869	1,343,992	1,914,811
Other liability balances	1,833,200	117,378	169,354	131,459	41,895	88,325	4,492	933,148	3,319,251
Total Liabilities	105,781,073	53,994,550	44,515,357	56,461,655	35,893,900	11,888,929	3,303,869	3,840,755	315,680,088
Direct credit substitutes	63,158	24,431	65,743	163,126	380,980	170,650	2,414	418	870,920
Transaction-related contingent items	330,039	37,865	87,843	111,902	244,965	439,224	134,060	4,816	1,390,714
Short term self-liquidating trade-related contingencies	22,110	47,603	28,512	4,947	12,909	91,959	–	–	208,040
Other commitments, such as formal standby facilities and credit lines	9,633,203	522,313	2,311,179	2,658,266	6,615,132	21,139,626	419,647	3,020,189	46,319,555
Unutilised credit card lines	7,910,938	–	–	–	–	–	–	–	7,910,938
Forward asset purchases	42,424	–	–	–	–	–	–	–	42,424
Total Commitments and Contingencies	18,001,872	632,212	2,493,277	2,938,241	7,253,986	21,841,459	556,121	3,025,423	56,742,591

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Risk Governance

The Group's operational risk management is guided by the Group's Operational Risk Management Policy which is designed to ensure that operational risks are consistently identified, assessed, mitigated/controlled, monitored and reported within the Group.

The Board, through RMC, maintains overall responsibility for risk oversight within the Group. The ORMC assists the RMC in operational risk management oversight. The ORMC is responsible for assessing the effectiveness of risk management policies and processes in relation to operational risk. The Operational Risk Management Working Group ("ORMWG") is established to support and assist the ORMC in its ongoing review of the operational risk management policies and procedures and ensuring effective implementation of the policies and procedures within the business and support units.

The various business and support units are responsible for the day-to-day management of operational risks within their lines of business and functions and ensure that their business activities are carried out within the established operational risk management policies, guidelines, procedures and limits.

To ensure effective management of operational risk, independent risk management and compliance functions provide support to the business and support units and conduct compliance checks on their implementation of risk management policies and tools to identify, assess, control and monitor operational risk.

The internal audit function provides independent assurance on the adequacy and effectiveness of operational risk management policies, processes and systems.

Risk Management Approach

The day-to-day management of operational risk exposures is through a system of risk management and internal controls to ensure that operational policies, guidelines and procedures are being adhered to at all levels throughout the Group. As events and business conditions evolve, the Group continues to strengthen and refine its operational risk management processes to ensure that the current and potential operational risk exposures are properly understood and managed.

(a) Strategy and Processes

The Group has put in place a disciplined evaluation process for the offering of new product and electronic banking ("e-banking") services. The Group's evaluation process is governed by the Group's Policy and Procedures on Risk Management Practices for New Products and the Group's Policy and Procedures on the Provision of Electronic Banking Services. Each new product or e-banking service introduced as well as variations to existing products or e-banking services are subject to a rigorous risk review and sign-off process where risks are identified and assessed by divisions independent of the risk taking unit that proposes the products or e-banking services. This is further augmented by the Group's Policy on Product Transparency and Disclosure which emphasises the importance of safeguarding customers' confidentiality and promoting their awareness and understanding of the products and services, and informed decision making.

The Group continues to direct group-wide efforts to maintain its legal and regulatory compliance culture in all jurisdictions that the Group operates. The Group seeks to meet the standards and expectations of regulatory authorities through a number of initiatives and activities to ensure compliance with statutory and regulatory requirements as well as internal policies and guidelines.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Operational Risk (continued)

Risk Management Approach (continued)

(a) Strategy and Processes (continued)

Comprehensive risk assessments are conducted on major operational risk issues/emerging risk events arising from changes in business and operating environment to facilitate pro-active development of appropriate risk response to emerging operational risk events which would affect the achievement of the Group's business objectives. Periodic reviews and enhancements to operational risk limits and assessment of the control effectiveness are also conducted in response to changes in internal and external factors so that the Group's operational risk exposures are managed within its risk appetite.

The Group has put in place the disaster recovery and business continuity plans which are regularly tested and updated that enable the Group to respond and continue to operate critical business functions across a broad spectrum of interruptions to the business, arising from internal or external events. Where appropriate, the Group mitigates risk of high impact loss events by insurance coverage.

The Group protects information security through continuous assessment of the security features on all computer platforms and network infrastructure, and implementation of appropriate security controls to protect against the misuse or compromise of information assets. In addition, the Group continues to undertake initiatives to maintain 100% system availability and robust system performance in the Group's computer systems, peripherals and network infrastructure to ensure uninterrupted transmission.

The Group manages its outsourcing arrangements through the Group's Policy and Procedures on Outsourcing Arrangements which stipulate the requirements and the operating procedures to be observed in managing activities that are outsourced to third party service providers. This is to ensure that the risks associated with outsourcing arrangements are managed effectively.

(b) Tools and Methods for Risk Mitigation

To monitor and mitigate operational risk, the Group uses various tools and methods including:

(i) Risk and control self-assessment - To assess the state of risk management and internal controls for continuous enhancements;

(ii) Key risk indicators - To collect statistical data on an ongoing basis to facilitate early detection of operational risk issues and control deficiencies;

(iii) Operational risk incident reporting and data collection - To analyse the causes of operational risk incidents and trends of operational risk data which are useful in assessing the Group's operational risk exposures and in strengthening the internal control environment; and

(iv) Scenario Analysis - To identify and assess extreme but plausible operational risk events which can provide better understanding of the risks under extreme conditions and assess the need for additional risk management controls or mitigation solutions.

(c) Reporting

Reporting is one of the important processes in operational risk management. The Group's operational risk management processes are aimed to ensure that operational risk exposures are properly identified, escalated and managed on a timely manner.

Operational risk exposures for the key business and control units are reported through monthly operational risk management reports which provide analyses and action plans for each significant business operation. The key operational risk areas included in the operational risk management reports are premises controls and safety, losses due to fraud or control lapses, IT risk management, business continuity management, outsourcing arrangements, compliance review results as well as litigation against the Group. The operational risk management reports are tabled to the ORMWG, the ORMC and the RMC for deliberations.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Shariah Non-compliance Risk

Shariah non-compliance ("SNC") risk is risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the entities may suffer arising from failure to comply with the rulings of the Shariah Advisory Council ("SAC") of BNM and/or the SAC of Securities Commission ("SC") Malaysia, Bursa Malaysia, standards on Shariah matters issued by BNM pursuant to section 29(1) of the Islamic Financial Services Act 2013 ("IFSA"), or decisions or advice of the respective entities' Shariah Committee/Shariah Advisers.

SNC risk of the Group may emanate from the Islamic banking operations, business, affairs and activities of Public Islamic Bank Berhad ("PIBB"), the management of Shariah-based funds by Public Mutual Berhad ("PMU") and the Islamic capital market activities of Public Investment Bank Berhad.

Islamic Banking Operations

PIBB is governed under the IFSA which requires it to ensure that its operations, business, affairs and activities are managed in strict compliance with Shariah and in accordance with the advice and ruling issued by the BNM SAC. PIBB Shariah Governance Policy 2020 ("SGP") which is developed in accordance with BNM SGP 2019, provides a comprehensive guidance to the Board, Shariah Committee, and Senior Management in discharging its duties in matters relating to Shariah and outlines the key Shariah functions.

The Board is responsible in providing overall oversight on Shariah governance, structure and compliance of PIBB's operations. The Shariah Committee is responsible to provide advice to ensure PIBB's operations, business, affairs and activities are Shariah compliant. This includes advising the Board and Senior Management on Shariah matters, endorsing Shariah policies, products and relevant documents of Islamic banking operations, deliberating and affirming Shariah issues as well as endorsing rectification plans to address the Shariah issues. The Chief Executive Officer and Senior Management with the support of Business and Support units are responsible for the day-to-day management of PIBB to ensure it complies with Shariah requirements. In discharging its duties, the Shariah Committee is supported by the Shariah Division, which consists of the Shariah Advisory, Research & Secretariat functions which perform research on Shariah issues, provide day-to-day advice on Shariah matters, disseminate Shariah Committee's decisions and advices as well as providing administrative and secretarial functions to support the Shariah Committee.

The Shariah Risk Management function being the second line of defence is responsible for the identification, measurement, monitoring and mitigation of SNC risks in the operations and business activities of PIBB. Shariah Risk Management Policy are in place to manage SNC risk as part of the enterprise risk management including new and emerging risks.

The Shariah Review and Compliance function is responsible for assessing, monitoring and reporting on PIBB's compliance with Shariah requirements. This is discharged through performing periodic reviews on the state of compliance with Shariah requirements in the operations and business activities of PIBB. Any identified non-compliances are escalated to both Shariah Committee and PIBB's Risk Management Committee on Compliance Function.

The Shariah Audit function is responsible to perform periodic internal audits to independently assess the quality and effectiveness of PIBB's internal controls, risk management systems, governance processes as well as the overall compliance of PIBB's operations and business activities with Shariah requirements. Any incidences of Shariah non-compliance are reported to both Shariah Committee and PIBB's Audit Committee.

For the financial year ended 31 December 2021, there were two (2) SNC incidents (2020: 4) with SNC income amounting to RM2,800 (2020: RM4,400). Further, a total of RM53,000 (2020: RM30,000) was identified as Gharamah and are not recognised as income.

Additionally, there were SNC income amounting to RM4,190,000 contributed by SNC events which occurred in 2020 but materialised in 2021. The total non-recognisable income will be purified in accordance with the method as determined by Shariah Committee.

During the financial year 2021, rectification plan has been on-going to rectify the SNC incident detected in financial year 2020, whereby incomplete/under construction properties were used as underlying assets for Bai' Bithaman Ajil ("BBA") House Financing-i ("HF-i") and BBA Term Financing-i ("TF-i").

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Shariah Non-compliance Risk (continued)

Management of Shariah-Based Funds

SNC risk emanating from investments and operations of Shariah-based funds is managed through SNC risk management processes. An independent third party registered with the SC is appointed as the Shariah Adviser for the Shariah-based funds managed by PMU. The role of the Shariah Adviser is to review the funds' investments and to engage with the investment management team to ensure the investments and operations of the Shariah-based funds are in compliance with Shariah requirements.

The Compliance Division of PMU is responsible for assessing, monitoring and reporting on the company's compliance with the applicable Shariah rules and regulations in managing its Shariah-based funds. The Compliance Division conducts regular reviews and works closely with the Shariah Adviser to ensure all transactions under the Shariah-based funds comply with the Shariah requirements at all times.

Shariah-compliant securities which are reclassified to be SNC upon review of the securities by the SAC of SC or the Shariah Adviser will result in the SNC securities being disposed of from the respective funds. For the purpose of purification, any capital gain arising from the disposal of the SNC securities made at market price/valuation, at the time of the announcement/review day may be retained. However, gains derived from the disposal of the SNC securities after the announcement/review day at market price/valuation that is above the closing price/valuation on the announcement/review day is deposited into a separate account which is segregated from the funds' account.

The SNC income from the funds may be channelled to baitumal and/or charitable bodies as advised by the Shariah Adviser. The SAC of SC also allows SNC income from the funds, at its discretion, to be distributed to the investors. Should such income be distributed to investors, the Manager will inform investors that it is the investors' obligation to purify it in accordance to Shariah principles upon receiving it from the funds.

During the current financial year, SNC income of RM133,000 (2020: RM393,000) under the Shariah-based funds arising from the disposal of SNC securities was channelled to charitable bodies and distributed to investors as advised by the Shariah Adviser.

Islamic capital market activities

SNC risk emanating from Islamic capital market activities is managed through the appointment of an external independent Shariah Adviser who is registered with the SAC of SC in Malaysia. The roles of the Shariah Adviser as provided under the guidelines issued by the SC include:

a) advising on all aspects of Islamic stockbroking matters;

b) advising on all aspects of Sukuk issuance in accordance with Shariah principles;

c) providing Shariah expertise and guidance on all matters, particularly in documentation, structuring and ensure compliance with relevant SC's regulations;

d) ensuring that the applicable Shariah rulings, principles and concepts endorsed by the SAC of SC are complied with; and

e) issuance of a Shariah Pronouncement in relation to the Islamic capital market products.

The Securities Trading Division works closely with the Shariah Adviser to ensure all Islamic capital market transactions comply with the Shariah requirements under the relevant guidelines or best practices issued by Bursa Malaysia and SC.

The Debt Capital Markets ("DCM") Division is responsible for assessing and monitoring on the issuer's compliance with the applicable Shariah rules and regulations in its Islamic capital market activities. The DCM Division works closely with the Shariah Adviser to ensure all Islamic capital market transactions comply with the Shariah requirements under the relevant guidelines issued by the SC and BNM, where applicable.

45. FINANCIAL RISK MANAGEMENT (CONTINUED)

Shariah Non-compliance Risk (continued)

Islamic capital market activities (continued)

Ongoing independent reviews on compliance with Shariah requirements under the relevant guidelines and best practices issued by Bursa Malaysia and SC are undertaken by Compliance Division and Internal Audit Division. Shariah non-compliances noted during compliance reviews and the issues raised by internal auditors pursuant to their audit are submitted to the Shariah Adviser for review, advice and guidance.

For the current financial year, RM106 (2020: RM80) was identified as SNC income and is not recognised as income. The SNC income will be purified in accordance with the method as determined by the Shariah Adviser.

46. FAIR VALUE MEASUREMENTS

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

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. For financial instruments measured at fair value, where available, quoted and observable market prices in an active market or dealer price quotations are used to measure fair value. These include listed equity securities, price quotations from Bond Pricing Agency Malaysia and broker quotes on Bloomberg/Reuters.

Where such quoted and observable market prices are not available, fair values are determined using appropriate valuation techniques, which include the use of mathematical models, such as discounted cash flow models and option pricing models, comparison to similar instruments for which market observable prices exist and other valuation techniques. The valuation techniques used incorporate assumptions regarding discount rates, interest/profit rate yield curves, estimates of future cash flows and other factors, as applicable. Changes in these assumptions could materially affect the fair values derived. The Group and the Bank generally use widely recognised valuation techniques with market observable inputs, if available, for the determination of fair value, which require minimal management judgment and estimation, due to the low complexity of the financial instruments held.

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

Level 1 – Quoted market prices: quoted prices (unadjusted) in active markets for identical instruments;

Level 2 – Fair values based on observable inputs: inputs other than quoted prices included within Level 1 that are observable for the instrument, whether directly (i.e. prices) or indirectly (i.e. derived from prices), are used; and

Level 3 – Fair values derived using unobservable inputs: inputs used are not based on observable market data and the unobservable inputs may have a significant impact on the valuation of the financial instruments and non-financial assets.

The Group's control framework in respect of the measurement of Level 3 fair values enables that the fair values are determined and validated by a function independent of the business unit undertaking the risks. Finance Division establishes the accounting policies and procedures governing valuation and is responsible for ensuring compliance with all relevant accounting standards. The team within Finance Division which oversees the fair value measurements, including Level 3 fair values, reports directly to the Chief Financial Officer. Independent verification on financial instruments is performed by Treasury Middle Office. For investment properties, the valuation is determined with reference to quotations of market value provided by independent professional valuers.

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy:

Group 2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at fair value through profit or loss				
– Government securities and treasury bills	–	650,436	–	650,436
– Non-money market instruments	–	–	365,568	365,568
	–	650,436	365,568	1,016,004
Financial investments at fair value through other comprehensive income				
– Government securities and treasury bills	–	44,547,646	–	44,547,646
– Money market instruments	–	2,952,186	–	2,952,186
– Non-money market instruments	1,614	5,375,045	392,801	5,769,460
	1,614	52,874,877	392,801	53,269,292
Derivative financial assets	–	140,434	–	140,434
Total financial assets measured at fair value	1,614	53,665,747	758,369	54,425,730
Non-financial assets				
Investment properties	–	–	606,074	606,074
Financial liabilities				
Derivative financial liabilities	–	254,458	–	254,458
Total financial liabilities measured at fair value	–	254,458	–	254,458

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

Group 2020	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at fair value through profit or loss				
– Government securities and treasury bills	–	904,395	–	904,395
– Non-money market instruments	–	200,339	478,772	679,111
	–	1,104,734	478,772	1,583,506
Financial investments at fair value through other comprehensive income				
– Government securities and treasury bills	–	41,557,647	–	41,557,647
– Money market instruments	–	938,442	–	938,442
– Non-money market instruments	1,382	5,670,907	379,025	6,051,314
	1,382	48,166,996	379,025	48,547,403
Derivative financial assets	–	287,010	–	287,010
Total financial assets measured at fair value	1,382	49,558,740	857,797	50,417,919
Non-financial assets				
Investment properties	–	–	712,885	712,885
Financial liabilities				
Derivative financial liabilities	–	626,056	–	626,056
Total financial liabilities measured at fair value	–	626,056	–	626,056

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

Bank 2021	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at fair value through profit or loss				
– Government securities and treasury bills	–	650,436	–	650,436
– Non-money market instruments	–	–	344,650	344,650
	–	650,436	344,650	995,086
Financial investments at fair value through other comprehensive income				
– Government securities and treasury bills	–	32,670,124	–	32,670,124
– Money market instruments	–	2,952,186	–	2,952,186
– Non-money market instruments	–	1,092,031	386,070	1,478,101
	–	36,714,341	386,070	37,100,411
Derivative financial assets	–	240,330	–	240,330
Total financial assets measured at fair value	–	37,605,107	730,720	38,335,827
Financial liabilities				
Derivative financial liabilities	–	241,575	–	241,575
Total financial liabilities measured at fair value	–	241,575	–	241,575

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments and non-financial assets which are measured at fair value at the reporting date analysed by the various levels within the fair value hierarchy (continued):

Bank **2020**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
Financial assets				
Financial assets at fair value through profit or loss				
– Government securities and treasury bills	–	904,395	–	904,395
– Non-money market instruments	–	200,339	451,376	651,715
	–	1,104,734	451,376	1,556,110
Financial investments at fair value through other comprehensive income				
– Government securities and treasury bills	–	30,531,442	–	30,531,442
– Money market instruments	–	938,442	–	938,442
– Non-money market instruments	–	1,211,211	372,474	1,583,685
	–	32,681,095	372,474	33,053,569
Derivative financial assets	–	469,253	–	469,253
Total financial assets measured at fair value	–	34,255,082	823,850	35,078,932
Financial liabilities				
Derivative financial liabilities	–	580,371	–	580,371
Total financial liabilities measured at fair value	–	580,371	–	580,371

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the transfer has occurred. The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Level 1 and Level 2 of the fair value hierarchy during the financial year (2020 – None).

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value (continued)

Reconciliation of movements in Level 3 financial instruments:

	Unquoted Equity Securities	
Group	**Financial Assets at Fair Value Through Profit or Loss RM'000**	**Financial Investments at Fair Value Through Other Comprehensive Income RM'000**
At 1 January 2021	**478,772**	**379,025**
Recognised in profit or loss		
– unrealised revaluation loss	**(113,204)**	**–**
Recognised in other comprehensive income		
– unrealised revaluation gain	**–**	**12,974**
– realised gain on disposal	**–**	**319**
Disposal	**–**	**(55)**
Exchange differences	**–**	**538**
At 31 December 2021	**365,568**	**392,801**
At 1 January 2020	445,428	351,538
Recognised in profit or loss		
– unrealised revaluation gain	33,344	–
Recognised in other comprehensive income		
– unrealised revaluation gain	–	28,150
Exchange differences	–	(663)
At 31 December 2020	478,772	379,025

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(b) Financial instruments and non-financial assets carried at fair value (continued)

Reconciliation of movements in Level 3 financial instruments (continued):

	Unquoted Equity Securities	
Bank	**Financial Assets at Fair Value Through Profit or Loss RM'000**	**Financial Investments at Fair Value Through Other Comprehensive Income RM'000**
At 1 January 2021	**451,376**	**372,474**
Recognised in profit or loss		
– unrealised revaluation loss	**(106,726)**	**–**
Recognised in other comprehensive income		
– unrealised revaluation gain	**–**	**12,911**
– realised gain on disposal	**–**	**319**
Disposal	**–**	**(55)**
Exchange differences	**–**	**421**
At 31 December 2021	**344,650**	**386,070**
At 1 January 2020	419,940	345,113
Recognised in profit or loss		
– unrealised revaluation gain	31,436	–
Recognised in other comprehensive income		
– unrealised revaluation gain	–	27,971
Exchange differences	–	(610)
At 31 December 2020	451,376	372,474

The fair values of unquoted equity securities which are held mainly for socio-economic purpose are determined based on net assets or earnings of the companies.

All investment properties of the Group carried at fair values were classified under Level 3. A reconciliation of movements in Level 3 is disclosed in Note 17.

The fair values of investment properties located in Malaysia are determined using comparison method by reference to the recent sales prices of comparable properties, adjustments are made where dissimilarities exist.

The fair values of investment properties located in Hong Kong are determined using comparison method by reference to recent sales prices of comparable properties on a price per square meter basis. The price per square meter of the properties adopted, which were significant inputs, ranged from RM17,000 to RM279,000 (2020: RM16,000 to RM263,000) with weighted average of RM104,000 (2020: RM98,000). A significant change in the price per square meter will result in a significant change in the fair value of the investment properties in Hong Kong.

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and of the Bank which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities:

	2021		2020	
Group	**Carrying Amount RM'000**	**Fair Value RM'000**	**Carrying Amount RM'000**	**Fair Value RM'000**
Financial assets				
Financial investments at amortised cost				
– Government securities and treasury bills	**9,909,748**	**10,008,432**	11,387,230	11,726,326
– Money market instruments	**1,810,044**	**1,807,297**	1,832,541	1,833,174
– Non-money market instruments	**14,426,310**	**14,662,338**	14,384,249	14,953,086
Loans, advances and financing				
– Retail loans/financing				
– housing loans/financing	**141,715,487**	**141,723,436**	131,200,196	131,207,110
– hire purchase	**54,446,283**	**54,744,259**	53,891,520	54,213,104
– credit cards	**2,135,266**	**2,135,266**	1,960,351	1,960,351
– other loans/financing	**111,340,181**	**111,469,087**	109,918,273	110,076,870
– Corporate loans/financing	**44,415,246**	**44,488,912**	45,832,441	46,008,510
Financial liabilities				
Recourse obligations on loans and financing sold to Cagamas	**5,600,004**	**5,593,589**	4,500,003	4,670,198
Debt securities issued and other borrowed funds	**10,863,742**	**11,019,104**	12,272,354	12,610,400

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

Set out below is the comparison of the carrying amounts and fair values of the financial instruments of the Group and of the Bank which are not carried at fair value in the financial statements. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities (continued):

	2021		2020	
Bank	**Carrying Amount RM'000**	**Fair Value RM'000**	**Carrying Amount RM'000**	**Fair Value RM'000**
Financial assets				
Financial investments at amortised cost				
– Government securities and treasury bills	**3,792,771**	**3,866,394**	5,007,372	5,208,936
– Money market instruments	**–**	**–**	1,059,962	1,076,746
– Non-money market instruments	**12,198,190**	**12,426,795**	12,777,927	13,314,133
Loans and advances				
– Retail loans				
– housing loans	**108,013,883**	**108,013,955**	101,649,497	101,649,755
– hire purchase	**42,675,492**	**42,910,303**	42,864,173	43,110,452
– credit cards	**2,075,575**	**2,075,575**	1,919,571	1,919,571
– other loans	**83,317,900**	**83,317,900**	83,583,961	83,576,317
– Corporate loans	**35,932,691**	**35,957,687**	37,421,772	37,508,679
Financial liabilities				
Recourse obligations on loans sold to Cagamas	**4,500,004**	**4,500,004**	4,500,003	4,670,198
Debt securities issued and other borrowed funds	**9,275,548**	**9,417,290**	10,184,448	10,483,454

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities:

	Fair Value			
Group 2021	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets				
Financial investments at amortised cost				
– Government securities and treasury bills	–	10,008,432	–	10,008,432
– Money market instruments	–	1,807,297	–	1,807,297
– Non-money market instruments	–	14,662,338	–	14,662,338
Loans, advances and financing				
– Retail loans/financing				
– housing loans/financing	–	141,723,436	–	141,723,436
– hire purchase	–	54,744,259	–	54,744,259
– credit cards	–	2,135,266	–	2,135,266
– other loans/financing	–	–	111,469,087	111,469,087
– Corporate loans/financing	–	–	44,488,912	44,488,912
Financial liabilities				
Recourse obligations on loans and financing sold to Cagamas	–	–	5,593,589	5,593,589
Debt securities issued and other borrowed funds	–	11,019,104	–	11,019,104

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities (continued):

	Fair Value			
Group 2020	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets				
Financial investments at amortised cost				
– Government securities and treasury bills	–	11,726,326	–	11,726,326
– Money market instruments	–	1,833,174	–	1,833,174
– Non-money market instruments	–	14,953,086	–	14,953,086
Loans, advances and financing				
– Retail loans/financing				
– housing loans/financing	–	131,207,110	–	131,207,110
– hire purchase	–	54,213,104	–	54,213,104
– credit cards	–	1,960,351	–	1,960,351
– other loans/financing	–	–	110,076,870	110,076,870
– Corporate loans/financing	–	–	46,008,510	46,008,510
Financial liabilities				
Recourse obligations on loans and financing sold to Cagamas	–	–	4,670,198	4,670,198
Debt securities issued and other borrowed funds	–	12,610,400	–	12,610,400

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities (continued):

	Fair Value			
Bank 2021	**Level 1 RM'000**	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets				
Financial investments at amortised cost				
– Government securities and treasury bills	–	3,866,394	–	3,866,394
– Non-money market instruments	–	12,426,795	–	12,426,795
Loans and advances				
– Retail loans				
– housing loans	–	108,013,955	–	108,013,955
– hire purchase	–	42,910,303	–	42,910,303
– credit cards	–	2,075,575	–	2,075,575
– other loans	–	–	83,317,900	83,317,900
– Corporate loans	–	–	35,957,687	35,957,687
Financial liabilities				
Recourse obligations on loans sold to Cagamas	–	–	4,500,004	4,500,004
Debt securities issued and other borrowed funds	–	9,417,290	–	9,417,290

46. FAIR VALUE MEASUREMENTS (CONTINUED)

(c) Fair values of financial instruments not carried at fair value (continued)

The following tables show the Group's and the Bank's financial instruments which are not carried at fair value at the reporting date, analysed by various levels within the fair value hierarchy. It does not include those short term/on demand financial assets and financial liabilities where the carrying amounts are reasonable approximation of their fair values and lease liabilities (continued):

	Fair Value			
Bank **2020**	**Level 1** **RM'000**	**Level 2** **RM'000**	**Level 3** **RM'000**	**Total** **RM'000**
Financial assets				
Financial investments at amortised cost				
– Government securities and treasury bills	–	5,208,936	–	5,208,936
– Money market instruments	–	1,076,746	–	1,076,746
– Non-money market instruments	–	13,314,133	–	13,314,133
Loans and advances				
– Retail loans				
– housing loans	–	101,649,755	–	101,649,755
– hire purchase	–	43,110,452	–	43,110,452
– credit cards	–	1,919,571	–	1,919,571
– other loans	–	–	83,576,317	83,576,317
– Corporate loans	–	–	37,508,679	37,508,679
Financial liabilities				
Recourse obligations on loans sold to Cagamas	–	–	4,670,198	4,670,198
Debt securities issued and other borrowed funds	–	10,483,454	–	10,483,454

The methods and assumptions used to estimate the fair values of the financial instruments not carried at fair value are as follows:

(a) *Financial investments at amortised cost* – The fair values of financial investments at amortised cost are estimated based on quoted bid prices.

(b) *Loans, advances and financing* – The fair values of fixed rate loans/financing with remaining maturity of less than one year and variable rate loans/financing are estimated to approximate their carrying amounts. For fixed rate loans/financing with remaining maturity of more than one year, the fair values are estimated based on discounted cash flows using prevailing market rates of loans/financing of similar credit risks and maturity.

The fair values of impaired loans/financing are represented by their carrying amounts, net of any expected credit losses, being the expected recoverable amount.

(c) *Recourse obligations on loans and financing sold to Cagamas* – The fair values of recourse obligations on loans and financing sold to Cagamas with remaining maturity of less than one year are estimated to approximate their carrying amounts. The fair values of recourse obligations on loans and financing sold to Cagamas with remaining maturity of more than one year are estimated using discounted cash flows based on prevailing Cagamas rates with similar remaining period to maturity.

(d) *Debt securities issued and other borrowed funds* – The fair values of borrowings approximate their carrying amounts as these are variable rate borrowings. The fair values of debt securities issued are estimated based on quoted ask prices.

47. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Derivatives, reverse repurchase agreements and obligations on securities sold under repurchase agreements included in the amount not set-off in the statement of financial position relate to transactions where:

(i) the counterparty has an offsetting exposure with the Group and the Bank and a master netting or similar arrangements is in place with a right to set-off only in the event of default, insolvency or bankruptcy; and

(ii) cash and securities that are received from or pledged with counterparties.

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows:

				Amount Not Set-off in the Statement of Financial Position		
Group 2021	**Gross Amount Recognised as Financial Assets/ Liabilities RM'000**	**Gross Amount Offset in the Statement of Financial Position RM'000**	**Amount Presented in the Statement of Financial Position RM'000**	**Values of the Financial Instruments* RM'000**	**Cash Collateral Received/ Pledged RM'000**	**Net Amount RM'000**
Financial assets						
Derivative financial assets						
– Foreign exchange contracts	**101,389**	**–**	**101,389**	**(67,791)**	**(9,238)**	**24,360**
– Interest/profit rate related contracts	**39,042**	**–**	**39,042**	**(27,935)**	**(9,780)**	**1,327**
– Precious metal contracts	**3**	**–**	**3**	**–**	**–**	**3**
	140,434	**–**	**140,434**	**(95,726)**	**(19,018)**	**25,690**
Other assets:						
– Outstanding contracts on clients' accounts	**251,724**	**(107,164)**	**144,560**	**–**	**–**	**144,560**
	392,158	**(107,164)**	**284,994**	**(95,726)**	**(19,018)**	**170,250**
Financial liabilities						
Derivative financial liabilities						
– Foreign exchange contracts	**206,032**	**–**	**206,032**	**(73,435)**	**(76,602)**	**55,995**
– Interest/profit rate related contracts	**48,426**	**–**	**48,426**	**(22,291)**	**(512)**	**25,623**
	254,458	**–**	**254,458**	**(95,726)**	**(77,114)**	**81,618**
Obligations on securities sold under repurchase agreements	**1,001,831**	**–**	**1,001,831**	**(1,001,831)**	**–**	**–**
Other liabilities:						
– Outstanding contracts on clients' accounts	**242,322**	**(107,164)**	**135,158**	**–**	**–**	**135,158**
	1,498,611	**(107,164)**	**1,391,447**	**(1,097,557)**	**(77,114)**	**216,776**

47. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

Group 2020	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position: Values of the Financial Instruments* RM'000	Amount Not Set-off in the Statement of Financial Position: Cash Collateral Received/ Pledged RM'000	Net Amount RM'000
Financial assets						
Derivative financial assets						
– Foreign exchange contracts	284,579	–	284,579	(131,889)	(74,695)	77,995
– Interest/profit rate related contracts	2,428	–	2,428	(2,428)	–	–
– Precious metal contracts	3	–	3	–	–	3
	287,010	–	287,010	(134,317)	(74,695)	77,998
Reverse repurchase agreements	202,833	–	202,833	(202,833)	–	–
Other assets:						
– Outstanding contracts on clients' accounts	649,058	(337,399)	311,659	–	–	311,659
	1,138,901	(337,399)	801,502	(337,150)	(74,695)	389,657
Financial liabilities						
Derivative financial liabilities						
– Foreign exchange contracts	477,772	–	477,772	(84,500)	(251,647)	141,625
– Interest/profit rate related contracts	148,284	–	148,284	(49,817)	(47,157)	51,310
	626,056	–	626,056	(134,317)	(298,804)	192,935
Obligations on securities sold under repurchase agreements	914,108	–	914,108	(914,108)	–	–
Other liabilities:						
– Outstanding contracts on clients' accounts	597,698	(337,399)	260,299	–	–	260,299
	2,137,862	(337,399)	1,800,463	(1,048,425)	(298,804)	453,234

47. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

Bank 2021	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position Values of the Financial Instruments* RM'000	Amount Not Set-off in the Statement of Financial Position Cash Collateral Received/ Pledged RM'000	Net Amount RM'000
Financial assets						
Derivative financial assets						
– Foreign exchange contracts	**97,709**	**–**	**97,709**	**(67,791)**	**(9,238)**	**20,680**
– Interest rate related contracts	**142,618**	**–**	**142,618**	**(27,935)**	**(9,780)**	**104,903**
– Precious metal contracts	**3**	**–**	**3**	**–**	**–**	**3**
	240,330	**–**	**240,330**	**(95,726)**	**(19,018)**	**125,586**
Financial liabilities						
Derivative financial liabilities						
– Foreign exchange contracts	**202,313**	**–**	**202,313**	**(73,435)**	**(76,602)**	**52,276**
– Interest rate related contracts	**39,262**	**–**	**39,262**	**(22,291)**	**(512)**	**16,459**
	241,575	**–**	**241,575**	**(95,726)**	**(77,114)**	**68,735**
Obligations on securities sold under repurchase agreements	**1,001,831**	**–**	**1,001,831**	**(1,001,831)**	**–**	**–**
	1,243,406	**–**	**1,243,406**	**(1,097,557)**	**(77,114)**	**68,735**

47. OFFSETTING OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial assets and financial liabilities subject to offsetting, enforceable master netting arrangements and similar agreements are as follows (continued):

Bank 2020	Gross Amount Recognised as Financial Assets/ Liabilities RM'000	Gross Amount Offset in the Statement of Financial Position RM'000	Amount Presented in the Statement of Financial Position RM'000	Amount Not Set-off in the Statement of Financial Position: Values of the Financial Instruments* RM'000	Amount Not Set-off in the Statement of Financial Position: Cash Collateral Received/ Pledged RM'000	Net Amount RM'000
Financial assets						
Derivative financial assets						
– Foreign exchange contracts	270,787	–	270,787	(131,888)	(74,695)	64,204
– Interest rate related contracts	198,463	–	198,463	(2,429)	–	196,034
– Precious metal contracts	3	–	3	–	–	3
	469,253	–	469,253	(134,317)	(74,695)	260,241
Reverse repurchase agreements	202,833	–	202,833	(202,833)	–	–
	672,086	–	672,086	(337,150)	(74,695)	260,241
Financial liabilities						
Derivative financial liabilities						
– Foreign exchange contracts	476,382	–	476,382	(84,500)	(251,647)	140,235
– Interest rate related contracts	103,989	–	103,989	(49,817)	(47,157)	7,015
	580,371	–	580,371	(134,317)	(298,804)	147,250
Obligations on securities sold under repurchase agreements	590,285	–	590,285	(590,285)	–	–
	1,170,656	–	1,170,656	(724,602)	(298,804)	147,250

* Include securities accepted as collateral.

48. CAPITAL AND OTHER COMMITMENTS

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
Authorised and contracted for:				
– Land and buildings	**148**	1,262	**–**	–
– Renovations	**4,528**	8,346	**1,367**	8,346
– Office equipment, furniture and fittings	**7,026**	9,082	**4,941**	4,061
– Computer equipment and software	**43,540**	21,323	**43,473**	20,560
– Service maintenance	**1,760**	459	**–**	–
	57,002	40,472	**49,781**	32,967
Authorised but not contracted for:				
– Land and buildings	**29,000**	19,481	**–**	–
– Renovations	**9,153**	6,167	**5,900**	60
– Office equipment, furniture and fittings	**919**	1,141	**365**	460
– Computer equipment and software	**30,402**	32,579	**–**	–
	69,474	59,368	**6,265**	520
	126,476	99,840	**56,046**	33,487

49. COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to its customers. No material losses are anticipated as a result of these transactions. The commitments and contingencies are not secured against the Group's and the Bank's assets.

The notional amounts of the commitments and contingencies of the Group and of the Bank are as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
Contingent liabilities				
Direct credit substitutes	**891,923**	914,667	**848,101**	870,920
Transaction-related contingent items	**1,664,588**	1,668,612	**1,377,248**	1,390,714
Short term self-liquidating trade-related contingencies	**590,441**	401,318	**122,482**	208,040
	3,146,952	2,984,597	**2,347,831**	2,469,674
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	**30,666,767**	31,342,568	**22,987,311**	24,724,600
– not exceeding one year	**24,830,576**	26,297,443	**20,108,246**	21,594,955
Unutilised credit card lines	**8,641,625**	8,161,401	**8,334,502**	7,910,938
Forward asset purchases	**153,293**	42,424	**7,333**	42,424
	64,292,261	65,843,836	**51,437,392**	54,272,917
Derivative financial instruments				
Foreign exchange related contracts:				
– up to one year	**25,806,073**	28,020,406	**24,699,330**	26,902,244
– more than one year to five years	**3,095,975**	2,978,728	**3,095,975**	2,978,728
Interest/profit rate related contracts:				
– up to one year	**3,047,185**	1,507,160	**3,547,185**	1,426,800
– more than one year to five years	**2,479,447**	4,718,304	**4,775,000**	6,185,260
– more than five years	**775,115**	880,810	**1,250,000**	1,700,000
Commodity related contracts:				
– up to one year	**453**	606	**453**	606
	35,204,248	38,106,014	**37,367,943**	39,193,638
	102,643,461	106,934,447	**91,153,166**	95,936,229

Disclosure of the credit equivalent amount and risk-weighted asset of the commitments and contingencies above, as required by BNM's Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), is presented in the Pillar 3 disclosures section of the Annual Report.

50. CAPITAL ADEQUACY

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

	Group		Bank	
	2021	2020	**2021**	2020
Before deducting interim dividends*:				
Common Equity Tier I ("CET I") capital ratio	**15.030%**	14.815%	**13.954%**	13.702%
Tier I capital ratio	**15.083%**	14.869%	**13.997%**	13.745%
Total capital ratio	**18.192%**	18.011%	**17.287%**	17.053%
After deducting interim dividends*:				
CET I capital ratio	**14.530%**	13.951%	**13.313%**	12.611%
Tier I capital ratio	**14.583%**	14.005%	**13.356%**	12.654%
Total capital ratio	**17.692%**	17.147%	**16.645%**	15.962%

* Refer to interim dividends declared subsequent to the financial year end.

The capital adequacy ratios of the Group consist of total capital and risk-weighted assets derived from consolidated balances of the Bank and its subsidiary companies. The capital adequacy ratios of the Bank consist of total capital and risk-weighted assets derived from the Bank and from its wholly-owned offshore banking subsidiary company, Public Bank (L) Ltd.

The total risk-weighted assets of the Group and of the Bank are computed based on the following approaches:

(i) Standardised Approach for Credit Risk;

(ii) Standardised Approach for Market Risk; and

(iii) Basic Indicator Approach for Operational Risk.

Regulatory capital requirements

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Frameworks on Capital Components and Basel II - Risk-Weighted Assets. The minimum regulatory capital adequacy ratios before including capital conservation buffer ("CCB"), countercyclical capital buffer ("CCyB") and higher loss absorbency ("HLA") requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Group and the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The Group and the Bank have applied CCyB on their private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

Effective from 31 January 2021, HLA requirement is applicable to financial institutions designated as domestic systemically important banks ("D-SIBs"). Arising from this, the Group which is designated as a D-SIB by BNM is required to maintain an additional capital buffer of 0.5% to the regulatory capital requirements in line with the BNM's D-SIB Framework.

Prudential buffers and transitional arrangements

Prior to the COVID-19 pandemic, banking institutions are required to maintain a CCB of 2.5%. However, effective from 25 March 2020, banking institutions are allowed to drawdown the CCB of 2.5% to manage the impact of the COVID-19 pandemic but are required to rebuild this buffer after 31 December 2020 as well as to meet the minimum regulatory requirements by 30 September 2021. The Group and the Bank have not drawn down any of the prudential buffers.

50. CAPITAL ADEQUACY (CONTINUED)

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

Prudential buffers and transitional arrangements (continued)

As allowed under the BNM's Capital Adequacy Frameworks on Capital Components, financial institutions which elect to apply the transitional arrangements for regulatory capital treatment of accounting provisions are allowed to add back a portion of the Stage 1 and Stage 2 provisions for expected credit losses to CET I capital over a four-year period from financial year beginning 2020, or a three-year period from financial year beginning 2021. As at the reporting date, the Group and the Bank have not applied the said transitional arrangements.

(b) The components of CET I, Tier I and Tier II capital of the Group and of the Bank are as follows:

	Group		Bank	
	2021 RM'000	**2020 RM'000**	**2021 RM'000**	**2020 RM'000**
CET I/Tier I Capital:				
Share capital	**9,417,653**	9,417,653	**9,417,653**	9,417,653
Other reserves	**1,241,935**	1,518,824	**575,320**	793,110
Retained profits	**36,766,601**	34,290,480	**29,775,928**	28,373,510
Qualifying non-controlling interests	**702,435**	682,379	**–**	–
Less: Goodwill and other intangible assets	**(2,459,434)**	(2,417,727)	**(695,393)**	(695,393)
Less: Deferred tax assets, net	**(519,009)**	(81,637)	**(273,782)**	–
Less: Defined benefit pension fund assets	**(79,906)**	(2,748)	**(78,762)**	(2,059)
Less: Investment in banking/insurance subsidiary companies and associated companies deducted from CET I capital	**(147,349)**	(105,998)	**(6,205,741)**	(6,183,241)
Total CET I Capital	**44,922,926**	43,301,226	**32,515,223**	31,703,580
Additional Tier I capital securities	**99,822**	99,702	**99,822**	99,702
Qualifying CET I and additional Tier I capital instruments held by third parties	**58,956**	57,785	**–**	–
Total Tier I Capital	**45,081,704**	43,458,713	**32,615,045**	31,803,282
Tier II Capital:				
Stage 1 and Stage 2 expected credit loss allowances#	**3,401,754**	2,664,293	**2,664,630**	1,966,983
Qualifying regulatory reserves	**–**	670,140	**–**	686,899
Subordinated notes	**4,999,998**	4,999,992	**4,999,998**	4,999,992
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	**756,381**	718,503	**–**	–
Others	**133,121**	130,972	**–**	–
Total Tier II Capital	**9,291,254**	9,183,900	**7,664,628**	7,653,874
Total Capital	**54,372,958**	52,642,613	**40,279,673**	39,457,156

Excludes expected credit loss allowances restricted from Tier II capital of the Group and of the Bank of RM423,592,000 and RM179,895,000 respectively (31 December 2020: Nil).

In arriving at the total capital of the Group and of the Bank above, the interim dividends declared subsequent to the financial year end were not deducted.

50. CAPITAL ADEQUACY (CONTINUED)

(c) The breakdown of risk-weighted assets by each major risk category of the Group and of the Bank is as follows:

	Group		Bank	
	2021 RM'000	2020 RM'000	**2021 RM'000**	2020 RM'000
Credit risk	**272,140,328**	266,754,650	**213,170,425**	212,310,530
Market risk	**5,194,182**	4,719,681	**5,119,006**	4,741,815
Operational risk	**20,990,969**	20,141,735	**14,177,493**	13,689,994
Large exposure risk	**564,253**	668,423	**543,334**	641,027
	298,889,732	292,284,489	**233,010,258**	231,383,366

Detailed information on the risk exposures above, as prescribed under BNM's Risk-Weighted Capital Adequacy Framework (Basel II) - Disclosure Requirements (Pillar 3) is presented in the Pillar 3 disclosures section of the Annual Report.

(d) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows:

	Public Islamic Bank Berhad[1]	Public Investment Bank Berhad[2]	Public Bank (L) Ltd[3]	Public Bank (Hong Kong) Limited[4]	Public Finance Limited[4]	Cambodian Public Bank Plc[5]	Public Bank Vietnam Limited[6]
2021							
Before deducting interim dividends*:							
CET I capital ratio	**11.777%**	**52.512%**	**21.875%**	**20.664%**	**27.884%**	**N/A**	**N/A**
Tier I capital ratio	**11.777%**	**52.512%**	**21.875%**	**20.664%**	**27.884%**	**N/A**	**N/A**
Total capital ratio	**15.142%**	**53.404%**	**21.905%**	**21.435%**	**28.923%**	**19.884%**	**30.645%**
After deducting interim dividends*:							
CET I capital ratio	**11.777%**	**45.566%**	**21.875%**	**20.498%**	**25.883%**	**N/A**	**N/A**
Tier I capital ratio	**11.777%**	**45.566%**	**21.875%**	**20.498%**	**25.883%**	**N/A**	**N/A**
Total capital ratio	**15.142%**	**46.459%**	**21.905%**	**21.268%**	**26.923%**	**19.884%**	**30.645%**
2020							
Before deducting interim dividends*:							
CET I capital ratio	12.176%	49.642%	27.913%	19.590%	25.675%	N/A	N/A
Tier I capital ratio	12.176%	49.642%	27.913%	19.590%	25.675%	N/A	N/A
Total capital ratio	15.751%	50.101%	27.931%	20.347%	26.703%	19.808%	36.233%
After deducting interim dividends*:							
CET I capital ratio	12.176%	41.315%	27.913%	19.568%	23.684%	N/A	N/A
Tier I capital ratio	12.176%	41.315%	27.913%	19.568%	23.684%	N/A	N/A
Total capital ratio	15.751%	41.773%	27.931%	20.325%	24.712%	19.808%	36.233%

* Refer to interim dividends declared subsequent to the financial year end.

50. CAPITAL ADEQUACY (CONTINUED)

(d) The capital adequacy ratios of the banking subsidiary companies of the Bank are as follows (continued):

[1] The risk-weighted assets of Public Islamic Bank Berhad ("PIBB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Frameworks for Islamic Banks on Capital Components and Risk-Weighted Assets. The minimum regulatory capital adequacy requirements before including CCB and CCyB for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively. PIBB is required to maintain a CCB of 2.5% and a CCyB if this buffer is applied by regulators in countries which PIBB has exposures to.

[2] The risk-weighted assets of Public Investment Bank Berhad ("PIVB") are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed in accordance with BNM's Capital Adequacy Frameworks on Capital Components and Basel II - Risk-Weighted Assets. The minimum regulatory capital adequacy requirements before including CCB and CCyB for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively. PIVB is required to maintain a CCB of 2.5% and a CCyB if this buffer is applied by regulators in countries which PIVB has exposures to.

[3] The risk-weighted assets of Public Bank (L) Ltd are computed based on the Standardised Approach for Credit and Market Risk and the Basic Indicator Approach for Operational Risk. The capital adequacy ratios are computed accordance with the Banking Capital Adequacy Framework - Guidelines on Capital Components and Risk Weighted Assets issued by the Labuan Financial Services Authority. The minimum regulatory capital adequacy requirements for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

[4] These two subsidiary companies have adopted the Standardised Approach for Credit and Market Risk. Public Bank (Hong Kong) Limited has adopted the Basic Indicator Approach for Operational Risk and Public Finance Limited has adopted the Standardised Approach for Operational Risk. The capital adequacy ratios of these two subsidiary companies are computed in accordance with the provisions of the Banking Ordinance relating to Basel III capital standards and the Banking (Capital) Rules. These two subsidiaries are required to maintain a CCB of 2.5% and a CCyB of 1.0% as imposed by Hong Kong Monetary Authority to their private sector exposures in Hong Kong.

[5] The amount presented here is the solvency ratio of Cambodian Public Bank Plc ("Campu Bank"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with National Bank of Cambodia Prakas B7-010-182 and B7-00-46 (amended by Prakas No. B7-04-206 and Prakas No. B7-07-135). This ratio is derived as Campu Bank's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement is 15.0%.

[6] The amount presented here is the capital adequacy ratio of Public Bank Vietnam Limited ("PBVN"), which is the nearest equivalent regulatory compliance ratio. This ratio is computed in accordance with the State Bank of Vietnam ("SBV") Circular No.41/2016/TT-NHNN and is derived as PBVN's capital divided by its risk-weighted assets for credit risk, market risk and operational risk. The minimum regulatory capital adequacy ratio requirement is 8.0%.

51. CAPITAL MANAGEMENT

The Group actively manages its capital to support underlying risks in its business activities and to enable future business growth. The Group's capital management strategy is to continue to maximise shareholders' value via an efficient capital structure, whilst ensuring that it complies with regulatory capital requirements. The allocation of capital resources represents part of the Group's strategic planning review and is subject to the approval of the Board of Directors.

The Group's capital is managed in line with the objectives of the Group Capital Management Framework. The key objectives under the framework include meeting regulatory capital requirements, optimising return to shareholders, maintaining adequate levels and optimum mix of capital, maintaining strong external credit ratings and allocation of capital across business units and subsidiary companies. In order to meet these objectives, the Group actively manages its capital structure and makes adjustments to address changes in the economic environment, regulatory requirements and risk characteristics inherent in its business operations. These initiatives include issuances of capital securities, adjustments to the amount of dividends distributed to shareholders and focus on growth in non-interest income and other less capital-intensive business activities. The Group's Internal Capital Adequacy Assessment Process ("ICAAP") assesses the Group's internal capital requirements beyond the minimum regulatory requirements to ensure its capital commensurates with the Group's risk profile, the complexity of the business activities undertaken and its risk appetite.

The Group's and the Bank's regulatory capital are determined under BNM's Capital Adequacy Frameworks on Capital Components and Basel II - Risk-Weighted Assets and their capital ratios have complied with the minimum requirements set under this guideline. Information on the Group's and the Bank's capital adequacy ratios, regulatory minimum capital requirements and the components of total capital are disclosed in Note 50 (a) and (b).

52. SEGMENT INFORMATION

The following segment information has been prepared in accordance with MFRS 8 Operating Segments, which defines the requirements for the disclosure of financial information of an entity's operating segments. It is prepared on the basis of the "management approach", which requires presentation of the segments on the basis of internal reports about the components of the entity which are regularly reviewed by the chief operating decision-maker in order to allocate resources to a segment and to assess its performance.

The Group's operating and reportable segments are business units engaged in providing different products or services and business units operating in different geographical locations. These businesses are managed and assessed separately as each requires a differentiated strategy focused on the specific products and services provided for the economic, competitive, geographical and regulatory environment in which it operates. For each operating segment, the Management Committee (the chief operating decision-maker) reviews the internal management reports monthly in order to assess their performance.

The Group's domestic business, which also includes Islamic banking business, is organised into the following key operating segments:

(i) Hire Purchase

Hire purchase operations focus on the provision of passenger vehicle financing to all levels of customers.

(ii) Retail Operations

Retail operations focus on providing products and services to individual customers and small and medium enterprises. The products and services offered to customers include credit facilities (mortgages, trade and personal loans), credit cards, remittance services, deposit collection and investment products.

(iii) Corporate Lending

The corporate lending operations cater to the funding needs of large corporate customers which are primarily public listed companies and their related corporations.

52. SEGMENT INFORMATION (CONTINUED)

The Group's domestic business, which also includes Islamic banking business, is organised into the following key operating segments (continued):

(iv) Treasury and Capital Market Operations

The treasury and capital market operations involve in proprietary trading in treasury related products and services such as foreign exchange, money market operations and securities trading.

(v) Investment Banking

The investment banking operations cater to the business needs of large corporate customers through the provision of financial solutions and direct lending. The services offered include structured financing, corporate advisory services, merger and acquisition, stock-broking and debt restructuring advisory services.

(vi) Fund Management

The fund management operations consist of sale of trust units and the management of unit trust funds as conducted by the Bank's wholly-owned subsidiary company, Public Mutual Berhad.

(vii) Others

Others refer mainly to non-core operations such as property holding.

(viii) Head Office and Funding Center

Head office manages the investment of funds from shareholders' funds and capital securities, provides support services to the business segments within the Bank as well as serves as a funding center.

The Group's overseas business operations are organised according to the following geographical locations:

(i) Hong Kong SAR

This includes all business operations conducted by the Bank's subsidiary companies in Hong Kong SAR and the People's Republic of China, including retail and commercial banking and lending, wealth management services, stock-broking and other related financial services.

(ii) Cambodia

This comprises all business operations conducted by the Bank's subsidiary companies in Cambodia, which includes mainly financing, deposit-taking, general insurance businesses and stock-broking.

(iii) Other Countries

This refers to the Group's banking business operations in the Socialist Republic of Vietnam, Lao People's Democratic Republic and Sri Lanka.

There are no changes in the operating segments during the year.

Measurement and Evaluation of Segment Performance

The Management Committee evaluates operating segments' performance on the basis of revenue, profit, cost-to-income ratio, loan and deposit growth and asset quality. Expenses directly associated with each operating segment are included in determining their respective profit. Transactions between operating segments are based on mutually agreed allocation bases. Funds are allocated between segments and inter-segment funding cost transfers are reflected in net interest income.

Major Customers

There is no single customer which contributes revenue amount greater than 10% of the Group's revenues for the current financial year (2020 – none).

52. SEGMENT INFORMATION (CONTINUED)

By Business Segments:

2021	Domestic Operating Segments									Overseas Operating Segments					
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office and Funding Center RM'000	Total Domestic Operations RM'000	Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
External revenue	2,515,651	9,038,806	1,497,616	871,576	228,674	1,816,560	56,726	1,940,336	17,965,945	894,115	442,436	320,006	1,656,557	-	19,622,502
Revenue from other segments	1,292	1,754,829	23,148	1,327,839	770	46,433	1,206	450,566	3,606,083	-	14,498	2,233	16,731	(3,622,814)	-
Total revenue	2,516,943	10,793,635	1,520,764	2,199,415	229,444	1,862,993	57,932	2,390,902	21,572,028	894,115	456,934	322,239	1,673,288	(3,622,814)	19,622,502
Net interest income/(expense) and Islamic banking income	799,555	5,830,702	634,084	149,954	37,515	12,097	(13,449)	1,300,506	8,750,964	682,096	294,557	204,186	1,180,839	(3,091)	9,928,712
Other income/(expense)	1,546	824,775	31,241	336,891	97,479	1,132,790	8,461	34,231	2,467,414	124,418	72,940	(11,812)	185,546	(37,195)	2,615,765
Net income/(expense)	801,101	6,655,477	665,325	486,845	134,994	1,144,887	(4,988)	1,334,737	11,218,378	806,514	367,497	192,374	1,366,385	(40,286)	12,544,477
Other operating expenses	(247,399)	(2,076,016)	(20,557)	(53,445)	(49,642)	(266,788)	(25,402)	(584,030)	(3,323,279)	(437,784)	(117,526)	(127,004)	(682,314)	40,286	(3,965,307)
of which:															
Depreciation	*(1,746)*	*(80,247)*	*(957)*	*(6,127)*	*(4,731)*	*(16,639)*	*(6,957)*	*(152,655)*	*(270,059)*	*(54,241)*	*(20,970)*	*(18,044)*	*(93,255)*	-	*(363,314)*
Allowance for impairment on loans, advances and financing	(670,752)	(262,203)	(199,948)	-	(4,575)	(13)	-	-	(1,137,491)	(48,405)	(7,626)	(7,681)	(63,712)	-	(1,201,203)
(Allowance)/Writeback of allowance for impairment on other assets	-	(5,878)	-	(787)	(74)	-	-	(1,380)	(8,119)	88	129	1,967	2,184	-	(5,935)
(Loss)/Profit by segments	(117,050)	4,311,380	444,820	432,613	80,703	878,086	(30,390)	749,327	6,749,489	320,413	242,474	59,656	622,543	-	7,372,032
Reconciliation of segment profits to consolidated profits:															
Share of loss after tax of equity accounted associated companies									(5,457)				-		(5,457)
Profit before tax expense and zakat									6,744,032				622,543		7,366,575
Cost-to-income ratio	30.9%	31.2%	3.1%	11.0%	36.8%	23.3%	n/a	43.8%	29.6%	54.3%	32.0%	66.0%	49.9%		31.6%

52. SEGMENT INFORMATION (CONTINUED)

By Business Segments (continued):

2021 (continued)	Domestic Operating Segments									Overseas Operating Segments					
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office and Funding Center RM'000	Total Domestic Operations RM'000	Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
Gross loans, advances and financing	53,441,441	239,242,456	41,449,551	-	390,368	120,835	1,452	-	334,646,103	14,041,917	4,919,034	4,419,698	23,380,649	-	358,026,752
Loan growth	2.1%	4.9%	-3.2%	-	4.3%	4.0%	1.5%	-	3.4%	3.2%	6.8%	19.2%	6.6%	-	3.6%
Impaired loans and financing	138,181	583,512	104,765	-	-	1,229	-	-	827,687	132,655	28,751	112,830	274,236	-	1,101,923
Impaired loan/financing ratio	0.3%	0.2%	0.3%	-	-	1.0%	-	-	0.2%	0.9%	0.6%	2.6%	1.2%	-	0.3%
Deposits from customers	-	288,217,784	184,230	63,246,181	966,909	-	-	-	352,615,104	17,210,588	7,028,531	3,539,991	27,779,110	-	380,394,214
Deposit growth	-	4.7%	-15.1%	3.9%	-5.6%	-	-	-	4.5%	-2.9%	-6.9%	12.6%	-2.2%	-	4.0%
Addition to non-current assets	971	60,440	65	2,687	5,690	5,341	3,387	59,045	137,626	58,291	9,154	17,654	85,099	-	222,725
Segment assets	52,426,536	297,423,883	40,571,767	71,986,292	2,377,081	529,188	828,824	51,315,736	517,459,307	21,786,085	10,139,950	7,507,228	39,433,263	(99,216,014)	457,676,556
Reconciliation of segment assets to consolidated assets:															
Investment in associated companies									115,427				16		115,443
Unallocated assets									2,488,022				-		2,488,022
Intangible assets									775,493				1,683,941		2,459,434
Total assets									520,838,249				41,117,220		462,739,455

52. SEGMENT INFORMATION (CONTINUED)

By Business Segments (continued):

2020	Domestic Operating Segments									Overseas Operating Segments					
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office and Funding Center RM'000	Total Domestic Operations RM'000	Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
External revenue	2,473,446	9,546,567	1,711,987	1,119,217	278,736	1,517,156	54,818	1,758,397	18,460,324	1,030,470	462,160	350,980	1,843,610	–	20,303,934
Revenue from other segments	2,411	2,246,445	29,664	1,821,313	889	46,321	963	562,190	4,710,196	–	38,170	13,187	51,357	(4,761,553)	–
Total revenue	2,475,857	11,793,012	1,741,651	2,940,530	279,625	1,563,477	55,781	2,320,587	23,170,520	1,030,470	500,330	364,167	1,894,967	(4,761,553)	20,303,934
Net interest income/(expense) and Islamic banking income	615,719	5,487,169	623,971	209,460	32,830	5,472	(16,775)	340,885	7,298,731	665,877	331,252	195,343	1,192,472	(34)	8,491,169
Other income	2,259	740,248	26,793	407,892	132,953	972,432	7,610	330,869	2,621,056	150,452	71,613	19,761	241,826	(41,671)	2,821,211
Net income/(loss)	617,978	6,227,417	650,764	617,352	165,783	977,904	(9,165)	671,754	9,919,787	816,329	402,865	215,104	1,434,298	(41,705)	11,312,380
Other operating expenses	(254,369)	(1,988,321)	(18,412)	(49,208)	(49,662)	(263,116)	(25,248)	(609,781)	(3,258,117)	(456,701)	(119,904)	(116,448)	(693,053)	41,705	(3,909,465)
of which:															
Depreciation	*(2,206)*	*(89,464)*	*(885)*	*(2,933)*	*(3,028)*	*(24,912)*	*(6,777)*	*(137,897)*	*(268,102)*	*(56,920)*	*(23,227)*	*(16,170)*	*(96,317)*	–	*(364,419)*
(Allowance)/Writeback of allowance for impairment on loans, advances and financing	(257,131)	(564,071)	(170,650)	–	853	–	–	–	(990,999)	(100,090)	(22,876)	7,669	(115,297)	–	(1,106,296)
Allowance for impairment on other assets	–	(8,586)	–	(324)	(40)	–	–	(3,245)	(12,195)	(148)	(142)	(1,183)	(1,473)	–	(13,668)
Profit/(loss) by segments	106,478	3,666,439	461,702	567,820	116,934	714,788	(34,413)	58,728	5,658,476	259,390	259,943	105,142	624,475	–	6,282,951
Reconciliation of segment profits to consolidated profits:															
Share of profit after tax of equity accounted associated companies									2,112				–		2,112
Profit before tax expense and zakat									5,660,588				624,475		6,285,063
Cost-to-income ratio	41.2%	31.9%	2.8%	8.0%	30.0%	26.9%	n/a	90.8%	32.8%	55.9%	29.8%	54.1%	48.3%		34.6%

52. SEGMENT INFORMATION (CONTINUED)

By Business Segments (continued):

2020 (continued)	Domestic Operating Segments									Overseas Operating Segments					
	Hire Purchase RM'000	Retail Operations RM'000	Corporate Lending RM'000	Treasury and Capital Market Operations RM'000	Investment Banking RM'000	Fund Management RM'000	Others RM'000	Head Office and Funding Center RM'000	Total Domestic Operations RM'000	Hong Kong SAR RM'000	Cambodia RM'000	Other Countries RM'000	Total Overseas Operations RM'000	Inter-segment Elimination RM'000	Group Total RM'000
Gross loans, advances and financing	52,362,644	228,073,772	42,799,841	–	374,274	116,158	1,430	–	323,728,119	13,607,461	4,606,971	3,708,676	21,923,108	–	345,651,227
Loan growth	6.6%	6.0%	1.0%	–	7.1%	11.2%	-7.5%	–	5.4%	-10.3%	-2.4%	8.5%	-5.9%	–	4.6%
Impaired loans and financing	159,751	773,016	62,946	–	–	249	–	–	995,962	120,136	28,801	106,319	255,256	–	1,251,218
Impaired loan/financing ratio	0.3%	0.3%	0.1%	–	–	0.2%	–	–	0.3%	0.9%	0.6%	2.9%	1.2%	–	0.4%
Deposits from customers	–	275,328,254	217,042	60,888,531	1,023,910	–	–	–	337,457,737	17,718,682	7,551,157	3,143,175	28,413,014	–	365,870,751
Deposit growth	–	6.1%	9.9%	-6.0%	37.1%	–	–	–	3.8%	-0.6%	-3.0%	24.3%	1.0%	–	3.5%
Addition to non-current assets	1,287	69,776	207	14,794	34,554	6,335	1,875	304,103	432,931	55,832	16,513	24,563	96,908	–	529,839
Segment assets	51,993,465	283,652,850	42,127,775	74,184,866	2,143,660	662,829	834,339	52,897,113	508,496,897	22,095,746	10,862,572	6,470,493	39,428,811	(100,877,933)	447,047,775
Reconciliation of segment assets to consolidated assets:															
Investment in associated companies									78,405				16		78,421
Unallocated assets									1,712,944				–		1,712,944
Intangible assets									775,493				1,642,234		2,417,727
Total assets									511,063,739				41,071,061		451,256,867

53. RATING STATEMENT

As at 31 December 2021, the Bank was accorded the following ratings:

Agencies	Date accorded/Reaffirmed	Ratings
RAM Rating Services Berhad	1 June 2021 (Reaffirmed)	Long-Term Rating: AAA
	1 June 2021 (Reaffirmed)	Short-Term Rating: P1
	1 June 2021 (Reaffirmed)	Outlook: Stable
	1 June 2021 (Reaffirmed)	Senior Medium-Term Notes Programme: AAA/Stable
	1 June 2021 (Reaffirmed)	RM10 Billion Subordinated Medium-Term Notes Programme: AA1/Stable
	1 June 2021 (Reaffirmed)	RM10 Billion Additional Tier-I Capital Securities Programme: AA3/Stable
Moody's Investors Service	17 January 2022 (Reaffirmed)	Foreign Currency: Long-Term Deposits Rating: A3 Short-Term Deposits Rating: P-2
	17 January 2022 (Reaffirmed)	Local Currency: Long-Term Deposits Rating: A3 Short-Term Deposits Rating: P-2
	17 January 2022 (Reaffirmed)	Foreign Currency Outlook: Stable
	17 January 2022 (Reaffirmed)	Local Currency Outlook: Stable
Standard & Poor's Ratings Services	21 January 2022 (Reaffirmed)	Foreign Currency: Long-Term Rating: A- Short-Term Rating: A-2
	21 January 2022 (Reaffirmed)	Local Currency: Long-Term Deposits Rating: A- Short-Term Deposits Rating: A-2
	21 January 2022 (Reaffirmed)	Foreign Currency Outlook: Negative
	21 January 2022 (Reaffirmed)	Local Currency Outlook: Negative

54. SIGNIFICANT EVENTS

There were no significant events other than as disclosed in Note 2(i)(b) to the financial statements.

55. SUBSEQUENT EVENTS

There were no material events subsequent to the reporting date that require disclosure or adjustments to the financial statements.

56. ISLAMIC BANKING BUSINESS

The financial position as at 31 December 2021 and results for the financial year ended on this date under the Islamic banking business of the Group, which is conducted by the Bank's wholly-owned subsidiary company, Public Islamic Bank Berhad, are summarised as follows:

Statement of Financial Position as at 31 December 2021

		Group	
	Note	2021 RM'000	2020 RM'000
ASSETS			
Cash and balances with banks		**659,606**	2,112,828
Derivative financial assets		**14,587**	1,317
Financial investments at fair value through other comprehensive income		**10,241,995**	9,717,771
Financial investments at amortised cost		**5,493,069**	4,520,961
Financing and advances	(a)	**59,315,652**	54,176,355
Other assets		**201,811**	232,231
Statutory deposits with Bank Negara Malaysia		**181,500**	168,200
Deferred tax assets		**145,034**	–
Collective investments		**577,254**	565,504
Investment in an associated company		**67,500**	45,000
Right-of-use assets		**14,992**	17,137
Property and equipment		**3,415**	3,525
Total Assets		**76,916,415**	71,560,829
LIABILITIES AND ISLAMIC BANKING FUNDS			
Deposits from customers	(b)	**66,307,110**	61,817,897
Deposits from banks and other financial institutions		**2,105,771**	2,067,854
Bills and acceptances payable		**284**	481
Recourse obligations on financing sold to Cagamas		**1,100,000**	–
Derivative financial liabilities		**103,576**	196,035
Senior Sukuk Murabahah		**–**	519,950
Subordinated Sukuk Murabahah		**1,000,000**	1,000,000
Lease liabilities		**15,483**	18,227
Other liabilities		**433,146**	412,542
Provision for zakat and taxation		**81,736**	318
Deferred tax liabilities		**–**	104,135
Total Liabilities		**71,147,106**	66,137,439
Islamic Banking Funds		**5,769,309**	5,423,390
Total Liabilities and Islamic Banking Funds		**76,916,415**	71,560,829
COMMITMENTS AND CONTINGENCIES		**14,261,352**	11,946,719

The accompanying notes form an integral part of the financial statements

56. ISLAMIC BANKING BUSINESS (CONTINUED)

Statement of Profit or Loss for the year ended 31 December 2021

	Group	
	2021 RM'000	**2020 RM'000**
Income derived from investment of depositors' funds and others*	**2,432,336**	2,404,696
Income derived from investment of Islamic Banking Funds*	**203,388**	208,186
Allowance for impairment on financing and advances	**(261,509)**	(204,733)
Allowance for impairment on other assets	**(1,277)**	(191)
Total distributable income	**2,372,938**	2,407,958
Income attributable to depositors and others	**(1,141,683)**	(1,430,023)
Total net income	**1,231,255**	977,935
Personnel expenses	**(22,760)**	(21,630)
Other overheads and expenditures	**(479,776)**	(450,348)
Profit before zakat and taxation	**728,719**	505,957
Zakat	**(713)**	(1,206)
Taxation	**(171,248)**	(117,146)
Profit for the year	**556,758**	387,605

Net income from Islamic banking business as reported in the statement of profit or loss of the Group is derived as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Income derived from investment of depositors' funds and others*	**2,432,336**	2,404,696
Income derived from investment of Islamic Banking Funds*	**203,388**	208,186
Income attributable to depositors and others	**(1,141,683)**	(1,430,023)
	1,494,041	1,182,859
Elimination of inter-company income and expenses	**119,630**	128,534
Net income from Islamic banking business reported in the statement of profit or loss of the Group	**1,613,671**	1,311,393

* Included day 1 net modification loss relating to repayment assistance measures of the Group of RM33,074,000 (2020: RM174,624,000) (Note 31).

The accompanying notes form an integral part of the financial statements

56. ISLAMIC BANKING BUSINESS (CONTINUED)

Statement of Comprehensive Income for the year ended 31 December 2021

	Group	
	2021 RM'000	**2020 RM'000**
Profit for the year	**556,758**	387,605
Other comprehensive income/(loss):		
Items that will not be reclassified to profit or loss:		
Gain on remeasurements of defined benefit plans	**1,021**	578
Items that may be reclassified to profit or loss:		
Net change in revaluation of financial investments at fair value through other comprehensive income	**(384,984)**	145,475
Net change in cash flow hedges	**106,543**	(104,199)
	(278,441)	41,276
Income tax effect	**66,581**	(10,045)
Other comprehensive (loss)/income for the year, net of tax	**(210,839)**	31,809
Total comprehensive income for the year	**345,919**	419,414

The accompanying notes form an integral part of the financial statements

56. ISLAMIC BANKING BUSINESS (CONTINUED)

Statement of Changes in Islamic Banking Funds for the year ended 31 December 2021

Group	Non-distributable Capital Funds RM'000	Non-distributable Regulatory Reserves RM'000	Non-distributable Hedging Reserves RM'000	Non-distributable Revaluation Reserves RM'000	Non-distributable Defined Benefit Reserves RM'000	Non-distributable Other Reserves RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 January 2021	**2,732,717**	**156,181**	**(148,851)**	**192,730**	**4,697**	**172**	**2,485,744**	**5,423,390**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**–**	**556,758**	**556,758**
Other comprehensive income/ (loss) for the year	**–**	**–**	**80,973**	**(292,588)**	**776**	**–**	**–**	**(210,839)**
Total comprehensive income/ (loss) for the year	**–**	**–**	**80,973**	**(292,588)**	**776**	**–**	**556,758**	**345,919**
Transactions with owners/ other equity movements:								
Transfer from regulatory reserves	**–**	**(156,181)**	**–**	**–**	**–**	**–**	**156,181**	**–**
At 31 December 2021	**2,732,717**	**–**	**(67,878)**	**(99,858)**	**5,473**	**172**	**3,198,683**	**5,769,309**

Group	Non-distributable Capital Funds RM'000	Non-distributable Regulatory Reserves RM'000	Non-distributable Hedging Reserves RM'000	Non-distributable Revaluation Reserves RM'000	Non-distributable Defined Benefit Reserves RM'000	Non-distributable Other Reserves RM'000	Distributable Retained Profits RM'000	Total RM'000
At 1 January 2020	2,732,717	309,431	(69,660)	82,169	4,258	172	1,944,889	5,003,976
Profit for the year	–	–	–	–	–	–	387,605	387,605
Other comprehensive (loss)/ income for the year	–	–	(79,191)	110,561	439	–	–	31,809
Total comprehensive (loss)/ income for the year	–	–	(79,191)	110,561	439	–	387,605	419,414
Transactions with owners/ other equity movements:								
Transfer from regulatory reserves	–	(153,250)	–	–	–	–	153,250	–
At 31 December 2020	2,732,717	156,181	(148,851)	192,730	4,697	172	2,485,744	5,423,390

The accompanying notes form an integral part of the financial statements

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances

(i) Net financing and advances analysed by type and Shariah contracts are as follows:

31 December 2021	Bai' Bithaman Ajil RM'000	Ijarah Thumma Al-Bai' RM'000	Bai' Inah RM'000	Musharakah Mutanaqisah RM'000	Murabahah RM'000	Others RM'000	Total Financing and Advances RM'000
At amortised cost							
Cash line	1,520,988	–	–	–	–	–	1,520,988
Term financing							
– House financing	5,448,803	–	–	21,967,856	–	–	27,416,659
– Syndicated financing	1,359,404	–	–	–	–	–	1,359,404
– Hire purchase receivables	–	9,569,371	–	–	–	–	9,569,371
– Other term financing	4,585,323	–	1,708,438	13,179,826	–	158,194	19,631,781
Credit card receivables	–	–	–	–	–	51,488	51,488
Bills receivables	–	–	–	–	871	–	871
Trust receipts	–	–	–	–	5,112	–	5,112
Claims on customers under acceptance credits	–	–	–	–	172,488	–	172,488
Revolving credits	193,804	–	–	–	–	–	193,804
Staff financing	–	12,786	–	108,261	–	–	121,047
Gross financing and advances	13,108,322	9,582,157	1,708,438	35,255,943	178,471	209,682	60,043,013
Allowance for impairment on financing and advances:							
– Expected credit losses							(727,361)
– Stage 1: 12-Month ECL							(401,495)
– Stage 2: Lifetime ECL not credit-impaired							(283,903)
– Stage 3: Lifetime ECL credit-impaired							(41,963)
Net financing and advances							59,315,652

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(i) Net financing and advances analysed by type and Shariah contracts are as follows (continued):

31 December 2020	Bai' Bithaman Ajil RM'000	Ijarah Thumma Al-Bai' RM'000	Bai' Inah RM'000	Musharakah Mutanaqisah RM'000	Murabahah RM'000	Others RM'000	Total Financing and Advances RM'000
At amortised cost							
Cash line	1,515,623	–	–	–	–	–	1,515,623
Term financing							
– House financing	5,470,603	–	–	18,168,232	–	–	23,638,835
– Syndicated financing	1,341,516	–	–	–	–	–	1,341,516
– Hire purchase receivables	–	8,798,205	–	–	–	–	8,798,205
– Other term financing	4,680,794	–	1,702,074	12,205,232	–	211,199	18,799,299
Credit card receivables	–	–	–	–	–	34,699	34,699
Bills receivables	–	–	–	–	1,114	–	1,114
Trust receipts	–	–	–	–	4,155	–	4,155
Claims on customers under acceptance credits	–	–	–	–	162,079	–	162,079
Revolving credits	248,884	–	–	–	–	–	248,884
Staff financing	–	11,002	–	94,943	–	–	105,945
Gross financing and advances	13,257,420	8,809,207	1,702,074	30,468,407	167,348	245,898	54,650,354
Allowance for impairment on financing and advances:							
– Expected credit losses							(473,999)
– Stage 1: 12-Month ECL							(249,018)
– Stage 2: Lifetime ECL not credit-impaired							(175,333)
– Stage 3: Lifetime ECL credit-impaired							(49,648)
Net financing and advances							54,176,355

All the Group's Islamic banking financing and advances are located in Malaysia.

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(ii) The maturity structure of gross financing and advances by residual contractual maturity is as follows:

	Group	
	2021 RM'000	2020 RM'000
Maturity within one year	**2,619,719**	2,705,318
More than one year to three years	**3,173,331**	2,847,751
More than three years to five years	**4,597,363**	5,234,002
More than five years	**49,652,600**	43,863,283
	60,043,013	54,650,354

(iii) Gross financing and advances presented by class of financial instruments are as follows:

	Group	
	2021 RM'000	2020 RM'000
Retail financing*		
– House financing	**27,416,659**	23,638,835
– Hire purchase	**9,569,371**	8,798,205
– Credit cards	**51,488**	34,699
– Other financing^	**18,098,175**	17,188,431
	55,135,693	49,660,170
Corporate financing	**4,907,320**	4,990,184
	60,043,013	54,650,354

* Included in retail financing are financing granted to individual customers and mid-market commercial enterprises.
^ Included in other financing are term financing, trade financing, cash line and revolving credit.

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(iv) Gross financing and advances analysed by type of customer are as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Other domestic non-bank financial institutions		
– Others	**1,277,429**	1,288,555
Domestic business enterprises		
– Small and medium enterprises	**10,012,187**	9,580,323
– Others	**3,107,412**	3,182,038
Government and statutory bodies	**1,001,907**	1,002,236
Individuals	**44,472,234**	39,376,764
Other domestic entities	**4,478**	5,592
Foreign entities	**167,366**	214,846
	60,043,013	54,650,354

(v) Gross financing and advances analysed by rate of return sensitivity are as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Fixed rate		
– House financing	**214,979**	241,969
– Hire purchase receivables	**9,568,986**	8,797,731
– Other fixed rate financing	**3,590,876**	3,207,286
Variable rate		
– Base rate/Base financing rate plus	**43,045,489**	38,315,464
– Cost plus	**3,622,683**	4,087,904
	60,043,013	54,650,354

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(vi) Gross financing and advances analysed by economic purpose are as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Purchase of transport vehicles	**9,582,156**	8,809,205
Purchase of landed properties	**40,157,899**	36,166,126
(of which: – residential	**28,147,415**	24,238,949
– non-residential)	**12,010,484**	11,927,177
Purchase of fixed assets (excluding landed properties)	**350**	382
Personal use	**3,047,753**	3,003,698
Credit card	**51,488**	34,699
Purchase of consumer durables	**480**	695
Construction	**918,143**	777,160
Working capital	**5,666,542**	5,719,179
Other purpose	**618,202**	139,210
	60,043,013	54,650,354

(vii) Gross financing and advances analysed by sector are as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Agriculture, hunting, forestry and fishing	**467,084**	889,124
Mining and quarrying	**124,844**	149,280
Manufacturing	**1,557,619**	1,508,088
Electricity, gas and water	**5,269**	5,174
Construction	**2,671,339**	2,408,706
Wholesale & retail trade and restaurants & hotels	**3,199,424**	2,960,882
Transport, storage and communication	**938,448**	473,145
Finance, insurance and business services	**1,747,674**	1,773,243
Real estate	**3,377,338**	3,646,447
Community, social and personal services	**1,371,257**	1,354,561
Households	**44,582,717**	39,481,702
Others	**–**	2
	60,043,013	54,650,354

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(viii) Movements in credit-impaired ("impaired") financing and advances are as follows:

	Group	
	2021 RM'000	**2020 RM'000**
At 1 January	**169,421**	275,050
Impaired during the year	**189,972**	190,044
Reclassified as non-impaired during the year	**(156,605)**	(191,093)
Recoveries	**(34,891)**	(39,279)
Amount written off	**(31,288)**	(60,617)
Financing converted to foreclosed properties	**(4,349)**	(4,684)
At 31 December	**132,260**	169,421
Gross impaired financing and advances as % of gross financing and advances	**0.22%**	0.31%

(ix) Impaired financing and advances analysed by economic purpose are as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Purchase of transport vehicles	**29,141**	38,903
Purchase of landed properties	**84,414**	111,636
(of which: – residential	**48,885**	86,075
– non-residential)	**35,529**	25,561
Personal use	**15,350**	14,229
Credit card	**150**	120
Working capital	**3,187**	4,513
Other purpose	**18**	20
	132,260	169,421

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(x) Impaired financing and advances analysed by sector are as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Agriculture, hunting, forestry and fishing	**66**	55
Mining and quarrying	**242**	231
Manufacturing	**589**	606
Construction	**3,500**	8,377
Wholesale & retail trade and restaurants & hotels	**1,295**	4,505
Transport, storage and communication	**329**	134
Finance, insurance and business services	**23,566**	6,855
Real estate	**1,754**	1,670
Community, social and personal services	**1,229**	1,555
Households	**99,690**	145,433
	132,260	169,421

All the Group's Islamic banking impaired financing and advances are located in Malaysia.

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows:

2021	Retail Financing House Financing RM'000	Retail Financing Hire Purchase RM'000	Retail Financing Credit Cards RM'000	Retail Financing Other Financing RM'000	Corporate Financing RM'000	Total RM'000
Stage 1: 12-Month ECL						
At 1 January 2021	**22,379**	**73,337**	**460**	**106,672**	**46,170**	**249,018**
Changes due to financing and advances recognised as at 1 January 2021	**8,530**	**18,481**	**30**	**8,289**	**(41)**	**35,289**
– Transfer to Stage 1: 12-Month ECL	**9,030**	**21,338**	**53**	**9,922**	**–**	**40,343**
– Transfer to Stage 2: Lifetime ECL not credit-impaired	**(496)**	**(2,767)**	**(23)**	**(1,577)**	**(41)**	**(4,904)**
– Transfer to Stage 3: Lifetime ECL credit-impaired	**(4)**	**(90)**	**–**	**(56)**	**–**	**(150)**
New financing and advances originated	**1,741**	**5,106**	**178**	**3,902**	**2,173**	**13,100**
Net remeasurement due to changes in credit risk	**(7,280)**	**121,722**	**69**	**27,665**	**5,680**	**147,856**
Financing and advances derecognised (other than write-off)	**(222)**	**(2,052)**	**(8)**	**(1,439)**	**(1,619)**	**(5,340)**
Modifications to contractual cash flows of financing and advances	**(1,014)**	**(181)**	**(1)**	**(1,410)**	**1,268**	**(1,338)**
Changes in models/risk parameters	**(12,419)**	**(22,454)**	**(98)**	**(4,049)**	**2,701**	**(36,319)**
Amount written off	**–**	**(771)**	**–**	**–**	**–**	**(771)**
At 31 December 2021	**11,715**	**193,188**	**630**	**139,630**	**56,332**	**401,495**

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

2021	Retail Financing				Corporate Financing RM'000	Total RM'000
	House Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Financing RM'000		
Stage 2: Lifetime ECL not credit-impaired						
At 1 January 2021	20,761	40,150	93	98,377	15,952	175,333
Changes due to financing and advances recognised as at 1 January 2021	(4,590)	(16,603)	(1)	(6,608)	41	(27,761)
– Transfer to Stage 1: 12-Month ECL	(7,682)	(19,812)	(31)	(9,328)	–	(36,853)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	3,351	4,014	35	3,006	41	10,447
– Transfer to Stage 3: Lifetime ECL credit-impaired	(259)	(805)	(5)	(286)	–	(1,355)
New financing and advances originated	1,728	2,531	55	3,118	171	7,603
Net remeasurement due to changes in credit risk	(8,084)	26,670	116	17,148	451	36,301
Financing and advances derecognised (other than write-off)	(1,359)	(1,906)	(51)	(2,177)	(17,353)	(22,846)
Modifications to contractual cash flows of financing and advances	23,336	6,893	51	15,832	4,417	50,529
Changes in models/risk parameters	10,764	27,659	202	24,613	1,506	64,744
At 31 December 2021	42,556	85,394	465	150,303	5,185	283,903

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

2021	Retail Financing					
	House Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Financing RM'000	Corporate Financing RM'000	Total RM'000
Stage 3: Lifetime ECL credit-impaired						
At 1 January 2021	**10,794**	**26,510**	**96**	**12,248**	**–**	**49,648**
Changes due to financing and advances recognised as at 1 January 2021	**(3,940)**	**(1,878)**	**(29)**	**(1,681)**	**–**	**(7,528)**
– Transfer to Stage 1: 12-Month ECL	**(1,348)**	**(1,526)**	**(22)**	**(594)**	**–**	**(3,490)**
– Transfer to Stage 2: Lifetime ECL not credit-impaired	**(2,855)**	**(1,247)**	**(12)**	**(1,429)**	**–**	**(5,543)**
– Transfer to Stage 3: Lifetime ECL credit-impaired	**263**	**895**	**5**	**342**	**–**	**1,505**
New financing and advances originated*	**35**	**180**	**3**	**274**	**–**	**492**
Net remeasurement due to changes in credit risk	**4,011**	**15,297**	**177**	**12,927**	**–**	**32,412**
Financing and advances derecognised (other than write-off)	**(602)**	**(4,382)**	**(11)**	**(759)**	**–**	**(5,754)**
Modifications to contractual cash flows of financing and advances	**510**	**1,608**	**137**	**1,725**	**–**	**3,980**
Changes in models/risk parameters	**–**	**–**	**–**	**1**	**–**	**1**
Amount written off	**(5,430)**	**(16,858)**	**(253)**	**(8,747)**	**–**	**(31,288)**
At 31 December 2021	**5,378**	**20,477**	**120**	**15,988**	**–**	**41,963**
Total ECL as at 31 December 2021	**59,649**	**299,059**	**1,215**	**305,921**	**61,517**	**727,361**

* New financing and advances originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

	Retail Financing					
2020	**House Financing RM'000**	**Hire Purchase RM'000**	**Credit Cards RM'000**	**Other Financing RM'000**	**Corporate Financing RM'000**	**Total RM'000**
Stage 1: 12-Month ECL						
At 1 January 2020	17,019	40,091	319	55,571	16,065	129,065
Changes due to financing and advances recognised as at 1 January 2020	9,541	12,390	49	11,328	(425)	32,883
– Transfer to Stage 1: 12-Month ECL	9,880	14,479	64	12,805	–	37,228
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(331)	(2,030)	(14)	(1,453)	(425)	(4,253)
– Transfer to Stage 3: Lifetime ECL credit-impaired	(8)	(59)	(1)	(24)	–	(92)
New financing and advances originated	2,620	5,792	104	5,459	1,051	15,026
Net remeasurement due to changes in credit risk	(6,717)	(2,685)	(13)	35,790	28,374	54,749
Financing and advances derecognised (other than write-off)	(339)	(2,596)	(93)	(1,871)	(1,457)	(6,356)
Modifications to contractual cash flows of financing and advances	(2,166)	(63)	(18)	(5,224)	72	(7,399)
Changes in models/risk parameters	2,421	20,408	112	5,619	2,490	31,050
At 31 December 2020	22,379	73,337	460	106,672	46,170	249,018

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

2020	Retail Financing					
	House Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Financing RM'000	Corporate Financing RM'000	Total RM'000
Stage 2: Lifetime ECL not credit-impaired						
At 1 January 2020	13,185	25,055	57	50,930	1,349	90,576
Changes due to financing and advances recognised as at 1 January 2020	(586)	(8,585)	26	(6,196)	166	(15,175)
– Transfer to Stage 1: 12-Month ECL	(7,673)	(12,162)	(18)	(10,637)	–	(30,490)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	7,279	4,139	45	4,943	425	16,831
– Transfer to Stage 3: Lifetime ECL credit-impaired	(192)	(562)	(1)	(502)	(259)	(1,516)
New financing and advances originated	854	1,477	14	4,508	27	6,880
Net remeasurement due to changes in credit risk	109	20,819	17	(1,440)	10,314	29,819
Financing and advances derecognised (other than write-off)	(359)	(687)	(39)	(2,252)	(24)	(3,361)
Modifications to contractual cash flows of financing and advances	6,979	83	(2)	32,956	–	40,016
Changes in models/risk parameters	579	1,988	20	19,871	4,120	26,578
At 31 December 2020	20,761	40,150	93	98,377	15,952	175,333

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(a) Financing and Advances (continued)

(xi) Movements in loss allowance for financing and advances by class which reflect the expected credit losses ("ECL") model on impairment are as follows (continued):

2020	Retail Financing				Corporate Financing RM'000	Total RM'000
	House Financing RM'000	Hire Purchase RM'000	Credit Cards RM'000	Other Financing RM'000		
Stage 3: Lifetime ECL credit-impaired						
At 1 January 2020	19,216	42,471	215	24,020	–	85,922
Changes due to financing and advances recognised as at 1 January 2020	(8,955)	(3,805)	(75)	(5,132)	259	(17,708)
– Transfer to Stage 1: 12-Month ECL	(2,207)	(2,317)	(46)	(2,168)	–	(6,738)
– Transfer to Stage 2: Lifetime ECL not credit-impaired	(6,948)	(2,109)	(31)	(3,490)	–	(12,578)
– Transfer to Stage 3: Lifetime ECL credit-impaired	200	621	2	526	259	1,608
New financing and advances originated*	54	109	–	–	–	163
Net remeasurement due to changes in credit risk	10,527	24,664	189	10,423	(259)	45,544
Financing and advances derecognised (other than write-off)	(447)	(3,562)	(54)	(882)	–	(4,945)
Modifications to contractual cash flows of financing and advances	538	373	36	124	–	1,071
Changes in models/risk parameters	12	188	–	18	–	218
Amount written off	(10,151)	(33,928)	(215)	(16,323)	–	(60,617)
At 31 December 2020	10,794	26,510	96	12,248	–	49,648
Total ECL as at 31 December 2020	53,934	139,997	649	217,297	62,122	473,999

* New financing and advances originated during the year which were not credit-impaired at origination but subsequently the credit risk has deteriorated.

56. ISLAMIC BANKING BUSINESS (CONTINUED)

(b) Deposits From Customers

(i) By type of deposit and contract:

	Group	
	2021 RM'000	**2020 RM'000**
At amortised cost		
Savings deposit		
– Qard	**10,170,977**	8,561,432
Demand deposit		
– Qard	**6,900,483**	5,815,770
Term deposit		
– Commodity Murabahah	**40,081,520**	40,003,712
– Special term deposit account		
– Commodity Murabahah	**9,154,130**	7,436,983
	66,307,110	61,817,897

Included in deposits from customers are deposits of RM454,550,000 (2020 – RM383,204,000) held as collateral for financing and advances.

(ii) By type of customers:

	Group	
	2021 RM'000	**2020 RM'000**
Federal and state governments	**5,089,046**	4,067,101
Local government and statutory authorities	**776,504**	676,356
Business enterprises	**12,438,225**	10,877,438
Individuals	**26,076,260**	23,989,087
Foreign customers	**624,280**	615,937
Others	**21,302,795**	21,591,978
	66,307,110	61,817,897

(iii) The maturity structure of term deposits is as follows:

	Group	
	2021 RM'000	**2020 RM'000**
Due within six months	**36,351,304**	40,950,133
More than six months to one year	**12,840,436**	6,488,683
More than one year to three years	**42,973**	881
More than three years to five years	**937**	998
	49,235,650	47,440,695

APPENDIX

DIRECTORS OF SUBSIDIARY COMPANIES OF THE BANK

The following is the list of directors who served on the boards of the subsidiary companies of the Bank since the beginning of the current financial year to the date of the Directors' Report:

Name of Subsidiary Company	Name of Director
Public Islamic Bank Berhad	Tan Sri Dato' Sri Dr. Teh Hong Piow Dato' Haji Kamil Khalid bin Dato' Mushir Ariff Tan Sri Dato' Sri Tay Ah Lek Mr Vasantha Kumar Tharmalingam Datin Dr. Rusnah binti Muhamad Mr Lam Song Shen Dato' Mohammed Najeeb bin Abdullah *(retired on 30 April 2021)* Dato' Dr. Mahmood Zuhdi bin Haji Ab Majid *(retired on 29 September 2021)*
Public Investment Bank Berhad	Tan Sri Dato' Sri Dr. Teh Hong Piow Tan Sri Dato' Sri Tay Ah Lek Dato' Dr. Thillainathan A/L Ramasamy En. Abdul Karim bin Md Lassim Mr Lim Hun Soon @ David Lim *(appointed on 5 April 2021)* Mr Lim Chao Li *(resigned on 5 April 2021)*
Public Invest Nominees (Tempatan) Sdn. Bhd.	Mr Lee Yo-Hunn Mr Lim Jit Seng Ms Lim Geok Lian
Public Invest Nominees (Asing) Sdn. Bhd.	Mr Lee Yo-Hunn Mr Lim Jit Seng Ms Lim Geok Lian
Public Consolidated Holdings Sdn. Bhd.	Tan Sri Dato' Sri Dr. Teh Hong Piow Mr Quah Poh Keat Ms Yik Sook Ling *(appointed on 1 January 2021)*
Public Mutual Berhad	Tan Sri Dato' Sri Dr. Teh Hong Piow Tan Sri Dato' Sri Tay Ah Lek Mr Quah Poh Keat Dato' Mohammed Najeeb bin Abdullah Dato' Mohd Hanif bin Sher Mohamed Ms Yeoh Kim Hong Dato' (Dr.) Haji Mohamed Ishak bin Haji Mohamed Ariff *(retired on 8 February 2022)*

Name of Subsidiary Company	Name of Director
Public Holdings Sdn. Bhd.	Mr Quah Poh Keat Ms Chang Siew Yen
Public Nominees (Tempatan) Sdn. Bhd.	Dato' Chang Kat Kiam Mr Chan Kok Kwai Mr Raymond Paul Lai Fook Sung Mr Goh Kah Poh
Public Nominees (Asing) Sdn. Bhd.	Dato' Chang Kat Kiam Mr Chan Kok Kwai Mr Raymond Paul Lai Fook Sung Mr Goh Kah Poh
Public Bank (L) Ltd.	Ms Chan Chew Fung Mr Tang Wing Chew Mr Lai Wan
PB Trust (L) Ltd.	Ms Chang Siew Yen Ms Yik Sook Ling
PB Trustee Services Berhad	Dato' Mohammed Najeeb bin Abdullah Ms Chang Siew Yen Ms Yik Sook Ling
PB Venture Capital Sdn. Bhd.	Mr Quah Poh Keat Ms Yik Sook Ling
Public Leasing & Factoring Sdn. Bhd.	Mr Chan Kok Kwai Mr Wong Man Hoe
PB International Factors Sdn. Bhd.	Mr Chan Kok Kwai Mr Wong Man Hoe
Cambodian Public Bank Plc	Tan Sri Dato' Sri Dr. Teh Hong Piow Dato' Mohammed Najeeb bin Abdullah Dato' Chang Kat Kiam Mr Quah Poh Keat Dr. Ghanty Sam Abdoullah Mr Ong Ming Teck *(appointed on 26 April 2021)*
Campu Securities Plc	Mr Quah Poh Keat Dato' Chang Kat Kiam Mr Ong Ming Teck *(appointed on 12 October 2021)*

DIRECTORS OF SUBSIDIARY COMPANIES OF THE BANK (CONTINUED)

The following is the list of directors who served on the boards of the subsidiary companies of the Bank since the beginning of the current financial year to the date of the Directors' Report (continued):

Name of Subsidiary Company	Name of Director
Campu Lonpac Insurance Plc	Mr Tan Kok Guan Dato' Chang Kat Kiam Mr Quah Poh Keat Dr. Ghanty Sam Abdoullah Dato' Mohammed Najeeb bin Abdullah
Public Financial Holdings Limited	Tan Sri Dato' Sri Dr. Teh Hong Piow Mr Lai Wan Mr Quah Poh Keat Mr Lee Chin Guan Dato' Chang Kat Kiam Mr Tan Yoke Kong Mr Chong Yam Kiang Mr Lim Chao Li *(appointed on 14 July 2021)* Ms Cheah Kim Ling *(appointed on 25 February 2022)* Mr Tang Wing Chew *(resigned on 25 February 2022)*
Public Bank (Hong Kong) Limited	Tan Sri Dato' Sri Dr. Teh Hong Piow Mr Lai Wan Tan Sri Dato' Sri Tay Ah Lek Mr Lee Chin Guan Mr Tang Wing Chew Dato' Chang Kat Kiam Mr Tan Yoke Kong Mr Chong Yam Kiang Mr Lim Chao Li *(appointed on 1 November 2021)* Mr Quah Poh Keat *(resigned on 1 November 2021)*
Public Finance Limited	Tan Sri Dato' Sri Dr. Teh Hong Piow Mr Tang Wing Chew Mr Quah Poh Keat Mr Lee Chin Guan Mr Lai Wan Dato' Chang Kat Kiam Mr Chong Yam Kiang Mr Lim Chao Li *(appointed on 1 November 2021)*

Name of Subsidiary Company	Name of Director
Public Financial Limited	Ms Chiu Chik Shang Mr Chong Yam Kiang
Public Securities Limited	Ms Chiu Chik Shang Mr Chong Yam Kiang
Public Securities (Nominees) Limited	Ms Chiu Chik Shang Mr Chong Yam Kiang
Public Financial Securities Limited	Mr Tan Yoke Kong Ms Chau Man Ching, Gladys
Public Bank (Nominees) Limited	Mr Tan Yoke Kong Ms Chan Sau Kuen Mr Chong Yam Kiang
Public Futures Limited	Mr Tan Yoke Kong Ms Chiu Chik Shang
Winton (B.V.I.) Limited	Mr Ng Chee Khuen Mr Chong Yam Kiang
Winton Financial Limited	Mr Ng Chee Khuen Mr Chong Yam Kiang
Winton Motors, Limited	Mr Ng Chee Khuen Mr Chong Yam Kiang
Public Bank Vietnam Limited	Tan Sri Dato' Sri Dr. Teh Hong Piow Dato' Chang Kat Kiam Mr Chee Keng Eng Mr Lee Chin Guan Dato' Mohammed Najeeb bin Abdullah *(appointed on 1 December 2021)* Mr Quah Poh Keat *(retired on 1 June 2021)*

PILLAR 3 **DISCLOSURE**

As at 31 December 2021

OVERVIEW

The Pillar 3 Disclosure is required under the Bank Negara Malaysia ("BNM")'s Risk-Weighted Capital Adequacy Framework ("RWCAF"), which is the equivalent to Basel II issued by the Basel Committee on Banking Supervision and the Islamic Financial Services Board. Basel II consists of 3 Pillars as follows:

(a) Pillar 1 sets out the minimum amount of regulatory capital that banking institutions must hold against credit, market and operational risks they assume;

(b) Pillar 2 promotes the adoption of a more forward-looking approach to capital management and encourages banking institutions to develop and employ more rigorous risk management framework and techniques, including specific oversight by the Board of Directors ("the Board") and senior management on internal controls and corporate governance practices, to ensure that banking institutions maintain adequate capital levels consistent with their risk profile and business plan at all times; and

(c) Pillar 3 aims to harness market discipline through enhanced disclosure to supplement regulatory supervision of banking institutions through a consistent and comprehensive disclosure framework on risk management practices and capital adequacy of banking institutions that will enhance comparability amongst banking institutions.

The Public Bank Group ("the Group") adopted the Standardised Approach in determining the capital requirements for credit risk and market risk and applied the Basic Indicator Approach for operational risk of the Pillar 1 under BNM's RWCAF. Under the Standardised Approach, the Group applied the standard risk weights prescribed by BNM to assess the capital requirements for exposures in credit risk and market risk. The assessment of the capital required for operational risk under the Basic Indicator Approach however, is based on a percentage fixed by BNM over the Group's average gross income for a fixed number of quarterly periods.

The Group's Pillar 3 Disclosure is governed by the Group's Disclosure Policy on Basel II RWCAF/Capital Adequacy Framework for Islamic Banks - Pillar 3 which sets out the minimum disclosure standards, the approach in determining the appropriateness of information disclosed and the internal controls over the disclosure process which cover the verification and review of the accuracy of information disclosed. The information provided herein has been reviewed and verified by the internal auditors and certified by Public Bank Berhad ("the Bank")'s Managing Director/Chief Executive Officer. Under the BNM's RWCAF, the information disclosed herein is not required to be audited by external auditors. The Pillar 3 Disclosure will be published in the Bank's website, www.publicbankgroup.com.

MINIMUM REGULATORY CAPITAL REQUIREMENTS

The Group's principal business activity is commercial banking which focuses mainly on retail banking and financing operations. The following tables present the minimum regulatory capital requirements to support the Group's and the Bank's risk-weighted assets.

	2021		2020	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group				
Credit Risk	**272,140,328**	**21,771,226**	266,754,650	21,340,372
Market Risk	**5,194,182**	**415,535**	4,719,681	377,574
Operational Risk	**20,990,969**	**1,679,278**	20,141,735	1,611,339
Large Exposure Risk	**564,253**	**45,140**	668,423	53,474
Total	**298,889,732**	**23,911,179**	292,284,489	23,382,759
Bank				
Credit Risk	**213,170,425**	**17,053,634**	212,310,530	16,984,842
Market Risk	**5,119,006**	**409,521**	4,741,815	379,345
Operational Risk	**14,177,493**	**1,134,199**	13,689,994	1,095,200
Large Exposure Risk	**543,334**	**43,467**	641,027	51,282
Total	**233,010,258**	**18,640,821**	231,383,366	18,510,669

1. SCOPE OF APPLICATION

The Pillar 3 Disclosure is prepared on a consolidated basis and comprises information on the Bank and its subsidiary and associated companies. The Group offers Islamic banking financial services via the Bank's wholly-owned subsidiary company, Public Islamic Bank Berhad ("Public Islamic"). Information on subsidiary and associated companies of the Group is available in Notes 15 and 16 to the financial statements respectively.

The basis of consolidation for financial accounting purposes is described in Note 2(iii)(b) to the financial statements, and differs from that used for regulatory capital purposes. The investment in its insurance associated company, which is equity-accounted in the financial accounting consolidation and the investment in the subsidiary company engaged in insurance activities is excluded from the regulatory consolidation and is deducted from the regulatory capital.

There were no significant restrictions or impediments on the transfer of funds or regulatory capital within the Group.

There were no capital deficiencies in any of the subsidiary companies of the Group during the financial year.

All information in the ensuing sections is based on the Group's positions. Certain information on capital adequacy relating to the Bank is presented on a voluntary basis to provide additional information to users. The capital adequacy-related information of the Bank, which is presented on a global basis, includes its wholly-owned offshore banking subsidiary company, Public Bank (L) Ltd, as required under the RWCAF.

2. CAPITAL MANAGEMENT – INTERNAL CAPITAL ADEQUACY ASSESSMENT PROCESS ("ICAAP")

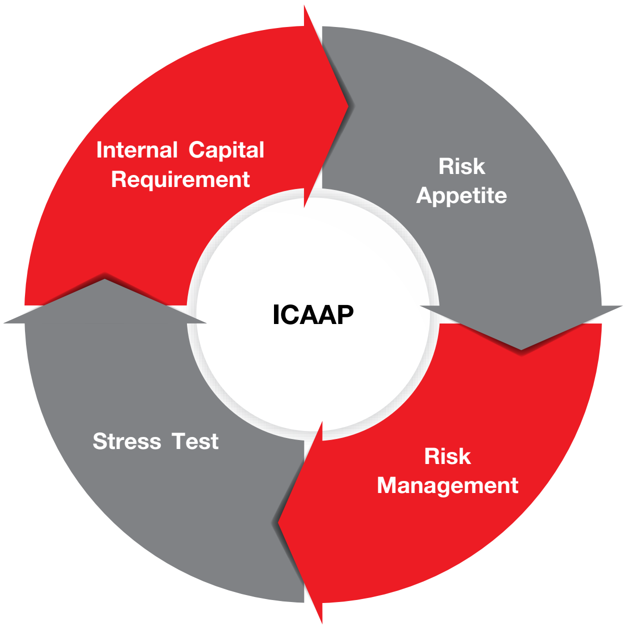
The objective of the Group's capital management is to protect the interests of its depositors, creditors and shareholders. To achieve this, the capital management is subject to ongoing review and the Board's approval on the level and composition of the Group's total capital, assessed against the following key objectives:

- Regulatory requirements on minimal capital required
- Capital levels maintained are adequate to support all material risks and to meet the strategic and business plans
- Capital levels maintained are adequate to support the strong external rating for domestic and international rating agencies
- An appropriate balance between maximising shareholders returns and prudent capital management

This is executed through its Internal Capital Adequacy Assessment Process ("ICAAP"). The ICAAP requires the Group to identify and assess all material risks, maintain sufficient capital to support these risks and apply the appropriate risk management techniques to manage and mitigate these risks within the given level of capital, on an ongoing and forward looking basis. The ICAAP is supported by a strong risk governance structure with clear roles and responsibilities to ensure the effectiveness of the ICAAP with the Board being ultimately responsible for the overall oversight of the ICAAP. In discharging its duty, the Board is assisted by the Risk Management Committee ("RMC") and ICAAP Working Group. Senior management together with the management committees are responsible to ensure the effective implementation of the capital management directions of the Board. The Internal Audit Division ("IAD") is responsible to conduct reviews of processes relating to the ICAAP to ensure their integrity, objectivity and consistency in application.

2. CAPITAL MANAGEMENT – ICAAP (CONTINUED)

The key elements of the Group's ICAAP are as follows:



(a) Risk Appetite

The Group's Risk Appetite expresses the level of risk which the Group is willing to assume within the Group's capacity in order to achieve the Group's objectives, as defined by a set of minimum quantitative metrics and qualitative standards. The key elements applied in setting the Group's Risk Appetite are the strategic business directions, the risk taking capacity and the level of risk currently assumed by the Group. The Board reviews and approves the Risk Appetite on an annual basis, or more frequently in the event of unexpected changes in the risk environment, with the aim of ensuring the Risk Appetite is consistent with the Group's strategic directions, business and regulatory environment and stakeholders' requirements. The setting, cascading, monitoring and the review/revision of the Risk Appetite is set out in the Group's Risk Appetite Framework and is as follows:

Set Risk Appetite

- Set the desired risk appetite considering:
  - Strategic business directions
  - Risk taking capacity
  - Current risk profile
- Articulate risk appetite using:
  - Risk Appetite Metrics

Cascade Risk Appetite

- Cascade the applicable risk appetite via:
  - Financial budgeting process to:
    - Entity level
    - Business units/ control units level
- Assimilation of the risk appetite into policies, frameworks and procedures
- Implementation of Key Risk Indicators

Monitor Risk Appetite

- Regular monitoring of the risk profile against the risk appetite
- Identify the underlying reason for the non-achievements of the risk appetite and develop action plans to address the non-achievements

Review/Revise Risk Appetite

- Review/revise risk appetite in the light of:
  - Changing business and economic condition
  - Evolving strategic business directions

2. CAPITAL MANAGEMENT – ICAAP (CONTINUED)

(b) Risk Management

The Group's Risk Management Framework sets out the principles applied in managing the material risks that the Group is exposed to. The Framework serves to drive the development of a consistent risk management practices which enable the continuous identification, measurement, control, monitoring and reporting of all applicable and material risks and this includes the continuous identification of emerging risks followed by the assessment of the risks on the Group's business and capital positions. Risk limits established to manage the size of the risk exposures are aligned to the overall Risk Appetite. The key principles and components of the Framework are discussed in item 3.

Annual comprehensive risk assessment is undertaken across all the banking entities within the Group as part of ICAAP to identify and assess the following risks:

(i) Risks captured under Pillar 1 (credit risk, operational risk and market risk);

(ii) Risks not fully captured under Pillar 1 (e.g. model risk and residual credit risk); and

(iii) Risk types not covered by Pillar 1 (e.g. credit concentration risk, interest rate risk on banking book, reputation risk, amongst others).

(c) Stress Test

The Group's stress testing process is guided by the Group's Stress Test Policy ("Stress Test Policy"). The objectives of the Stress Test Policy are as follows:

(i) To ensure the establishment of a comprehensive and consistent stress test process in conducting the stress test by all entities within the Group;

(ii) To drive the development of stress test parameters, assumptions and scenarios that are relevant and effective, taking into account the nature, risk profile and complexity of the Group's business as well as the environment in which it operates;

(iii) To ensure all material risks are captured in the stress test including emerging risks;

(iv) To ensure all stress test parameters, assumptions and scenarios are duly deliberated by senior management and the relevant committees prior to the execution of the stress test exercise; and

(v) To ensure the adverse unexpected outcomes are identified and that capital buffers are set aside to absorb losses that may be experienced during an economic downturn.

The key focus of the stress test is to identify the potential adverse impact on the Group's capital, profitability, asset quality and liquidity positions followed by the identification of the appropriate actions to mitigate the risk of such possibilities. The results of the stress test are reviewed and deliberated by the ICAAP Working Group and the RMC and are applied to recalibrate the Group's Internal Capital Targets.

(d) Internal Capital Requirement

The Group's internal capital requirement is articulated through its capital plans which are drawn up annually, covering a three-year horizon, and are approved by the Board. The capital plan ensures that adequate levels of capital and an efficient mix of different components of capital are maintained to support the Group's strategic directions and business plans. In formulating the Group's capital plans, the Group considers the current regulatory requirements, the demands for capital arising from the business outlooks and potential market stresses and the available supply of capital including the sources of the capital. The Group's capital plans are reviewed regularly by the Board against the Group's Internal Capital Targets.

3. RISK MANAGEMENT FRAMEWORK

The key principles and components of the Group's Risk Management Framework are as follows:

(a) Risk Governance Structure;

(b) Risk Appetite;

(c) Risk Management Culture; and

(d) Risk Management Processes.

(a) Risk Governance Structure

The Group's risk governance structure sets out the roles and responsibilities of the respective parties involved in the Group's risk management and internal control system as follows:

<table>
<tr><td rowspan="4">ESTABLISH RISK APPETITE & POLICY</td><td>1. Board of Directors</td><td rowspan="13">10. COMPLIANCE COMMITTEE
(supported by Compliance Function)</td><td rowspan="13">11. AUDIT COMMITTEE
(supported by Internal Audit Function)</td></tr>
<tr><td>2. Risk Management Committee</td></tr>
<tr><td>3. Credit Risk Management Committee</td></tr>
<tr><td>4. Shariah Committee</td></tr>
<tr><td rowspan="5">ENSURE IMPLEMENTATION OF RISK AND COMPLIANCE POLICY</td><td>5. Dedicated Risk Committees</td></tr>
<tr><td>Assets & Liabilities Management Committee
Operational Risk Management Committee
Internal Capital Adequacy Assessment Process Working Group</td></tr>
<tr><td>6. Credit Committee</td></tr>
<tr><td>7. Risk Management and Control Functions</td></tr>
<tr><td>Risk Management Function
Compliance Function
Shariah Compliance Function</td></tr>
<tr><td rowspan="4">IMPLEMENT AND COMPLY WITH RISK POLICY</td><td>8. Support Functions</td></tr>
<tr><td>Human Resource
Information Technology
Finance
Banking Operations
Credit Control, Administration & Supervision
Property
Security</td></tr>
<tr><td>9. Business Functions</td></tr>
<tr><td>Corporate Lending
Investment Banking
Islamic Banking
Retail Banking and Financing Operations
Share Broking
Fund Management
Treasury and Capital Market Operations</td></tr>
</table>

3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk Governance Structure (continued)

Board of Directors

The Board is overall responsible for the Group's risk management and internal control system. For this purpose, the Board:

(i) Ensures the corporate objectives are supported by sound risk strategies and an effective risk management framework that is appropriate to the nature, scale and complexity of the Group's activities;

(ii) Is responsible for the overall oversight on the soundness of the risk management processes and internal controls;

(iii) Is responsible for the remuneration of the senior management and that the remuneration is aligned with prudent risk taking; and

(iv) Provides direction and guidance to the senior management on the management of the material risks.

Risk Management Committee

The RMC assists the Board to oversee the management of all material risks including inter-alia reviewing risk management frameworks and policies, reviewing risk management limits, risk exposures and portfolio composition and ensuring risk infrastructure, resources and systems are put in place for effective risk management oversight.

Credit Risk Management Committee

The Credit Risk Management Committee assists the Board in discharging its oversight role over the management of credit risk including inter-alia in ensuring the risk infrastructures and systems are able to manage and control the risk taking activities within the risk appetite and credit risk strategy.

Compliance Committee

The Compliance Committee maintains overall responsibility to oversee the design and implementation of sound compliance management system in assessing the compliance profile, and evaluating the effectiveness of the overall management of compliance risks. The Compliance Committee also deliberates on compliance issues identified regularly to ensure such issues are resolved effectively, and ensures appropriate infrastructure, resources, processes and systems are in place for effective compliance risk management.

Audit Committee

The Audit Committee assists the Board to review and evaluate the adequacy, effectiveness and integrity of the governance processes, system of risk management and internal controls across all the first and second lines of defence. In performing this role, the Audit Committee reviews the internal control issues reported, the root causes and impacts identified by the internal and external auditors as well as regulatory authorities during their periodic audits. The Audit Committee also reviews and ensures the Management has taken appropriate and adequate remedial actions in a timely manner to address and resolve the control weaknesses, non-compliance with laws, regulatory requirements, policies and other operational lapses highlighted by the internal and external auditors, and regulators. In addition, the Audit Committee also reviews the performance and effectiveness of the Internal Audit function, with particular focus on the achievement of its key performance indicators, audit methodology applied, adequacy of audit scope and coverage, adequacy of resources and knowledge as well as competency of the internal audit personnel.

3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(a) Risk Governance Structure (continued)

Shariah Committee

The Shariah Committee ("SC") is responsible to provide advice to ensure Public Islamic Bank Berhad's operations, businesses, affairs and activities are in accordance with Shariah principles. This includes advising the Board and Management on the application of any Shariah Advisory Council's ("SAC") rulings or standards on Shariah matters, endorsing Shariah related policies, products and services and the relevant documentation in relation to Islamic banking operations. The SC is also responsible to deliberate and affirm the status of a potential Shariah Non-Compliance ("SNC") events and endorse rectification measures to address the actual SNC events.

Dedicated Risk Committees

The dedicated risk committees assist the RMC in the management of all material risk. The committees are responsible for the effective implementation of the risk management strategies and policies as approved by the Board or RMC. The key responsibilities of the dedicated risk committees are as follows:

(i) Ensuring all relevant and material risks associated with the Group's business operations have been identified and assessed, and are operating within the Group's risk appetite;

(ii) Implementing, assessing and monitoring the risk management and internal control system in accordance with the Group's risk management strategies and overall risk appetite; and

(iii) Identifying changes in the operating environment which may give rise to risks and taking the appropriate actions followed by the prompt escalation of the identified risks and actions to the Board.

(b) Risk Appetite

The Group's risk appetite defines the amount and the types of risk that the Group is able and willing to accept in pursuit of its business objectives. It also sets out the level of risk tolerance and limits to govern, manage and control the Group's risk taking activities. The strategic objectives, business plans, desired risk profile and capital plans are aligned to the risk appetite.

(c) Risk Management Culture

The culture of managing risk is embedded into the day-to-day operations and decision-making process through the following:

(i) Strong corporate governance;

(ii) Organisational structure with clearly defined roles and responsibilities;

(iii) Effective communication;

(iv) Commitment to compliance with laws, regulations and internal controls;

(v) Integrity in fiduciary responsibilities;

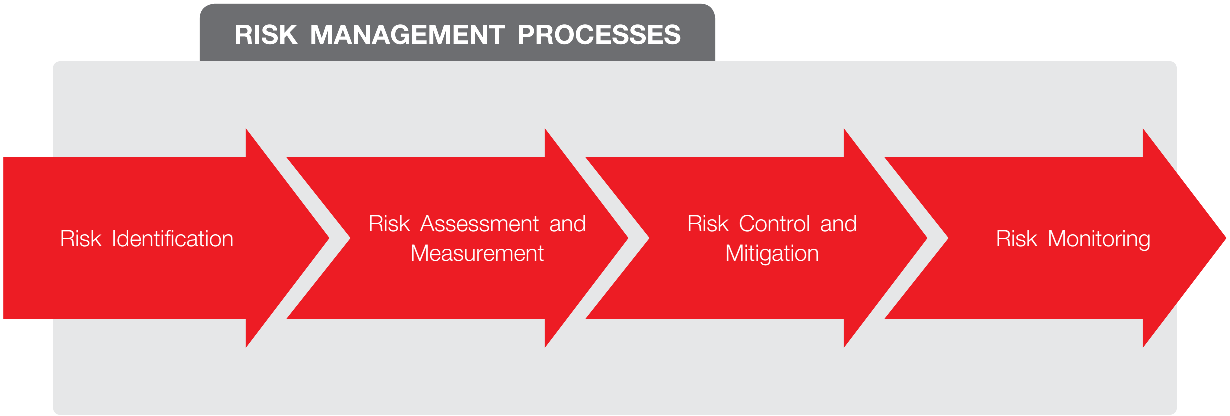
(vi) Clear policies, procedures and guidelines; and

(vii) Continuous training.

3. RISK MANAGEMENT FRAMEWORK (CONTINUED)

(d) Risk Management Processes

The risk management processes are as follows:



The detailed risk management processes for the respective key risks are set out in the following sections:

(i) Item 5: Credit Risk

(ii) Item 6: Market Risk

(iii) Item 8: Liquidity and Funding Risk

(iv) Item 9: Operational Risk

(v) Item 10: Shariah Non-Compliance Risk

4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE

The following tables present the capital adequacy ratios and the capital structure of the Group and of the Bank.

(a) Capital Adequacy Ratios of the Group and of the Bank

	Group		Bank	
	2021	**2020**	**2021**	**2020**
Before deducting interim dividends*:				
Common Equity Tier I ("CET I") capital ratio	**15.030%**	14.815%	**13.954%**	13.702%
Tier I capital ratio	**15.083%**	14.869%	**13.997%**	13.745%
Total capital ratio	**18.192%**	18.011%	**17.287%**	17.053%
After deducting interim dividends*:				
CET I capital ratio	**14.530%**	13.313%	**12.913%**	12.611%
Tier I capital ratio	**14.583%**	13.356%	**12.956%**	12.654%
Total capital ratio	**17.692%**	16.645%	**16.245%**	15.962%

* *Refer to interim dividends declared subsequent to the financial year end.*

The capital adequacy ratios of the banking subsidiary companies of the Bank are set out in Note 50(d) to the financial statements.

Regulatory capital requirements

The capital adequacy ratios of the Group and of the Bank are computed in accordance with BNM's Capital Adequacy Frameworks on Capital Components and Basel II - Risk-Weighted Assets. The minimum regulatory capital adequacy ratios before including capital conservation buffer ("CCB"), countercyclical capital buffer ("CCyB") and higher loss absorbency ("HLA") requirement for CET I capital ratio, Tier I capital ratio and total capital ratio are 4.5%, 6.0% and 8.0% respectively.

A CCyB is required to be maintained if this buffer is applied by regulators in countries which the Group and the Bank have exposures to, determined based on the weighted average of prevailing CCyB rates applied in those jurisdictions. The Group and the Bank have applied CCyB on their private sector credit exposures outside Malaysia in line with the respective jurisdictions' requirement to maintain their CCyB. The CCyB is not a requirement for exposures in Malaysia yet but may be applied by regulators in the future.

Effective from 31 January 2021, HLA requirement is applicable to financial institutions designated as domestic systemically important banks ("D-SIBs"). Arising from this, the Group which is designated as a D-SIB by BNM is required to maintain an additional capital buffer of 0.5% to the regulatory capital requirements in line with the BNM's D-SIB Framework.

Prudential buffers and transitional arrangements

Prior to the COVID-19 pandemic, banking institutions are required to maintain a CCB of 2.5%. However, effective from 25 March 2020, banking institutions are allowed to drawdown the CCB of 2.5% to manage the impact of the COVID-19 pandemic but are required to rebuild this buffer after 31 December 2020 as well as to meet the minimum regulatory requirements by 30 September 2021. The Group and the Bank have not drawn down any of the prudential buffers.

As allowed under the BNM's Capital Adequacy Frameworks on Capital Components, financial institutions which elect to apply the transitional arrangements for regulatory capital treatment of accounting provisions are allowed to add back a portion of the Stage 1 and Stage 2 provisions for expected credit losses to CET I capital over a four-year period from financial year beginning 2020, or a three-year period from financial year beginning 2021. As at the reporting date, the Group and the Bank have not applied the said transitional arrangements.

4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE (CONTINUED)

(b) Capital Structure

	Group		Bank	
	2021 RM'000	2020 RM'000	2021 RM'000	2020 RM'000
CET I/Tier I capital				
Share capital	**9,417,653**	9,417,653	**9,417,653**	9,417,653
Other reserves	**1,241,935**	1,518,824	**575,320**	793,110
Retained profits	**36,766,601**	34,290,480	**29,775,928**	28,373,510
Qualifying non-controlling interests	**702,435**	682,379	**–**	–
Less: Goodwill and other intangible assets	**(2,459,434)**	(2,417,727)	**(695,393)**	(695,393)
Less: Deferred tax assets, net	**(519,009)**	(81,637)	**(273,782)**	-
Less: Defined benefit pension fund assets	**(79,906)**	(2,748)	**(78,762)**	(2,059)
Less: Investment in banking/insurance subsidiary companies and associated companies deducted from CET I capital	**(147,349)**	(105,998)	**(6,205,741)**	(6,183,241)
Total CET I capital	**44,922,926**	43,301,226	**32,515,223**	31,703,580
Additional Tier I capital securities	**99,822**	99,702	**99,822**	99,702
Qualifying CET I and additional Tier I capital instruments held by third parties	**58,956**	57,785	**–**	–
Total Tier I capital	**45,081,704**	43,458,713	**32,615,045**	31,803,282
Tier II capital				
Stage 1 and Stage 2 expected credit loss allowances#	**3,401,754**	2,664,293	**2,664,630**	1,966,983
Qualifying regulatory reserves	**–**	670,140	**–**	686,899
Subordinated notes	**4,999,998**	4,999,992	**4,999,998**	4,999,992
Qualifying CET I and additional Tier I and Tier II capital instruments held by third parties	**756,381**	718,503	**–**	–
Others	**133,121**	130,972	**–**	–
Total Tier II capital	**9,291,254**	9,183,900	**7,664,628**	7,653,874
Total capital	**54,372,958**	52,642,613	**40,279,673**	39,457,156

Excludes expected credit loss allowances restricted from Tier II capital of the Group and of the Bank of RM423,592,000 and RM179,895,000 respectively (2020: Nil).

4. CAPITAL ADEQUACY RATIOS AND CAPITAL STRUCTURE (CONTINUED)

(b) Capital Structure (continued)

The Group has issued various capital instruments which qualify as components of regulatory capital under the BNM's Capital Adequacy Framework (Capital Components), as summarised in the following table:

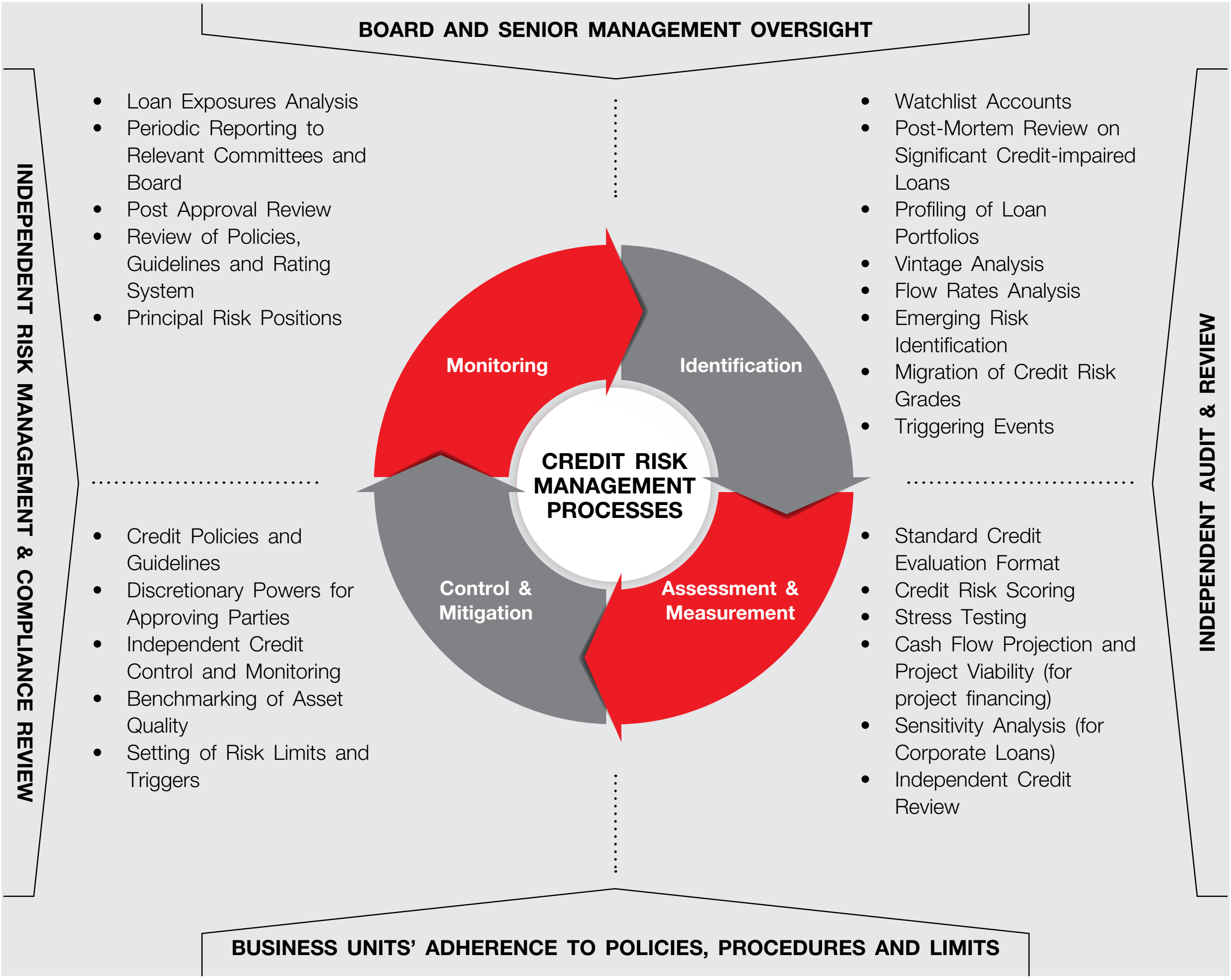
Capital Instruments	Capital Component	Main Features
Issued by the Bank:		
(a) Basel III-Compliant Additional Tier I capital securities ("Basel III-ATICS")	Tier I Capital	• Subordinated to all liabilities, including depositors and Subordinated Notes/Sukuk Murabahah • Unsecured • Perpetual, with optional redemption after 5 years. No step-up • Upon occurrence of a Non-Viability Event as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-ATICS may be subject to write-off • The write-off shall not constitute an event of default or an enforcement event, nor would it trigger any cross-default under the Basel III-ATICS
(b) Basel III-Compliant Subordinated notes ("Basel III-Compliant Sub Notes")	Tier II Capital	• Subordinated to all liabilities, including depositors, except to Basel III-ATICS • Unsecured • Optional redemption after 5 years. No step-up • Upon occurrence of a Non-Viability Event as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-Compliant Sub Notes may be subject to write-off • The write-off shall not constitute an event of default or an enforcement event, nor would it trigger any cross-default under the Basel III-Compliant Sub Notes
Issued by Public Islamic:		
(a) Basel III-Compliant Subordinated Sukuk Murabahah ("Basel III-Compliant Sub Sukuk Murabahah")	Tier II Capital	• Subordinated to all liabilities, including depositors, except to Basel III-ATICS • Unsecured • Optional redemption after 5 years. No step-up • Upon occurrence of a Trigger Event at the Bank/Public Islamic as determined by BNM and Perbadanan Insurans Deposit Malaysia, the Basel III-Compliant Sub Sukuk Murabahah may be subject to write-off • The write-off shall not constitute an event of default or trigger any cross-default under the Basel III-Compliant Sub Sukuk Murabahah

The details of the capital instruments are found in Note 25 to the financial statements.

5. CREDIT RISK

Credit risk is the potential loss of revenue as a result of failure by the customers or counterparties to meet their contractual financial obligations. As the Group's primary business is in commercial banking, the Group's exposure to credit risk is primarily from its lending and financing to retail consumers, small and medium enterprises ("SMEs") and corporate customers. Trading activities and investing the surplus funds of the Group, such as trading or holding of debt securities, deposit placements, settlement of transactions, also expose the Group to credit risk and counterparty credit risk ("CCR").

The following diagram presents the risk management processes over credit risk.



The risk governance and risk management approach for credit risk are set out in the credit risk section of Note 45 to the financial statements.

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank.

Group **Exposure Class**	**Total Exposures before Credit Risk Mitigation RM'000**	**Total Exposures after Credit Risk Mitigation RM'000**	**Risk-Weighted Assets RM'000**	**Minimum Capital Requirement at 8% RM'000**
2021				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	60,090,045	60,090,045	1,293,851	103,508
Public Sector Entities	1,742,348	1,742,348	60,758	4,861
Banks, Development Financial Institutions ("DFIs") and Multilateral Development Banks ("MDBs")	20,208,996	20,208,996	6,971,656	557,732
Insurance Companies, Securities Firms and Fund Managers	533,168	533,031	454,556	36,364
Corporates	89,205,674	85,999,072	66,494,139	5,319,531
Regulatory Retail	143,101,891	141,914,201	108,518,734	8,681,499
Residential Mortgages	137,825,276	137,548,856	63,054,001	5,044,320
Higher Risk Assets	79,759	79,739	119,608	9,569
Other Assets	7,956,639	7,956,639	4,347,105	347,768
Equity Exposures	720,651	720,651	720,651	57,652
Defaulted Exposures	861,604	861,418	1,107,469	88,598
	462,326,051	457,654,996	253,142,528	20,251,402
Off-Balance Sheet Exposures				
Credit-related Exposures	23,864,328	23,205,933	18,667,872	1,493,430
Derivative Financial Instruments	785,053	785,053	291,707	23,336
Other Treasury-related Exposures	153,293	153,293	30,659	2,453
Defaulted Exposures	5,642	5,642	7,562	605
	24,808,316	24,149,921	18,997,800	1,519,824
Total Credit Exposures	487,134,367	481,804,917	272,140,328	21,771,226

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk (continued)

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank (continued).

Group Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2020				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	63,973,370	63,773,224	1,765,830	141,266
Public Sector Entities	1,861,971	1,861,971	60,177	4,814
Banks, DFIs and MDBs	16,477,631	16,477,631	5,458,732	436,699
Insurance Companies, Securities Firms and Fund Managers	543,103	543,045	462,979	37,038
Corporates	91,155,289	88,015,763	69,105,373	5,528,430
Regulatory Retail	138,252,818	137,162,370	105,589,777	8,447,182
Residential Mortgages	127,906,725	127,670,406	57,691,945	4,615,356
Higher Risk Assets	77,818	77,780	116,670	9,334
Other Assets	7,515,345	7,515,345	4,505,665	360,453
Equity Exposures	822,877	822,877	822,877	65,830
Defaulted Exposures	1,080,657	1,078,851	1,373,339	109,867
	449,667,604	444,999,263	246,953,364	19,756,269
Off-Balance Sheet Exposures				
Credit-related Exposures	24,383,247	23,735,996	19,439,498	1,555,160
Derivative Financial Instruments	938,550	938,550	343,166	27,453
Other Treasury-related Exposures	42,424	42,424	6,413	513
Defaulted Exposures	8,779	8,779	12,209	977
	25,373,000	24,725,749	19,801,286	1,584,103
Total Credit Exposures	475,040,604	469,725,012	266,754,650	21,340,372

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk (continued)

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank (continued).

Bank Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures after Credit Risk Mitigation RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2021				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	39,565,020	39,565,020	170,171	13,614
Public Sector Entities	404,900	404,900	2,625	210
Banks, DFIs and MDBs	13,678,207	13,678,207	4,537,297	362,984
Insurance Companies, Securities Firms and Fund Managers	33,715	33,715	33,230	2,658
Corporates	71,738,771	68,944,777	52,862,404	4,228,992
Regulatory Retail	108,936,654	107,969,800	81,135,702	6,490,856
Residential Mortgages	105,503,597	105,281,522	47,361,206	3,788,897
Higher Risk Assets	68,102	68,102	102,152	8,172
Other Assets	6,678,726	6,678,726	4,575,841	366,067
Equity Exposures	6,785,194	6,785,194	6,785,194	542,816
Defaulted Exposures	611,451	611,296	788,110	63,049
	354,004,337	350,021,259	198,353,932	15,868,315
Off-Balance Sheet Exposures				
Credit-related Exposures	18,773,324	18,147,960	14,477,077	1,158,166
Derivative Financial Instruments	1,004,153	1,004,153	332,000	26,560
Other Treasury-related Exposures	7,333	7,333	1,467	117
Defaulted Exposures	4,295	4,295	5,949	476
	19,789,105	19,163,741	14,816,493	1,185,319
Total Credit Exposures	373,793,442	369,185,000	213,170,425	17,053,634

5. CREDIT RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Credit Risk (continued)

The following tables present the minimum regulatory capital requirements for credit risk of the Group and of the Bank (continued).

Bank **Exposure Class**	**Total Exposures before Credit Risk Mitigation RM'000**	**Total Exposures after Credit Risk Mitigation RM'000**	**Risk-Weighted Assets RM'000**	**Minimum Capital Requirement at 8% RM'000**
2020				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	42,886,612	42,686,467	125,518	10,041
Public Sector Entities	463,918	463,918	3,169	253
Banks, DFIs and MDBs	8,979,340	8,979,340	3,005,594	240,447
Insurance Companies, Securities Firms and Fund Managers	19,801	19,795	19,795	1,584
Corporates	75,173,738	72,406,475	56,221,796	4,497,744
Regulatory Retail	106,525,774	105,633,406	80,073,736	6,405,899
Residential Mortgages	99,375,010	99,183,094	44,140,522	3,531,242
Higher Risk Assets	65,850	65,832	98,749	7,900
Other Assets	6,301,878	6,301,878	4,747,241	379,779
Equity Exposures	6,717,506	6,717,506	6,717,506	537,400
Defaulted Exposures	816,323	814,606	1,050,908	84,073
	347,325,750	343,272,317	196,204,534	15,696,362
Off-Balance Sheet Exposures				
Credit-related Exposures	19,881,061	19,276,593	15,696,200	1,255,696
Derivative Financial Instruments	1,218,406	1,218,406	394,923	31,594
Other Treasury-related Exposures	42,424	42,424	6,412	513
Defaulted Exposures	6,171	6,171	8,461	677
	21,148,062	20,543,594	16,105,996	1,288,480
Total Credit Exposures	368,473,812	363,815,911	212,310,530	16,984,842

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures

Tables (a)-(c) present the analysis of credit exposures of financial assets before the effect of credit risk mitigation of the Group as follows:

(a) Industry analysis

(b) Geographical analysis based on geographical location where the credit risk resides

(c) Maturity analysis based on the residual contractual maturity

For on-balance sheet exposures, the maximum exposure to credit risk equals their carrying amounts. For financial guarantees, the maximum exposure to credit risk is the full amount that the Group would have to pay if the obligations for which the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit granted to customers.

(a) Industry Analysis

Group	Government and Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
2021									
On-Balance Sheet Exposures									
Cash and balances with banks	3,183,262	14,347,349	–	–	–	–	–	–	17,530,611
Financial assets at fair value through profit or loss*	650,436	–	–	–	–	–	–	–	650,436
Derivative financial assets	–	140,434	–	–	–	–	–	–	140,434
Financial investments at fair value through other comprehensive income*	44,951,546	7,004,647	153,822	618,679	146,183	–	–	–	52,874,877
Financial investments at amortised cost (Gross)	11,082,460	11,106,527	981,297	1,364,511	1,615,662	–	–	–	26,150,457
Gross loans, advances and financing	1,015,333	14,403,888	11,158,395	47,217,378	43,284,408	149,891,905	46,147,854	44,907,591	358,026,752
Statutory deposits with Central Banks	1,222,165	–	–	–	–	–	–	–	1,222,165
	62,105,202	47,002,845	12,293,514	49,200,568	45,046,253	149,891,905	46,147,854	44,907,591	456,595,732
Commitments and Contingencies									
Contingent liabilities	1,832	57,232	418,988	375,910	528,392	–	–	1,764,598	3,146,952
Commitments	517,718	1,925,902	3,861,753	12,743,730	8,193,624	19,778,392	16,033	17,255,109	64,292,261
	519,550	1,983,134	4,280,741	13,119,640	8,722,016	19,778,392	16,033	19,019,707	67,439,213
Total Credit Exposures	62,624,752	48,985,979	16,574,255	62,320,208	53,768,269	169,670,297	46,163,887	63,927,298	524,034,945

* *Excluding equity securities which do not have any credit risk.*

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(a) Industry Analysis (continued)

Group	Government and Central Banks RM'000	Financial Services RM'000	Transport & Business Services RM'000	Agriculture, Manufacturing, Wholesale & Retail Trade RM'000	Construction & Real Estate RM'000	Residential Mortgages RM'000	Motor Vehicle Financing RM'000	Other Consumer Loans RM'000	Total RM'000
2020									
On-Balance Sheet Exposures									
Cash and balances with banks	8,802,205	10,895,927	–	–	–	–	–	–	19,698,132
Reverse repurchase agreements	202,833	–	–	–	–	–	–	–	202,833
Financial assets at fair value through profit or loss*	904,395	200,339	–	–	–	–	–	–	1,104,734
Derivative financial assets	–	287,010	–	–	–	–	–	–	287,010
Financial investments at fair value through other comprehensive income*	41,992,550	5,192,690	162,053	632,232	187,471	–	–	–	48,166,996
Financial investments at amortised cost (Gross)	12,677,336	10,652,922	1,202,526	1,430,335	1,646,076	–	–	–	27,609,195
Gross loans, advances and financing	1,018,166	14,125,885	12,526,548	44,920,155	44,742,906	139,028,229	45,003,439	44,285,899	345,651,227
Statutory deposits with Central Banks	1,134,924	–	–	–	–	–	–	–	1,134,924
	66,732,409	41,354,773	13,891,127	46,982,722	46,576,453	139,028,229	45,003,439	44,285,899	443,855,051
Commitments and Contingencies									
Contingent liabilities	1,994	86,367	419,730	408,934	689,575	–	–	1,377,997	2,984,597
Commitments	524,559	3,321,205	3,611,767	12,893,591	10,225,945	18,424,278	21,661	16,820,830	65,843,836
	526,553	3,407,572	4,031,497	13,302,525	10,915,520	18,424,278	21,661	18,198,827	68,828,433
Total Credit Exposures	67,258,962	44,762,345	17,922,624	60,285,247	57,491,973	157,452,507	45,025,100	62,484,726	512,683,484

* *Excluding equity securities which do not have any credit risk.*

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(b) Geographical Analysis

Group	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
2021					
On-Balance Sheet Exposures					
Cash and balances with banks	**8,469,177**	**3,526,498**	**2,287,899**	**3,247,037**	**17,530,611**
Financial assets at fair value through profit or loss*	**650,436**	**–**	**–**	**–**	**650,436**
Derivative financial assets	**99,232**	**8,887**	**–**	**32,315**	**140,434**
Financial investments at fair value through other comprehensive income*	**52,391,048**	**–**	**–**	**483,829**	**52,874,877**
Financial investments at amortised cost (Gross)	**21,667,438**	**2,630,460**	**917,510**	**935,049**	**26,150,457**
Gross loans, advances and financing	**334,123,543**	**14,041,917**	**4,919,034**	**4,942,258**	**358,026,752**
Statutory deposits with Central Banks	**523,737**	**3,598**	**577,919**	**116,911**	**1,222,165**
	417,924,611	**20,211,360**	**8,702,362**	**9,757,399**	**456,595,732**
Commitments and Contingencies					
Contingent liabilities	**2,438,677**	**96,870**	**28,097**	**583,308**	**3,146,952**
Commitments	**61,168,947**	**1,396,255**	**995,474**	**731,585**	**64,292,261**
	63,607,624	**1,493,125**	**1,023,571**	**1,314,893**	**67,439,213**
Total Credit Exposures	**481,532,235**	**21,704,485**	**9,725,933**	**11,072,292**	**524,034,945**

* *Excluding equity securities which do not have any credit risk.*

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(b) Geographical Analysis (continued)

Group	Malaysia RM'000	Hong Kong & China RM'000	Cambodia RM'000	Other Countries RM'000	Total RM'000
2020					
On-Balance Sheet Exposures					
Cash and balances with banks	11,181,929	4,169,389	1,808,186	2,538,628	19,698,132
Reverse repurchase agreements	200,145	–	–	2,688	202,833
Financial assets at fair value through profit or loss*	1,104,734	–	–	–	1,104,734
Derivative financial assets	138,564	55,041	–	93,405	287,010
Financial investments at fair value through other comprehensive income*	47,821,997	–	–	344,999	48,166,996
Financial investments at amortised cost (Gross)	22,611,832	2,373,801	1,390,630	1,232,932	27,609,195
Gross loans, advances and financing	323,238,019	13,607,461	4,606,971	4,198,776	345,651,227
Statutory deposits with Central Banks	436,044	31,735	591,237	75,908	1,134,924
	406,733,264	20,237,427	8,397,024	8,487,336	443,855,051
Commitments and Contingencies					
Contingent liabilities	2,468,791	166,413	31,887	317,506	2,984,597
Commitments	62,753,927	1,273,938	1,183,281	632,690	65,843,836
	65,222,718	1,440,351	1,215,168	950,196	68,828,433
Total Credit Exposures	471,955,982	21,677,778	9,612,192	9,437,532	512,683,484

* *Excluding equity securities which do not have any credit risk.*

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(c) Maturity Analysis

Group	Up to 1 Year RM'000	>1 to 3 Years RM'000	>3 to 5 Years RM'000	>5 Years RM'000	Total RM'000
2021					
On-Balance Sheet Exposures					
Cash and balances with banks	**17,530,611**	**–**	**–**	**–**	**17,530,611**
Financial assets at fair value through profit or loss*	**119,493**	**530,943**	**–**	**–**	**650,436**
Derivative financial assets	**93,556**	**6,140**	**34,738**	**6,000**	**140,434**
Financial investments at fair value through other comprehensive income*	**8,925,712**	**22,617,956**	**17,066,580**	**4,264,629**	**52,874,877**
Financial investments at amortised cost (Gross)	**13,061,677**	**10,265,068**	**2,390,001**	**433,711**	**26,150,457**
Gross loans, advances and financing	**29,747,301**	**25,422,156**	**34,016,248**	**268,841,047**	**358,026,752**
Statutory deposits with Central Banks	**–**	**–**	**–**	**1,222,165**	**1,222,165**
Total On-Balance Sheet Exposures	**69,478,350**	**58,842,263**	**53,507,567**	**274,767,552**	**456,595,732**

Group	Up to 1 Year RM'000	>1 to 3 Years RM'000	>3 to 5 Years RM'000	>5 Years RM'000	Total RM'000
2020					
On-Balance Sheet Exposures					
Cash and balances with banks	19,698,132	–	–	–	19,698,132
Reverse repurchase agreements	202,833	–	–	–	202,833
Financial assets at fair value through profit or loss*	494,567	610,167	–	–	1,104,734
Derivative financial assets	229,524	47,416	10,070	–	287,010
Financial investments at fair value through other comprehensive income*	5,451,124	18,245,284	16,873,335	7,597,253	48,166,996
Financial investments at amortised cost (Gross)	7,202,569	13,321,305	6,283,012	802,309	27,609,195
Gross loans, advances and financing	29,828,393	27,587,328	31,575,192	256,660,314	345,651,227
Statutory deposits with Central Banks	–	–	–	1,134,924	1,134,924
Total On-Balance Sheet Exposures	63,107,142	59,811,500	54,741,609	266,194,800	443,855,051

* *Excluding equity securities which do not have any credit risk.*

5. CREDIT RISK (CONTINUED)

5.1 Distribution of Credit Exposures (continued)

(c) Maturity Analysis (continued)

Approximately 15% (2020: 14%) of the Group's exposures to customers and counterparties are short-term, having contractual maturity of one year or less. About 75% (2020: 74%) of the Group's gross loans, advances and financing has residual maturity of more than five years. The longer maturity is from the housing loans/financing and hire purchase which made up 55% (2020: 54%) of the portfolio and are traditionally longer term in nature and well secured.

The residual contractual maturity for off-balance sheet exposures is not presented as the total off-balance sheet exposures do not represent future cash requirements since the Group expects many of these commitments (such as direct credit substitutes) to expire without being called or drawn upon, whereas many of the contingent liabilities (such as letters of credit) are reimbursable by customers.

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk

(a) Off-Balance Sheet Exposures

Off-balance sheet exposures of the Group are mainly from the following:

(i) Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that a customer cannot meet its obligations to third parties. These exposures carry the same credit risk as loans even though they are contingent in nature;

(ii) Documentary and commercial letters of credit, which are undertakings by the Group on behalf of the customer. These exposures are usually collateralised by the underlying shipment of goods to which they relate;

(iii) Commitments to extend credit including the unutilised or undrawn portions of credit facilities;

(iv) Unutilised credit card lines; and

(v) Principal/notional amount of derivative financial instruments.

The management of off-balance sheet exposures is in accordance with the credit risk management approach as set out in item 5 of the Pillar 3 Disclosure.

(b) Counterparty Credit Risk on Derivative Financial Instruments

The risk management approach on counterparty credit risk on derivative financial instruments are set out in the credit risk section of Note 45 to the financial statements.

Credit Ratings Downgrade

As at reporting date, there were no requirements to post additional collateral in the event of a one-notch downgrade in rating (2020: nil) as the ISDA/CSA agreements entered with the majority of the counterparties had removed the threshold limit for posting of additional collateral whereby any shortfalls in value, cash collateral were posted immediately. For ISDA/CSA with threshold limits, no collateral was required to be posted as the shortfalls were well within the threshold limits for one-notch downgrade.

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts.

Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2021				
Contingent Liabilities				
Direct credit substitutes	891,923		891,923	513,693
Transaction-related contingent items	1,664,588		832,294	444,934
Short-term self-liquidating trade-related contingencies	590,441		118,088	110,261
	3,146,952		1,842,305	1,068,888
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	30,666,767		15,333,224	12,253,352
– not exceeding one year	24,830,576		4,966,116	4,056,950
Unutilised credit card lines	8,641,625		1,728,325	1,296,244
Forward asset purchases	153,293		153,293	30,659
	64,292,261		22,180,958	17,637,205
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	25,806,073	93,553	414,097	149,602
– more than one year to five years	3,095,975	7,836	205,968	102,984
Interest/profit rate related contracts:				
– up to one year	3,047,185	–	4,423	1,822
– more than one year to five years	2,479,447	33,042	113,550	25,637
– more than five years	775,115	6,000	47,007	11,654
Commodity related contracts:				
– up to one year	453	3	8	8
	35,204,248	140,434	785,053	291,707
Total Off-Balance Sheet Exposures	102,643,461	140,434	24,808,316	18,997,800

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts (continued).

Group	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2020				
Contingent Liabilities				
Direct credit substitutes	914,667		914,667	524,362
Transaction-related contingent items	1,668,612		834,306	461,422
Short-term self-liquidating trade-related contingencies	401,318		80,264	73,257
	2,984,597		1,829,237	1,059,041
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	31,342,568		15,671,021	12,872,586
– not exceeding one year	26,297,443		5,259,488	4,295,870
Unutilised credit card lines	8,161,401		1,632,280	1,224,210
Forward asset purchases	42,424		42,424	6,413
	65,843,836		22,605,213	18,399,079
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	28,020,406	229,521	528,239	170,865
– more than one year to five years	2,978,728	55,058	255,466	127,845
Interest/profit rate related contracts:				
– up to one year	1,507,160	–	1,532	533
– more than one year to five years	4,718,304	2,428	101,353	30,088
– more than five years	880,810	–	51,951	13,826
Commodity related contracts:				
– up to one year	606	3	9	9
	38,106,014	287,010	938,550	343,166
Total Off-Balance Sheet Exposures	106,934,447	287,010	25,373,000	19,801,286

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts (continued).

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2021				
Bank (excluding Public Bank (L) Ltd.)				
Contingent Liabilities				
Direct credit substitutes	848,101		848,101	481,080
Transaction-related contingent items	1,377,248		688,624	335,291
Short-term self-liquidating trade-related contingencies	122,482		24,496	21,595
	2,347,831		1,561,221	837,966
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	22,987,311		11,493,503	9,176,664
– not exceeding one year	20,108,246		4,021,649	3,188,051
Unutilised credit card lines	8,334,502		1,666,900	1,250,175
Forward asset purchases	7,333		7,333	1,467
	51,437,392		17,189,385	13,616,357
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	24,699,330	89,873	405,370	144,329
– more than one year to five years	3,095,975	7,836	205,968	102,984
Interest rate related contracts:				
– up to one year	3,547,185	4,823	10,496	3,037
– more than one year to five years	4,775,000	106,125	268,875	53,775
– more than five years	1,250,000	31,670	96,170	19,235
Commodity related contracts:				
– up to one year	453	3	8	8
	37,367,943	240,330	986,887	323,368
Total	91,153,166	240,330	19,737,493	14,777,691

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts (continued).

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2021				
Public Bank (L) Ltd.				
Contingent Liabilities				
Direct credit substitutes	**10,426**		**10,426**	**6,256**
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	**18,944**		**9,472**	**9,472**
– not exceeding one year	**72,240**		**14,448**	**14,442**
	91,184		**23,920**	**23,914**
Derivative Financial Instruments				
Interest rate related contracts:				
– more than one year to five years	**304,447**	**–**	**9,759**	**4,879**
– more than five years	**125,115**	**–**	**7,507**	**3,753**
	429,562	**–**	**17,266**	**8,632**
Total	**531,172**	**–**	**51,612**	**38,802**
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.	**91,684,338**	**240,330**	**19,789,105**	**14,816,493**

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts (continued).

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2020				
Bank (excluding Public Bank (L) Ltd.)				
Contingent Liabilities				
Direct credit substitutes	870,920		870,920	492,804
Transaction-related contingent items	1,390,714		695,357	361,844
Short-term self-liquidating trade-related contingencies	208,040		41,608	39,597
	2,469,674		1,607,885	894,245
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– exceeding one year	24,724,600		12,362,104	10,194,378
– not exceeding one year	21,594,955		4,318,990	3,413,337
Unutilised credit card lines	7,910,938		1,582,188	1,186,641
Forward asset purchases	42,424		42,424	6,412
	54,272,917		18,305,706	14,800,768
Derivative Financial Instruments				
Foreign exchange related contracts:				
– up to one year	26,902,244	215,729	504,060	161,815
– more than one year to five years	2,978,728	55,058	255,466	127,845
Interest rate related contracts:				
– up to one year	1,426,800	–	1,452	494
– more than one year to five years	6,185,260	106,615	249,218	56,864
– more than five years	1,700,000	91,848	187,348	37,469
Commodity related contracts:				
– up to one year	606	3	9	9
	39,193,638	469,253	1,197,553	384,496
Total	95,936,229	469,253	21,111,144	16,079,509

5. CREDIT RISK (CONTINUED)

5.2 Off-Balance Sheet Exposures and Counterparty Credit Risk (continued)

(b) Counterparty Credit Risk on Derivative Financial Instruments (continued)

Composition of Off-Balance Sheet Exposures (continued)

The following tables present the composition of off-balance sheet exposures of the Group and of the Bank. All derivative financial instruments are at their notional amounts (continued).

Bank	Principal Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
2020				
Public Bank (L) Ltd.				
Contingent Liabilities				
Direct credit substitutes	6,027		6,027	6,027
Commitments				
Other commitments, such as formal standby facilities and credit lines, with an original maturity of:				
– not exceeding one year	50,184		10,038	10,033
Derivative Financial Instruments				
Interest rate related contracts:				
– up to one year	80,360	–	80	40
– more than one year to five years	233,044	–	9,322	4,661
– more than five years	180,810	–	11,451	5,726
	494,214	–	20,853	10,427
Total	550,425	–	36,918	26,487
Total Off-Balance Sheet Exposures of the Bank and Public Bank (L) Ltd.	96,486,654	469,253	21,148,062	16,105,996

5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Mitigation

The Group's approach in granting credit facilities is based on the credit standing of the customer, source of repayment and debt servicing ability rather than placing primary reliance on credit risk mitigants ("CRM"). Depending on a customer's credit standing and the type of product, facilities may be provided unsecured. Nevertheless, mitigation of credit risk is a key aspect of effective risk management and takes many forms.

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

(a) for residential mortgages – charges over residential properties;

(b) for commercial property loans/financing – charges over the properties being financed;

(c) for motor vehicle financing – ownership claims over the vehicles financed;

(d) for share margin financing – pledges over securities from listed exchange; and

(e) for other loans/financing – charges over business assets such as premises, inventories, trade receivables or deposits.

The reliance that can be placed on CRM is carefully assessed in light of issues such as legal enforceability, market value and the ease of realising the CRM. Policies and procedures are in place to govern the protection of the Group's position from the onset of a customer relationship, for instance in requiring standard terms and conditions or specifically agreed upon during documentation to ensure the legal enforceability of the CRM.

The valuation of CRM seeks to monitor and ensure that they will continue to provide the credit protection. Policy on the periodic valuation updates of CRM is in place to ensure this. The value of properties taken as collateral is generally updated from time to time during the review of the customers' facilities to reflect the current market value. The quality, liquidity and collateral type will determine the appropriate haircuts or discounts applied on the market value of the collateral.

Where there is a currency mismatch, haircuts are applied to protect against currency fluctuations, in addition to ongoing review and controls over maturity mismatch between collateral and exposures. In mortgage financing, the collateral is required to be insured at all times against major risks, for instance, against fire, with the respective banking entities as the loss payee under the insurance policy. In addition, customers are generally insured against major risks, such as, death and permanent disability.

The Group also accepts guarantees from individuals, corporate and institutional customers to mitigate credit risk, subject to internal guidelines on eligibility. Currently, the Group does not employ the use of derivative credit instruments such as credit default swaps, structured credit notes and securitisation structures to mitigate the Group's credit exposures. In addition, the Group enters into master netting arrangements with its derivative counterparties to reduce the credit risk, all amounts with the counterparty are settled on a net basis.

5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Mitigation (continued)

Credit Risk Mitigation Analysis

The following tables present the credit risk mitigation analysis of the Group i.e. credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group does not have any credit exposure which is reduced through the application of other eligible collateral.

Group Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
2021				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	60,090,045	–	–	–
Public Sector Entities	1,742,348	1,438,560	–	–
Banks, DFIs and MDBs	20,208,996	187,604	–	–
Insurance Companies, Securities Firms and Fund Managers	533,168	485	137	–
Corporates	89,205,674	11,007,885	3,206,602	–
Regulatory Retail	143,101,891	1,246,031	1,187,690	–
Residential Mortgages	137,825,276	–	276,420	–
Higher Risk Assets	79,759	–	20	–
Other Assets	7,956,639	–	–	–
Equity Exposures	720,651	–	–	–
Defaulted Exposures	861,604	–	186	–
	462,326,051	13,880,565	4,671,055	–
Off-Balance Sheet Exposures				
Credit-related Exposures	23,864,328	69,442	658,395	–
Derivative Financial Instruments	785,053	–	–	–
Other Treasury-related Exposures	153,293	–	–	–
Defaulted Exposures	5,642	–	–	–
	24,808,316	69,442	658,395	–
Total Credit Exposures	487,134,367	13,950,007	5,329,450	–

5. CREDIT RISK (CONTINUED)

5.3 Credit Risk Mitigation (continued)

Credit Risk Mitigation Analysis (continued)

The following tables present the credit risk mitigation analysis of the Group i.e. credit exposures covered by eligible financial collateral and financial guarantees as defined under the Standardised Approach. Eligible financial collateral consists primarily of cash, securities from listed exchange, unit trust or marketable securities. The Group does not have any credit exposure which is reduced through the application of other eligible collateral (continued).

Group Exposure Class	Total Exposures before Credit Risk Mitigation RM'000	Total Exposures Covered by Guarantees RM'000	Total Exposures Covered by Eligible Financial Collateral RM'000	Total Exposures Covered by Other Eligible Collateral RM'000
2020				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	63,973,370	–	200,146	–
Public Sector Entities	1,861,971	1,561,084	–	–
Banks, DFIs and MDBs	16,477,631	380,296	–	–
Insurance Companies, Securities Firms and Fund Managers	543,103	–	58	–
Corporates	91,155,289	11,090,667	3,139,526	–
Regulatory Retail	138,252,818	201,689	1,090,448	–
Residential Mortgages	127,906,725	–	236,319	–
Higher Risk Assets	77,818	–	38	–
Other Assets	7,515,345	–	–	–
Equity Exposures	822,877	–	–	–
Defaulted Exposures	1,080,657	–	1,806	–
	449,667,604	13,233,736	4,668,341	–
Off-Balance Sheet Exposures				
Credit-related Exposures	24,383,247	66,668	647,251	–
Derivative Financial Instruments	938,550	–	–	–
Other Treasury-related Exposures	42,424	–	–	–
Defaulted Exposures	8,779	–	–	–
	25,373,000	66,668	647,251	–
Total Credit Exposures	475,040,604	13,300,404	5,315,592	–

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach

Under the Standardised Approach, the Group makes use of credit ratings assigned by credit rating agencies in its calculation of credit risk-weighted assets. The following are the rating agencies or Eligible Credit Assessment Institutions ("ECAI") ratings used by the Group and are recognised by BNM in the RWCAF:

(a) Standard & Poor's ("S&P")

(b) Moody's Investors Service ("Moody's")

(c) Fitch Ratings ("Fitch")

(d) RAM Rating Services Berhad ("RAM")

(e) Malaysian Rating Corporation Berhad ("MARC")

The ECAI ratings accorded to the following counterparty exposure classes are used in the calculation of risk-weighted assets for capital adequacy purposes:

(a) Sovereigns and Central Banks

(b) Banking Institutions

(c) Corporates

Unrated and Rated Counterparties

In general, the rating specific to the credit exposure is used, i.e. the issue rating. Where no specific rating exists, the credit rating assigned to the issuer or counterparty of that particular credit exposure is used. In cases where an exposure has neither an issue or issuer rating, it is deemed as unrated or the rating of another rated obligation of the same counterparty may be used if the exposure is ranked at least pari passu with the obligation that is rated, as stipulated in the RWCAF. Where a counterparty or an exposure is rated by more than one ECAI, the second highest rating is then used to determine the risk weight. In cases where the credit exposures are secured by guarantees issued by eligible or rated guarantors, the risk weights similar to that of the guarantor are assigned.

The following is a summary of the rules governing the assignment of risk weights under the Standardised Approach. Each rated exposure must be assigned to one of the six credit quality rating categories defined in the table below:

Rating Category	S & P	Moody's	Fitch	RAM	MARC
1	AAA to AA–	Aaa to Aa3	AAA to AA–	AAA to AA3	AAA to AA–
2	A+ to A–	A1 to A3	A+ to A–	A1 to A3	A+ to A–
3	BBB+ to BBB–	Baa1 to Baa3	BBB+ to BBB–	BBB1 to BBB3	BBB+ to BBB–
4	BB+ to BB–	Ba1 to Ba3	BB+ to BB–	BB1 to BB3	BB+ to BB–
5	B+ to B–	B1 to B3	B+ to B–	B1 to B3	B+ to B–
6	CCC+ and below	Caa1 and below	CCC+ and below	C1 and below	C+ and below

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Unrated and Rated Counterparties (continued)

The Group uses a system to automatically execute the selection of ratings and allocation of risk weights. The following table is a summarised risk weight mapping matrix for each credit quality rating category:

Rating Category	Risk Weights Based on Credit Rating of the Counterparty Exposure Class			
	Sovereigns and Central Banks	Corporates	Banking Institutions	
			For Exposure Greater Than Six Months Original Maturity	For Exposure Less Than Six Months Original Maturity
1	0%	20%	20%	20%
2	20%	50%	50%	20%
3	50%	100%	50%	20%
4	100%	100%	100%	50%
5	100%	150%	100%	50%
6	150%	150%	150%	150%

In addition to the above, credit exposures under the counterparty exposure class of Banking Institutions, with an original maturity of three months or less which are denominated and funded in Ringgit Malaysia, are all risk-weighted at 20% regardless of credit rating.

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories

The following tables present the credit exposures of the Group before the effect of credit risk mitigation by credit quality rating categories.

Group Exposure Class	Rating Categories 1 RM'000	 2 RM'000	 3 RM'000	 4 RM'000	 5 RM'000	 6 RM'000	 Unrated RM'000	Total RM'000
2021								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	15,979,900	1,547,876	145,421	–	–	–		17,673,197
– Regulatory Retail	44,150	–	–	–	–	–		44,150
	16,024,050	1,547,876	145,421	–	–	–		17,717,347
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks#								
– Sovereigns and Central Banks	998,714	56,466,833	–	254,190	2,251,499	118,808		60,090,044
– Public Sector Entities	–	1,728,166	–	–	–	–		1,728,166
– Banks, DFIs and MDBs	–	187,605	–	–	–	–		187,605
– Insurance Companies, Securities Firms and Fund Managers	–	485	–	–	–	–		485
– Corporates	–	5,562,363	–	–	–	–		5,562,363
– Regulatory Retail	–	1,192,044	–	–	–	–		1,192,044
	998,714	65,137,496	–	254,190	2,251,499	118,808		68,760,707
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	7,677,103	5,724,996	3,568,759	610,708	338,900	–		17,920,466
– Corporates	668,079	56,477	–	–	–	–		724,556
– Regulatory Retail	4,280	3,226	–	–	–	–		7,506
	8,349,462	5,784,699	3,568,759	610,708	338,900	–		18,652,528
(iv) Exposures risk-weighted using ratings of Insurance Companies, Securities Firms and Fund Managers								
– Insurance Companies, Securities Firms and Fund Managers	97,488	–	–	–	–	–		97,488
Total Rated Exposures	25,469,714	72,470,071	3,714,180	864,898	2,590,399	118,808		105,228,070
(b) Total Unrated Exposures							357,097,981	357,097,981
	25,469,714	72,470,071	3,714,180	864,898	2,590,399	118,808	357,097,981	462,326,051

Under the RWCAF, exposures denominated and funded in Ringgit Malaysia and guaranteed by the Federal Government of Malaysia or BNM are accorded a preferential sovereign risk weight of 0%.

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (continued)

The following tables present the credit exposures of the Group before the effect of credit risk mitigation by credit quality rating categories (continued).

Group Exposure Class	Rating Categories 1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2021								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	52,033	8,730	–	–	–	–		60,763
– Regulatory Retail	20	–	–	–	–	–		20
	52,053	8,730	–	–	–	–		60,783
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks#								
– Sovereigns and Central Banks	–	20,644	–	–	–	–		20,644
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	266,621	123,886	44,461	2,856	1,532	–		439,356
– Corporates	12,968	446	–	–	–	–		13,414
– Regulatory Retail	131	–	–	–	–	–		131
	279,720	124,332	44,461	2,856	1,532	–		452,901
Total Rated Exposures	331,773	153,706	44,461	2,856	1,532	–		534,328
(b) Total Unrated Exposures							24,273,988	24,273,988
	331,773	153,706	44,461	2,856	1,532	–	24,273,988	24,808,316
Total Credit Exposures before Credit Risk Mitigation	25,801,487	72,623,777	3,758,641	867,754	2,591,931	118,808	381,371,969	487,134,367

Under the RWCAF, exposures denominated and funded in Ringgit Malaysia and guaranteed by the Federal Government of Malaysia or BNM are accorded a preferential sovereign risk weight of 0%.

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (continued)

The following tables present the credit exposures of the Group before the effect of credit risk mitigation by credit quality rating categories (continued).

Group Exposure Class	Rating Categories 1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2020								
On-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	15,087,741	874,813	144,837	–	–	–		16,107,391
– Regulatory Retail	49,504	–	–	–	–	–		49,504
	15,137,245	874,813	144,837	–	–	–		16,156,895
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks#								
– Sovereigns and Central Banks	1,029,376	60,037,565	–	252,038	2,554,785	99,606		63,973,370
– Public Sector Entities	–	1,844,746	–	–	–	–		1,844,746
– Banks, DFIs and MDBs	–	380,297	–	–	–	–		380,297
– Corporates	–	5,922,092	–	–	–	–		5,922,092
– Regulatory Retail	–	147,049	–	–	–	–		147,049
	1,029,376	68,331,749	–	252,038	2,554,785	99,606		72,267,554
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	7,597,625	4,579,970	929,232	547,569	216,676	–		13,871,072
– Corporates	719,820	205,427	–	–	–	–		925,247
	8,317,445	4,785,397	929,232	547,569	216,676	–		14,796,319
(iv) Exposures risk-weighted using ratings of Insurance Companies, Securities Firms and Fund Managers								
– Insurance Companies, Securities Firms and Fund Managers	100,083	–	–	–	–	–		100,083
Total Rated Exposures	24,584,149	73,991,959	1,074,069	799,607	2,771,461	99,606		103,320,851
(b) Total Unrated Exposures							346,346,753	346,346,753
	24,584,149	73,991,959	1,074,069	799,607	2,771,461	99,606	346,346,753	449,667,604

 # Under the RWCAF, exposures denominated and funded in Ringgit Malaysia and guaranteed by the Federal Government of Malaysia or BNM are accorded a preferential sovereign risk weight of 0%.

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures before the Effect of Credit Risk Mitigation by Credit Quality Rating Categories (continued)

The following tables present the credit exposures of the Group before the effect of credit risk mitigation by credit quality rating categories (continued).

Group Exposure Class	Rating Categories 1 RM'000	2 RM'000	3 RM'000	4 RM'000	5 RM'000	6 RM'000	Unrated RM'000	Total RM'000
2020								
Off-Balance Sheet Exposures								
(a) Rated Exposures								
(i) Exposures risk-weighted using ratings of Corporates								
– Corporates	132,734	–	9,908	–	–	–		142,642
– Regulatory Retail	20	–	–	–	–	–		20
	132,754	–	9,908	–	–	–		142,662
(ii) Exposures risk-weighted using ratings of Sovereigns and Central Banks#								
– Sovereigns and Central Banks	–	22,415	–	–	–	–		22,415
(iii) Exposures risk-weighted using ratings of Banking Institutions								
– Banks, DFIs and MDBs	309,122	102,862	94,414	4,572	57	–		511,027
– Corporates	4,566	863	–	–	–	–		5,429
	313,688	103,725	94,414	4,572	57	–		516,456
Total Rated Exposures	446,442	126,140	104,322	4,572	57	–		681,533
(b) Total Unrated Exposures							24,691,467	24,691,467
	446,442	126,140	104,322	4,572	57	–	24,691,467	25,373,000
Total Credit Exposures before Credit Risk Mitigation	25,030,591	74,118,099	1,178,391	804,179	2,771,518	99,606	371,038,220	475,040,604

Under the RWCAF, exposures denominated and funded in Ringgit Malaysia and guaranteed by the Federal Government of Malaysia or BNM are accorded a preferential sovereign risk weight of 0%.

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights.

	Credit Exposures after the Effect of Credit Risk Mitigation											
Group Risk Weights	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
2021												
0%	58,663,968	1,438,560	187,605	485	5,545,426	1,192,044	–	–	3,594,218	–	70,622,306	–
20%	373,135	307,463	13,367,632	97,488	16,710,567	48,581	–	–	19,145	–	30,924,011	6,184,802
35%	–	–	–	–	–	–	90,751,498	–	–	–	90,751,498	31,763,024
50%	2	–	6,572,485	–	1,634,443	23,688	33,454,937	–	–	–	41,685,555	20,842,778
75%	–	–	–	–	–	140,531,695	558,777	–	–	–	141,090,472	105,817,854
100%	1,074,089	–	564,938	456,771	66,897,733	14,517,531	16,554,496	–	4,343,276	720,651	105,129,485	105,129,485
150%	99,509	–	524,033	–	577,859	283,360	23,342	93,487	–	–	1,601,590	2,402,385
Total	60,210,703	1,746,023	21,216,693	554,744	91,366,028	156,596,899	141,343,050	93,487	7,956,639	720,651	481,804,917	272,140,328
Risk-Weighted Assets by Exposures	1,297,981	61,493	7,310,756	476,269	71,923,856	120,362,902	65,499,085	140,230	4,347,105	720,651	272,140,328	
Average Risk Weights	2.2%	3.5%	34.5%	85.9%	78.7%	76.9%	46.3%	150.0%	54.6%	100.0%	56.5%	
Deduction from Total Capital			–							–	–	

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (continued)

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights (continued).

Group Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation											
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
2020												
0%	61,893,314	1,561,084	380,297	–	5,922,092	147,049	–	–	3,004,535	–	72,908,371	–
20%	335,972	303,989	11,325,616	100,083	15,944,860	49,524	–	–	6,431	–	28,066,475	5,613,295
35%	–	–	–	–	–	–	86,319,595	–	–	–	86,319,595	30,211,858
50%	7	–	5,008,450	–	1,083,430	24,133	29,692,552	–	–	–	35,808,572	17,904,286
75%	–	–	–	–	–	137,121,517	646,319	–	–	–	137,767,836	103,325,877
100%	1,597,005	–	340,760	465,005	71,361,761	13,890,715	14,181,319	–	4,504,379	822,877	107,163,821	107,163,821
150%	69,361	–	474,205	–	636,024	395,491	24,450	90,811	–	–	1,690,342	2,535,513
Total	63,895,659	1,865,073	17,529,328	565,088	94,948,167	151,628,429	130,864,235	90,811	7,515,345	822,877	469,725,012	266,754,650
Risk-Weighted Assets by Exposures	1,768,244	60,798	5,821,415	485,022	76,046,484	117,347,061	59,760,867	136,217	4,505,665	822,877	266,754,650	
Average Risk Weights	2.8%	3.3%	33.2%	85.8%	80.1%	77.4%	45.7%	150.0%	60.0%	100.0%	56.8%	
Deduction from Total Capital			–							–	–	

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (continued)

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights (continued).

	Credit Exposures after the Effect of Credit Risk Mitigation											
Bank Risk Weights	**Sovereigns/ Central Banks RM'000**	**Public Sector Entities RM'000**	**Banks, DFIs and MDBs RM'000**	**Insurance Companies, Securities Firms and Fund Managers RM'000**	**Corporates RM'000**	**Regulatory Retail RM'000**	**Residential Mortgages RM'000**	**Higher Risk Assets RM'000**	**Other Assets RM'000**	**Equity Exposures RM'000**	**Total Exposures after Credit Risk Mitigation RM'000**	**Total Risk-Weighted Assets RM'000**
2021												
0%	39,460,987	391,777	182,417	485	4,880,669	1,102,775	–	–	3,142,692	–	49,161,802	–
20%	125,180	16,798	11,235,368	–	13,602,521	48,581	–	–	–	–	25,028,448	5,005,690
35%	–	–	–	–	–	–	71,139,879	–	–	–	71,139,879	24,898,958
50%	2	–	2,055,663	–	1,091,413	12,093	25,056,666	–	–	–	28,215,837	14,107,919
75%	–	–	–	–	–	112,610,001	338,977	–	–	–	112,948,978	84,711,733
100%	–	–	893,555	59,310	52,783,336	5,967,718	11,232,384	–	3,445,616	6,785,194	81,167,113	81,167,113
150%	99,509	–	524,033	–	512,131	213,820	4,356	78,676	–	–	1,432,525	2,148,787
1250%	–	–	–	–	–	–	–	–	90,418	–	90,418	1,130,225
Total	39,685,678	408,575	14,891,036	59,795	72,870,070	119,954,988	107,772,262	78,676	6,678,726	6,785,194	369,185,000	213,170,425
Risk-Weighted Assets by Exposures	174,301	3,360	4,954,510	59,310	56,817,743	90,761,711	48,920,441	118,014	4,575,841	6,785,194	213,170,425	
Average Risk Weights	0.4%	0.8%	33.3%	99.2%	78.0%	75.7%	45.4%	150.0%	68.5%	100.0%	57.7%	
Deduction from Total Capital			–							–	–	

5. CREDIT RISK (CONTINUED)

5.4 Assignment of Risk Weights for Portfolios Under the Standardised Approach (continued)

Credit Exposures after the Effect of Credit Risk Mitigation by Risk Weights (continued)

The following tables present the credit exposures of the Group and of the Bank after the effect of credit risk mitigation by risk weights (continued).

Bank Risk Weights	Credit Exposures after the Effect of Credit Risk Mitigation										Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
	Sovereigns/ Central Banks RM'000	Public Sector Entities RM'000	Banks, DFIs and MDBs RM'000	Insurance Companies, Securities Firms and Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000		
2020												
0%	42,620,095	448,074	288,766	–	4,978,453	144,278	–	–	2,589,580	–	51,069,246	–
20%	119,438	18,946	7,843,893	–	14,050,887	49,524	–	–	–	–	22,082,688	4,416,538
35%	–	–	–	–	–	–	68,455,732	–	–	–	68,455,732	23,959,506
50%	7	–	1,260,592	–	549,642	16,280	22,522,322	–	–	–	24,348,843	12,174,421
75%	–	–	–	–	–	111,229,500	392,893	–	–	–	111,622,393	83,716,795
100%	–	–	594,679	46,021	57,751,753	5,886,167	9,985,949	–	3,622,303	6,717,506	84,604,378	84,604,378
150%	69,361	–	474,206	–	586,275	326,481	10,493	75,820	–	–	1,542,636	2,313,954
1250%	–	–	–	–	–	–	–	–	89,995	–	89,995	1,124,938
Total	42,808,901	467,020	10,462,136	46,021	77,917,010	117,652,230	101,367,389	75,820	6,301,878	6,717,506	363,815,911	212,310,530
Risk-Weighted Assets by Exposures	127,933	3,789	3,505,063	46,021	61,716,164	89,816,058	45,517,025	113,730	4,747,241	6,717,506	212,310,530	
Average Risk Weights	0.3%	0.8%	33.5%	100.0%	79.2%	76.3%	44.9%	150.0%	75.3%	100.0%	58.4%	
Deduction from Total Capital			–							–	–	

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing

Gross Loans, Advances and Financing by Credit Quality

All loans, advances and financing are categorised as either:

(a) neither past due nor credit-impaired;

(b) past due but not credit-impaired; or

(c) credit-impaired.

The loans, advances and financing are considered past due when any payment (whether principal and/or interest/profit) due under the contractual terms are received late or missed.

The loans, advances and financing of the Group and of the Bank are classified as credit-impaired when they fulfil any of the following criteria:

(a) principal or interest/profit or both are past due for ninety (90) days or more; or

(b) outstanding amount is in excess of approved limit for ninety (90) days or more in the case of revolving facilities; or

(c) where the loans, advances and financing are in arrears or the outstanding amount has been in excess of the approved limit for less than ninety (90) days, the loans, advances and financing exhibits indications of significant credit weaknesses; or

(d) where credit-impaired loans, advances and financing are rescheduled and restructured ("R&R"), the loans, advances and financing will remain as credit-impaired until repayments based on the revised and/or restructured terms have been continuously paid for a period of at least six (6) months and the account is less than ninety (90) days past due upon compliance of their required nursing period; or

(e) for repayments scheduled on intervals of ninety (90) days or more including bullet repayment as soon as default occurs.

In addition, loans, advances and financing that are considered individually significant, the Group assesses on a case-by-case basis at each reporting date whether there is any objective evidence that loans, advances and financing are credit-impaired.

The gross loans, advances and financing analysed by credit quality are set out in the credit risk section of Note 45 (ii) to the financial statements.

The description of the approaches adopted for the determination of individual and collective impairment allowance are set out in Note 2(iii)(h)(ii) to the financial statements.

(a) Past Due But Not Credit-impaired

Tables (i)-(iii) present the analyses of past due but not credit-impaired loans, advances and financing of the Group by the following:

(i) Economic purpose

(ii) Geographical

(iii) Aging

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(a) Past Due But Not Credit-impaired (continued)

(i) Economic purpose

Group	2021 RM'000	2020 RM'000
Purchase of securities	**5,181**	22,898
Purchase of transport vehicles	**7,059,567**	7,319,975
Purchase of landed properties	**4,473,037**	8,784,735
(Of which: – residential	**3,460,853**	6,611,930
– non-residential)	**1,012,184**	2,172,805
Purchase of fixed assets (excluding landed properties)	**2,472**	1,594
Personal use	**342,667**	577,225
Credit card	**171,229**	225,606
Purchase of consumer durables	**–**	211
Construction	**126,805**	52,637
Working capital	**545,861**	687,758
Other purpose	**56,582**	22,975
	12,783,401	17,695,614

(ii) Geographical

Group	2021 RM'000	2020 RM'000
Malaysia	**11,969,610**	16,944,899
Hong Kong & China	**299,572**	286,005
Cambodia	**292,524**	216,454
Other countries	**221,695**	248,256
	12,783,401	17,695,614

(iii) Aging

Group	2021 RM'000	2020 RM'000
1 day to 30 days	**9,404,567**	11,276,992
31 to 59 days	**2,818,157**	4,460,311
60 to 89 days	**560,677**	1,958,311
	12,783,401	17,695,614

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(b) Credit-impaired Loans, Advances and Financing

Tables (i)-(ii) present the analyses of credit-impaired loans, advances and financing of the Group and the impairment allowances of the Group by the following:

(i) Economic purpose

(ii) Geographical

(i) Economic purpose

Group	Credit-impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
2021							
Purchase of securities	33,996	–	8,040	–	8,040	1,900	9,940
Purchase of transport vehicles	151,752	6,359	7,356	37	13,752	1,287,144	1,300,896
Purchase of landed properties	514,620	5,564	10,390	(4,596)	11,358	1,233,319	1,244,677
(Of which: – residential	336,453	1,301	5,363	(1,229)	5,435	425,297	430,732
– non-residential)	178,167	4,263	5,027	(3,367)	5,923	808,022	813,945
Purchase of fixed assets (excluding landed properties)	10,655	2,176	2,467	(404)	4,239	3,273	7,512
Personal use	87,462	22,469	92,777	(97,244)	18,002	109,200	127,202
Credit card	8,048	–	–	–	–	47,039	47,039
Purchase of consumer durables	1	–	–	–	–	1	1
Construction	14,835	93	789	(852)	30	113,666	113,696
Working capital	275,638	16,632	9,033	(1,651)	24,014	304,752	328,766
Other purpose	4,916	30	1,011	(856)	185	794,375	794,560
	1,101,923	53,323	131,863	(105,566)	79,620	3,894,669	3,974,289

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(b) Credit-impaired Loans, Advances and Financing (continued)

Tables (i)-(ii) present the analyses of credit-impaired loans, advances and financing of the Group and the impairment allowances of the Group by the following (continued):

(i) Economic purpose (continued)

Group	Credit-impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
2020							
Purchase of securities	–	–	–	–	–	6,052	6,052
Purchase of transport vehicles	175,309	4,304	2,296	(241)	6,359	646,269	652,628
Purchase of landed properties	647,802	10,220	6,400	(11,056)	5,564	1,059,339	1,064,903
(Of which: – residential	440,544	284	1,246	(229)	1,301	413,315	414,616
– non-residential)	207,258	9,936	5,154	(10,827)	4,263	646,024	650,287
Purchase of fixed assets (excluding landed properties)	12,779	1,091	1,395	(310)	2,176	3,110	5,286
Personal use	106,756	32,948	150,465	(160,944)	22,469	102,947	125,416
Credit card	13,812	–	–	–	–	36,007	36,007
Purchase of consumer durables	1	–	–	–	–	3	3
Construction	15,077	8,884	(200)	(8,591)	93	61,566	61,659
Working capital	274,330	8,670	13,400	(5,438)	16,632	273,681	290,313
Other purpose	5,352	3,072	1,948	(4,990)	30	606,149	606,179
	1,251,218	69,189	175,704	(191,570)	53,323	2,795,123	2,848,446

5. CREDIT RISK (CONTINUED)

5.5 Credit Quality of Gross Loans, Advances and Financing (continued)

Gross Loans, Advances and Financing by Credit Quality (continued)

(b) Credit-impaired Loans, Advances and Financing (continued)

Tables (i)-(ii) present the analyses of credit-impaired loans, advances and financing of the Group and the impairment allowances of the Group by the following (continued):

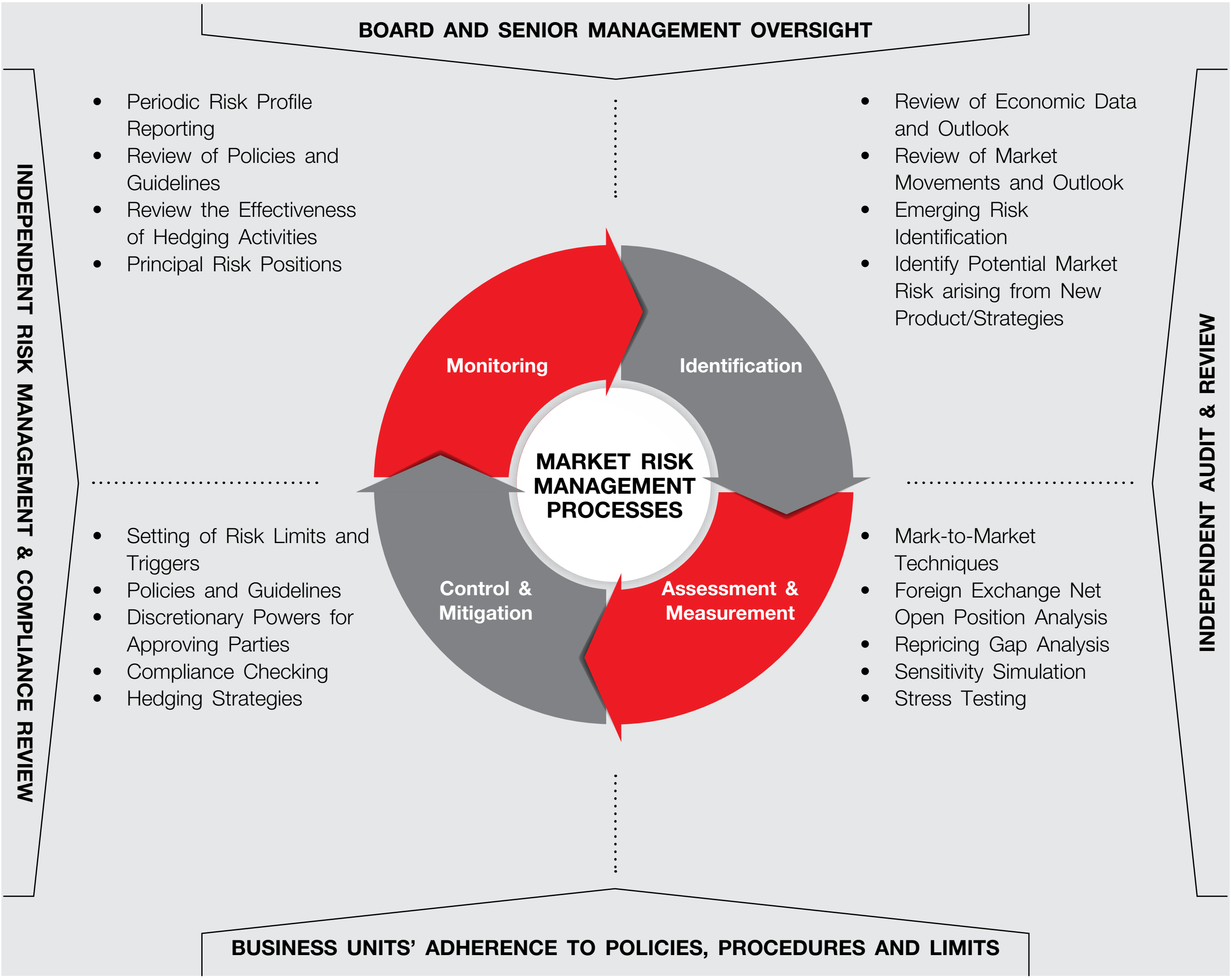
(ii) Geographical

Group	Credit-impaired Loans, Advances and Financing RM'000	Individual Assessment Allowance at 1 January RM'000	Net Charge for the Year RM'000	Amounts Written Off/Other Movements RM'000	Individual Assessment Allowance at 31 December RM'000	Collective Assessment Allowance at 31 December RM'000	Total Impairment Allowances for Loans, Advances and Financing RM'000
2021							
Malaysia	**827,687**	**10,884**	**20,700**	**(6,694)**	**24,890**	**3,668,557**	**3,693,447**
Hong Kong & China	**132,655**	**31,103**	**100,812**	**(96,744)**	**35,171**	**114,321**	**149,492**
Cambodia	**28,751**	**–**	**–**	**–**	**–**	**73,672**	**73,672**
Other countries	**112,830**	**11,336**	**10,351**	**(2,128)**	**19,559**	**38,119**	**57,678**
	1,101,923	**53,323**	**131,863**	**(105,566)**	**79,620**	**3,894,669**	**3,974,289**
2020							
Malaysia	995,962	24,625	10,166	(23,907)	10,884	2,585,180	2,596,064
Hong Kong & China	120,136	36,313	156,176	(161,386)	31,103	113,280	144,383
Cambodia	28,801	–	–	–	–	64,266	64,266
Other countries	106,319	8,251	9,362	(6,277)	11,336	32,397	43,733
	1,251,218	69,189	175,704	(191,570)	53,323	2,795,123	2,848,446

6. MARKET RISK

Market risk is the risk that movements in market variables, including interest rate/rate of return, foreign exchange rates, credit spreads, commodity prices and equity prices, will reduce the earnings or capital of the Group.

The following diagram presents the risk management processes over market risk.



The risk governance and risk management approach for market risk are set out in the market risk section of Note 45 to the financial statements.

6. MARKET RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Market Risk

The following tables present the minimum regulatory capital requirements for market risk of the Group and of the Bank.

Group	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2021				
Interest rate/rate of return risk	**27,905,688**	**(27,574,102)**	**1,832,843**	**146,628**
Foreign exchange risk	**3,361,339**	**(778,669)**	**3,361,339**	**268,907**
Total	**31,267,027**	**(28,352,771)**	**5,194,182**	**415,535**
2020				
Interest rate/rate of return risk	30,363,238	(29,426,279)	1,268,088	101,447
Foreign exchange risk	3,451,593	(1,399,130)	3,451,593	276,127
Total	33,814,831	(30,825,409)	4,719,681	377,574

Bank	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
2021				
Interest rate risk	**26,931,238**	**(26,599,651)**	**1,830,721**	**146,458**
Foreign exchange risk	**1,860,746**	**(3,288,285)**	**3,288,285**	**263,063**
Total	**28,791,984**	**(29,887,936)**	**5,119,006**	**409,521**
2020				
Interest rate risk	29,380,457	(28,443,503)	1,270,253	101,620
Foreign exchange risk	2,015,199	(3,471,562)	3,471,562	277,725
Total	31,395,656	(31,915,065)	4,741,815	379,345

7. EQUITY EXPOSURES IN THE BANKING BOOK

The following tables present the equity exposures in the banking book and the gains and losses on equity exposures in the banking book of the Group.

(a) Equity Exposures in the Banking Book

Group	2021 Gross Credit Exposure RM'000	2021 Risk-Weighted Assets RM'000	2020 Gross Credit Exposure RM'000	2020 Risk-Weighted Assets RM'000
Publicly traded				
Holdings of equity investments	**1,614**	**1,614**	1,382	1,382
Privately held				
For socio-economic purposes	**719,036**	**719,036**	821,495	821,495
Not for socio-economic purposes	**39,333**	**59,000**	36,302	54,453
	758,369	**778,036**	857,797	875,948
Total	**759,983**	**779,650**	859,179	877,330

(i) Publicly Traded

Holdings of equity investments comprise mainly of shares listed in an exchange, are held for dividend yield purpose and to take advantage of favourable movements in equity prices. Decisions concerning investing in equities are made by the Share Investment Committee. Equity positions are monitored against pre-determined cut-loss limits. All publicly traded equity exposures are stated at fair value.

(ii) Privately Held

The privately held equity investments are stated at fair value.

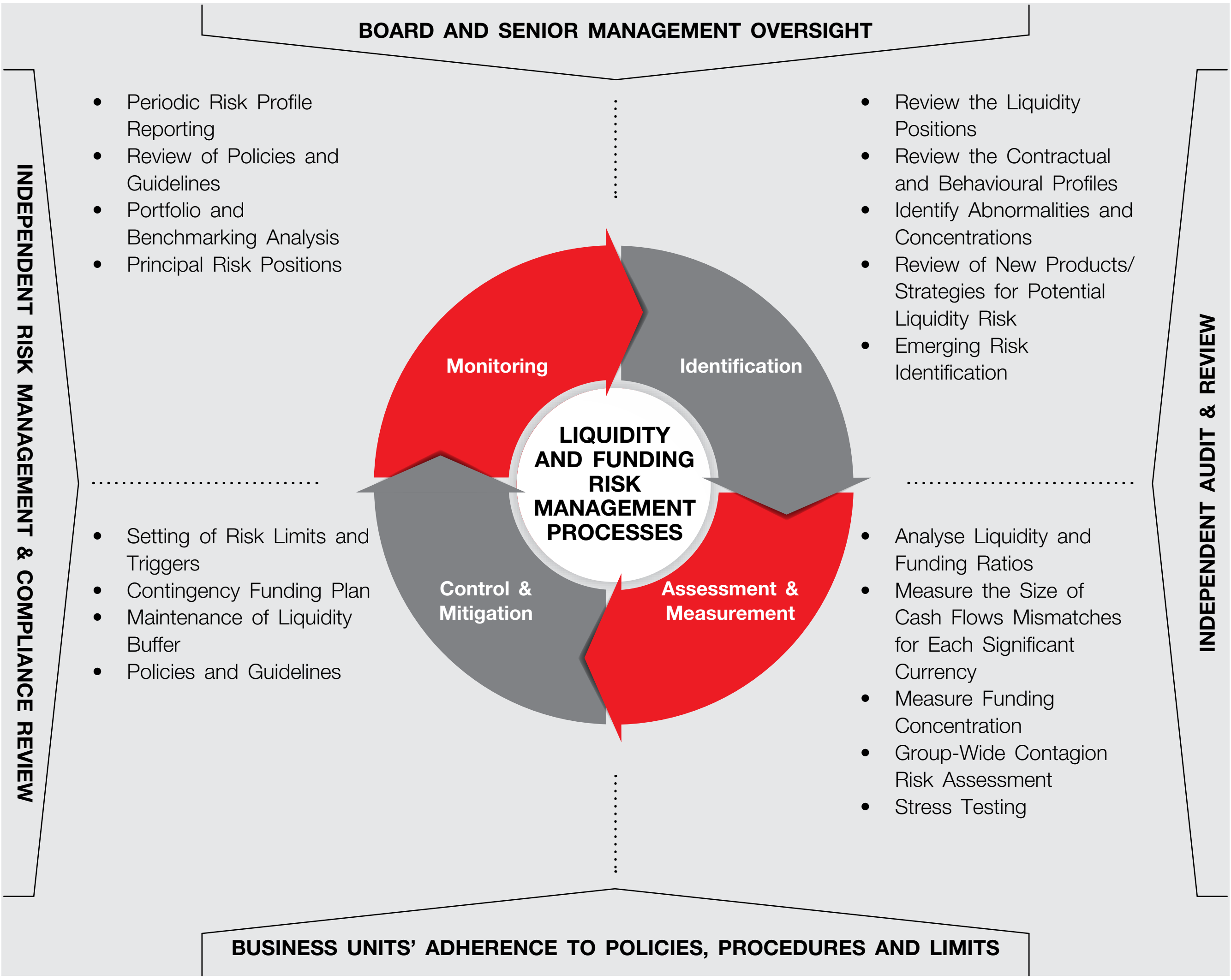
(b) Gains and Losses on Equity Exposures in the Banking Book

Group	2021 RM'000	2020 RM'000
Realised loss recognised in profit or loss		
– Investments in unit trust funds	**–**	(17)
Realised gain recognised in other comprehensive income		
– Privately held equity investments	**319**	–
Unrealised revaluation (loss)/gain recognised in profit or loss		
– Privately held equity investments	**(113,204)**	33,344
Unrealised revaluation gain/(loss) recognised in other comprehensive income		
– Privately held equity investments	**12,974**	28,150
– Publicly traded equity investments	**232**	(174)
	13,206	27,976

8. LIQUIDITY AND FUNDING RISK

Liquidity risk is the risk that the Group does not have sufficient financial resources to meet its expected or unexpected cash flows/commitments, or can secure the financial resources only at excessive cost. Funding risk is the risk that the Group does not have sufficiently stable and diverse sources of funding or the funding structure is inefficient.

The following diagram presents the risk management processes over liquidity and funding risk.

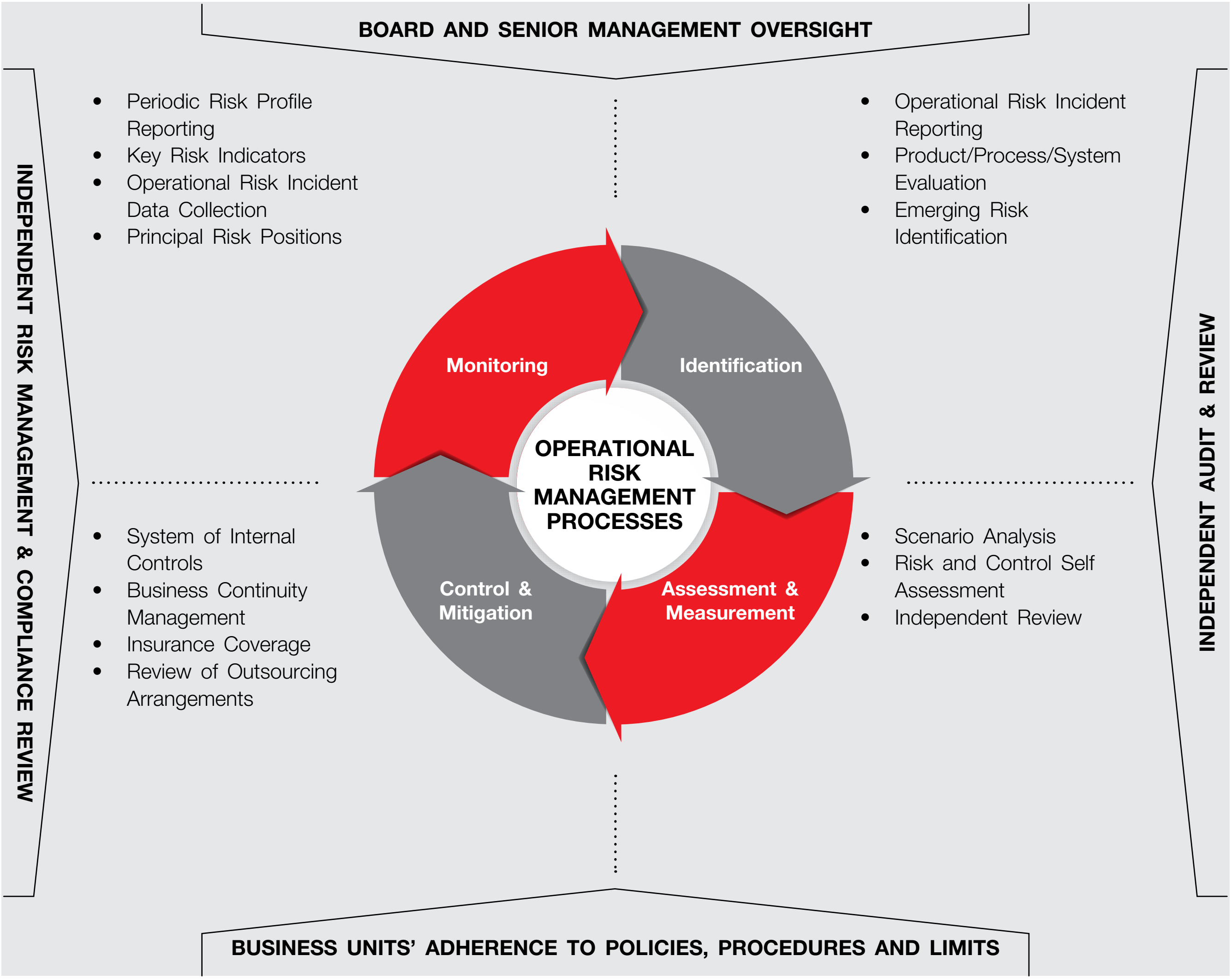


The risk governance and risk management approach for liquidity and funding risk are set out in the liquidity and funding risk section of Note 45 to the financial statements.

9. OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk is unavoidable as it is inherent in all banking businesses. The objective of the operational risk management of the Group is to manage its operational risk within an acceptable level.

The following diagram presents the risk management processes over operational risk.



The risk governance and risk management approach for operational risk are set out in the operational risk section of Note 45 to the financial statements.

9. OPERATIONAL RISK (CONTINUED)

Minimum Regulatory Capital Requirements for Operational Risk

The following table presents the minimum regulatory capital requirements for operational risk of the Group and of the Bank, computed using the Basic Indicator Approach.

	2021		2020	
	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirement at 8% RM'000
Group	**20,990,969**	**1,679,278**	20,141,735	1,611,339
Bank	**14,177,493**	**1,134,199**	13,689,994	1,095,200

10. SHARIAH NON-COMPLIANCE RISK

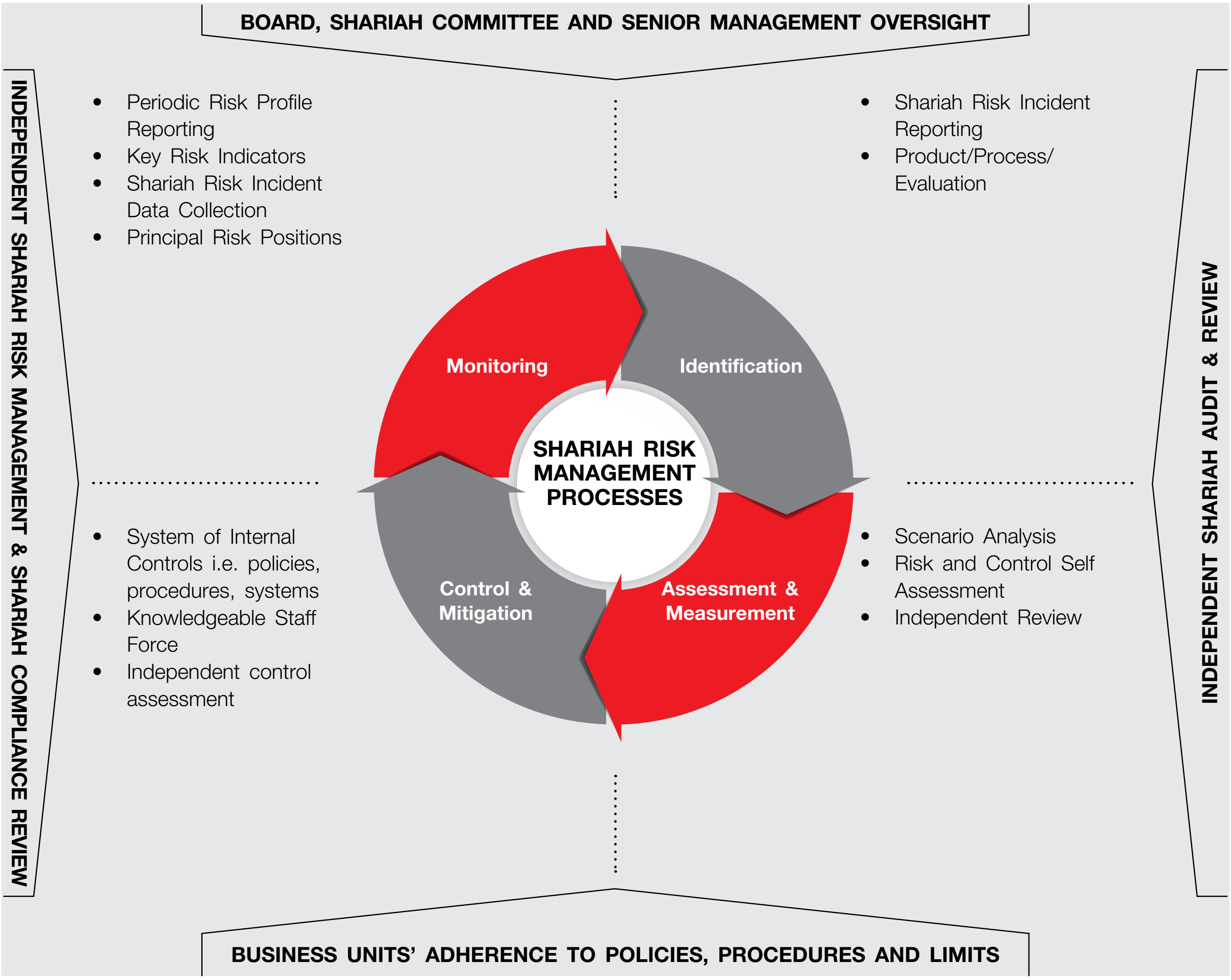
Shariah non-compliance ("SNC") risk is risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which the entities may suffer arising from failure to comply with the rulings of the Shariah Advisory Council ("SAC") of BNM and/or the SAC of Securities Commission, Bursa Malaysia, standards on Shariah matters issued by BNM pursuant to section 29(1) of the Islamic Financial Services Act 2013 ("IFSA"), or decisions or advice of the respective entities' Shariah Committee/ Shariah Advisers.

SNC risk of the Group may emanate from the Islamic banking operations, business, affairs and activities of Public Islamic, the management of Shariah-based funds by Public Mutual Berhad and the Islamic capital market activities of Public Investment Bank Berhad.

10. SHARIAH NON-COMPLIANCE RISK (CONTINUED)

Islamic Banking Operations

The following diagram presents the risk management processes over SNC risk:



The following disclosures on SNC risk are set out in the Shariah non-compliance risk section of Note 45 to the financial statements:

(a) Description of the Shariah governance structure, systems, processes and controls employed for the purpose of ensuring Shariah compliance;

(b) Description on rectification process of non-Shariah compliant income occurring during the year; and

(c) The amount of non-Shariah compliant income and the number of non-Shariah compliant events occurring during the year.

This page has been intentionally left blank.

PUBLIC BANK BERHAD
196501000672 (6463-H)
Menara Public Bank, 146 Jalan Ampang, 50450 Kuala Lumpur
Tel: 603 2163 8888 / 2163 8899   Fax: 603 2163 9917

www.publicbankgroup.com